

HSC Pension Scheme

Consultation on Proposed Amendments to Scheme Regulations

Department of Health

Consultation Response Document

1. Introduction

1.1. The Department of Health (the Department) published for consultation proposals to make a number of amendments to Scheme Regulations, on 31 January 2023.

1.2. The proposed amendments in the consultation were to:

- Make technical amendments in relation to the alignment of the Consumer Price Index (CPI) inflation rates used for revaluing pension benefits and the annual allowance tax calculation
- Update contribution tiers in line with the Agenda for Change (AfC) pay award and introduce technical updates to member contribution provisions
- Make a number of technical corrections to improve the operation of the Scheme Regulations.

1.3. The rapid increase in Consumer Price Index (CPI) inflation has shown there to be a timing mismatch between the CPI rate that is used to revalue accrued benefits in the HSC Pension Scheme and the CPI rate that is allowed for in annual allowance (AA) tax calculations. Aligning these timings will ensure that the AA measures only the pension growth that occurs above inflation.

1.4. The Department are requesting the Department of Finance make changes to the Public Service Pensions Revaluation Order (Northern Ireland) 2023 to accommodate the move of the revaluation date for the HSC Pension Scheme. Changing the revaluation date by 5 days, from 1 April to 6 April, aligns the rate of CPI used and ensures that the AA operates as intended in relation to HSC pensions.

1.5. Previously it was set out that the contribution tier thresholds will be increased annually in line with the AfC pay awards. Following details of the 2022/23 AfC pay award for Northern Ireland, work has been carried out to uplift the member contribution thresholds in line with the AfC pay award.

1.6. As the 2022/23 pay award was made so close to the end of the scheme year it was proposed to split the contribution rate tables in order to provide updated tables for 2022/23 and also the opening position for 2023/24.

1.7. A number of amendments were needed to Regulations so that references to the Regional Health and Social Care Board will be replaced by references to the Department of Health.

- 1.8. Also, the addition of the term shared parental leave to be added to Regulations to provide entitlement for a mother/adopter and a child's father/adopter or a mother's or adopter's partner to take shared parental leave without an impact on their pension.
- 1.9. This document sets out the Department's response to comments received and should be read in conjunction with the [consultation document](#).

2. Consultation Process

- 2.1. The proposals were subject to consultation which began on 31 January 2023 and ended on 17 February 2023. The Consultation Document describing the proposals was published on the Department's website.
- 2.2. HSC Pension Scheme members, HSC Employers, Trade Unions and other interested parties were formally notified of the consultation.
- 2.3. As part of governance arrangements for the HSC Pension Scheme, the consultation document was also provided to members of the HSC Pension Scheme Advisory Board (SAB) and the HSC Pension Scheme Pension Board. The SAB is a statutory board, comprising HSC Trade Union and employer representatives that advises the Department on merits of making changes to the scheme.
- 2.4. The Department welcomed any comments or views on the proposals.
- 2.5. The Department received a total of 25 responses to the consultation as follows:-
- 21 Scheme Members
 - British Medical Association (BMA)
 - British Dental Association (BDA)
 - Royal College of Nursing (RCN)
 - Society of Radiographers (SoR)

3. Consultation Questions

Question

Do you agree or disagree that the changes to the pension rules regarding inflation should be implemented as proposed in this consultation document? If you disagree, please explain why?

- 3.1. The consultation proposed technical changes related to changing the revaluation date by 5 days, from 1 April to 6 April, from 2022/23 onwards, to align the rate of Consumer Price Index (CPI) used in CARE revaluation in

the HSC Pension Scheme and the pension growth calculation for Annual Allowance (AA) purposes.

