



BSA - The Business Services Association

NHS Pension Scheme: increased flexibility - consultation response

November 2019

The BSA - Business Services Association - brings together all those who are interested in delivering efficient, flexible and cost-effective service and infrastructure projects across the private and public sectors. A list of our members is attached as an Annex. They include large and small businesses, charities and social enterprises.

The UK business services sector employs 3.3 million people across the UK, accounting for around 1 in 10 jobs, and accounts for 8 per cent of economic output. As such it is an important driver of inclusive economic growth across every region and community.

The BSA welcomes the opportunity to respond to this consultation on NHS Pension Scheme flexibilities. Our response broadly welcomes increased flexibilities; our comments below are intended to address the issues most affecting BSA members.

Question 1

Who do you think pension flexibility should be available to?

In our view the widest flexibility would be welcomed. Although many of the headlines focus on the clinicians who may be affected by the annual allowance tax charge, there are good arguments for allowing flexibility at the lower paid end of the workforce who may, for financial circumstances, currently be opted out of the Scheme but who would welcome the opportunity to build up savings for their future retirement.

This would, of course, be subject to the minimum requirements set by automatic enrolment but could encourage a savings culture at the lower end. It would also assist in maintaining good relations across the workforce.

Question 2

Do you think the proposal for a more tailored approach to pension accrual is flexible enough for senior clinicians to balance their income, pension growth and tax liability? Please set out the reasons for your answer.

Whilst the approach does incorporate a reasonable level of flexibility, it will require increased monitoring by the individuals and probably some level of professional assistance which was not needed prior to the introduction of the tapered annual allowance.

There is the possibility that this may be seen as an effective “tax” on higher earners in professional fees and may disincentivise more flexible working, which is the desired outcome. Similarly, the costs of taking professional advice is likely to deter any lower paid staff should the flexibilities be available more widely.

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Question 3

If not, in what ways could the proposals be developed further?

The flexibilities are acceptable as far as they go. However, there is a wider view that the most appropriate way to encourage a return to previous behaviours is to remove the disincentive which is the annual allowance taper charge.

Opening the flexibilities more widely in the Scheme, and a comprehensive education and communication exercise for all members, may go some way to showing the flexibilities are a reasonable alternative.

Question 4

We're proposing that large pay increases for high-earning staff should only be included in their pensionable income gradually. Do you agree or disagree with this proposal? Please set out the reasons for your answer.

This is a complex question impacting on incentivisation, pensions and more widely tax issues.

It is an interesting proposal but has the scope to disincentivise staff who have performed in a manner which encourages increased rewards. If part of a person's earnings which would otherwise have been pensionable are removed from that framework, where is the incentive to continue the level of performance.

Under the original tax regime, this proportion of earnings would have effectively been paid tax free into the Scheme - under the proposals, the Exchequer will take 40% or 45% of those earnings and the commensurate protection of employer underwritten retirement "deferred pay" is removed.

The key to making an initiative like this work is communication and making sure the message received by the members is that the flexibility is to help them in planning their pension strategy; otherwise it simply looks like a tax gathering exercise.

Question 5

Currently, the NHS Pension Scheme has a notional defined contribution pot (NDC) approach to Scheme Pays deductions. We're proposing to replace this with the debit method. Do you agree or disagree with this proposal? Please set out the reasons for your answer.

Scheme pays is seen as the advanced payment of a member's incurred tax liability in exchange for giving up some of that member's pension.

There is a school of thought that describes scheme pays as effectively a long-term tax on retirement savings which normally ends up costing the member more in the long run than it would originally have. However, the alternative - imposing high levels of taxation on the member directly - are equally unpalatable to most members.

Consequently, we are neutral on whether the deductions should be on a notional defined contribution pot basis or a debit basis.



Question 6

What impact, if any, do you think the following will have on people with one or more protected characteristics:

- **The proposal to target the flexibility to clinicians who have a reasonable prospect of an annual allowance tax charge**
- **The proposal to provide flexible accrual to clinicians who have a reasonable prospect of an annual allowance tax charge**
- **Other proposals in the consultation document e.g. phasing pensionable pay increases and/or commissioning a modeller to help individuals understand their tax liability and flexibility options**
- **Adopting the debit method for scheme pays**

We have no comment on this question.

Question 7

Are there any further equality considerations that the department should be aware of from groups outside the data set?

We have no comment on this question.



Annex - List of BSA Members

3SC	Ingeus
Accenture Plc	Interim Partners
AECOM	Interserve
Amey Plc	Invicti
Aramark	ISS UK Ltd
Atkins	KBR
Atos	KPMG
Baachu	Kier Group Plc
Balfour Beatty Plc	Maximus UK Ltd
BAE Systems	Mears Group
BAM Construct UK	Mitie
Barclays Corporate	MTC
Bellrock Ltd	NatWest
Bevan Brittan LLP	NCG
Bouygues Energies and Services	New Street Executive Search
BT Group Plc	OCS Group UK Ltd
Capita Plc	P3
Catch 22	Pinsent Masons LLP
CBRE Ltd	PricewaterhouseCoopers UK
Change, grow, live	Robertson FM
CH & Co Group	Salisbury Group
Clyde & Co LLP	Seetec Group Ltd
CMS Cameron McKenna Nabarro Olswang LLP	Serco Group Plc
Community Models	Sharpe Pritchard LLP
Compass Group Plc	Shaw Trust
Connect Assist	Sodexo Ltd
Corndel Ltd	Sopra Steria Ltd
CSG	Space Solutions
Cyber Prism	Spend Network
David Macbrayne Ltd	Strictly Education
Deloitte	TerraQuest Solutions Ltd
DWF LLP	The Challenge
Elior UK Ltd	The Gap Partnership
ENGIE UK & Ireland	The Grichan Partnership
EY LLP	Total Solutions Cleaning
Fujitsu UK	Trowers & Hamlins LLP
G3 Systems Ltd	VINCI Facilities
G4S Plc	VPS Group
GoodPeople	Wand Consulting
HP	Wates Group
IBM	Willmott Dixon
Incentive FM	

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