- 3.2. The Public Service Pensions Revaluation Order (Northern Ireland) comes into force on 1 April each year since the introduction of the 2015 Scheme, meaning the 2015 Scheme earned pension up to 31 March was revalued on 1 April. In contrast, the opening value of the 2015 Scheme pension on 5 April is increased by an earlier September's CPI percentage rate.
- 3.3. Effectively there is a one-year CPI disparity and recent higher inflation means this mismatch has become more acute, leading to more members being potentially at risk of breaching their AA.
- 3.4. The proposed changes ensure AA operates as intended in relation to HSC Pensions and that the high inflation environment does not create larger tax charges on pension earned.

Consultation Findings

- 3.5. A total of 19 scheme members responded to this question, and of these respondents, 14 agreed to this proposal.
- 3.6. BMA commented it has regularly highlighted the unfair situation related to the "CPI disconnect" suggesting that, at a UK level, the best way to fix this is to amend the Finance Act to ensure the same value of CPI is used for the "opening value" and the revaluation. However, it is recognised that in lieu of the UK Government amending the Finance Act, there are limited means by which the Department of Health can mitigate this problem.
- 3.7. BMA stated that it understands that moving the effective date of the revaluation of CARE schemes from the 1 April to the 6 April will in effect "align" the CPI values used to uplift the opening value and revalue CARE pension.
- 3.8. RCN commented that in general terms, they endorse the commentary on changes to the pension rules regarding inflation set out in the consultation document and agree with the proposal to move the date that the yearly in-service revaluation is applied to the 2015 scheme earned pension from 1 April to 6 April, with effect from 6 April 2023.

Response

- 3.9. The Department is grateful for the responses to this consultation question.
- 3.10. Moving the revaluation date by 5 days, from 1 April to 6 April, aligns the rate of CPI used in the CARE revaluation in the HSC Pension Scheme and the pension benefit growth for AA purposes. (The same move in date will be used

when applying dynamising factors to 1995/2008 Scheme practitioner pensionable earnings.)

- 3.11. This will ensure that the AA operates as intended in relation to HSC pensions and the high inflation environment does not create larger tax charges on the pension earned. Consequently, from tax year 2022 to 2023 onwards, the calculation to determine the pension input amount will properly measure growth above inflation in the HSC Pension Scheme.

Question

Do you agree or disagree that the changes to member contributions provisions should be implemented as proposed in this consultation document? If you disagree, please explain why.

- 3.12. The consultation proposed uplifting the contribution tier thresholds in line with the Agenda for Change (AfC) pay award for 2022/23.
- 3.13. As the 2022/23 pay award was so close to the end of the scheme year, the consultation proposed to update the tables for 2022/23 and also to update the opening position for 2023/24.
- 3.14. It was proposed a number of amendments were needed to the 2015 Regulations to allow practitioners to apportion their earnings so that they pay contributions in accordance with the member contribution structure that was in place at the time their pensionable earnings were earned.

Consultation Findings

- 3.15. Of the 6 scheme members who responded directly to the question, 2 stated that they agreed with the proposals, and 2 disagreed. The remainder voiced no preference.
- 3.16. BMA commented that they are clear that their preferred approach is one of a flat contribution rate. However, within a tiered scheme, BMA acknowledge the need for contribution thresholds to rise incrementally in line with pay.
- 3.17. BMA also added that while all members' pay scales aren't governed by Agenda for Change, they acknowledge that this is the case for the majority of the HSC workforce, and therefore accept that this mechanism is appropriate whilst a tiered scheme remains. BMA noted, for practitioners, it is reasonable to split the year into two to ensure the correct contribution rate is paid for each period. However, given the additional complexity this brings, BMA would urge that every effort must be taken to ensure that the next phase of contribution changes is not delayed.
- 3.18. SoR commented that one threshold point in particular gave the SoR grave concern. This is the significant increase experienced by Band 5 new

professionals who face an insidious choice of leaving the pension scheme or losing around half of their first incremental pay increase as a New Professional to increased pension charges. Between 31st March 2022 and 1st April 2024 a New Professional will see their pension contributions rise from 7.1% to 9.8%.

Response

- 3.19. The Department feel increasing contribution thresholds in line with the AfC pay awards will reduce the possibility for a small number of members to have a take-home pay reduction as a result of crossing tiers due solely to AfC pay increases.
- 3.20. AfC pay bands were chosen as the basis for the tiers because staff working under AfC are the largest single group of HSC staff eligible to join the HSC Pension Scheme.

Question

Do you agree or disagree with the technical corrections proposed? If you disagree, please explain why

- 3.21. The consultation proposed references to the Health and Social Care Board would be replaced by references to the Department of Health.
- 3.22. It was also proposed that Shared Parental Leave was included in the Regulations under reasons for absence from work to provide entitlement to take shared parental leave without having an impact on the member's pension.

Consultation Findings

- 3.23. There were no comments contrary to the proposals set out in this section.

Response

- 3.24. The Department will move forward with changing references to the Health and Social Care Board to references to the Department of Health and also include Shared Parental Leave under reasons for absence from work in the Regulations.

Question

Are there any additional comments you wish to provide with regard to the proposed amendments?

Consultation Findings

- 3.25. The overall consensus received from the scheme member respondents showed discontent that the Department had yet to propose partial retirement for the 1995 Section or pensionable reemployment.
- 3.26. BDA commented that dentists will be exceptionally disappointed if DoH does not seek to implement further reforms that mirror those being adopted in the rest of the UK, to extend retirement flexibilities to the 1995 Pension Scheme.
- 3.27. RCN noted that, in general terms, they welcome all of the proposed amendments to the regulations. However, they noted a similar consultation exercise recently closed in England and Wales but that this incorporated additional proposals to introduce pension retirement flexibilities. The RCN understands that consultation on these 1995 section retirement flexibilities could not proceed as a Minister is not in post here in Northern Ireland.
- 3.28. BMA commented that it is disappointed that the Department of Health has not put forward proposals on partial retirement or pensionable reemployment, as is the case in other UK nations.

Response

- 3.29. The Department is grateful for the additional comments included in the responses and recognises many of those who responded feel more needs to be done to address pension retirement flexibilities. The Department will take these on board and hope to be able to consult on such changes in the future.

4. Impact Assessments

Questions

Are there any considerations and evidence that you think the Department should take into account when assessing any equality issues arising as a result of the proposed changes?

- 4.1. An Equality Screening/Impact Assessment (EQIA) and Rural Needs Assessment for these regulations were carried out by the Department and have been published on the Departments website.

Response

4.2. There has been no change to the EQIA and Rural Needs Assessment following consultation.

5. Conclusion and next steps

5.1. The Department is grateful for the responses received to this consultation stage, which have provided valuable insight from a wide cross-section of the HSC Pension Scheme membership and interested stakeholders.

5.2. The Department has consulted those who appear likely to be affected by the proposed changes to regulations with a view of reaching agreement.

5.3. Following consultation, the Department intends to proceed with the proposals to introduce the amending regulations to make changes to The Health and Social Care Pension Scheme Regulations (Northern Ireland 2015) to:

- facilitate the moving of the revaluation date from 1 April to 6 April to ensure that Annual Allowance operates as intended in relation to HSC pensions and that the current high inflation environment does not create larger tax charges;
- uplift the member contribution thresholds in line with the Agenda for Change pay award and introduce the updated contribution tables for the year 2023/24
- introduce technical updates to allow practitioners to apportion their earnings so they pay contributions in accordance with their member contribution structure that was in place at the time their pensionable earnings were earned
- replace references to the Health and Social Care Board with references to the Department of Health.

5.4. The amending regulations also make amendments to the:

- The Health and Personal Social Service (Superannuation) Regulations (Northern Ireland) 1995
- The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 and
- The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015

to include Shared Parental Leave under reasons for absence from work to provide entitlement to take shared parental leave without having an impact on their pension.

5.5. The amending regulations will be laid before the Assembly and come into force on 1 April 2023.