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Complexities in the NHS Pension Scheme

Thank you for your question in the debate of 10 June regarding NHS pensions, where you asked about the potential for a review of NHS Pensions and in particular the treatment of survivor benefits in the NHS pension scheme.

For NHS workers, the NHS Pension Scheme is an important part of their reward package as one of the most generous schemes available. Rules affecting individual members of the NHS Pension Scheme relate to which schemes members have accrued rights in (e.g. pre-1995, 1995, 2008 and/or 2015). Government keeps these rules under constant review, and they have evolved over time both as a result of policy choices and in response to societal changes. Lord Hutton undertook an independent review of all public service schemes in 2010, and new schemes were implemented from 2015 onwards. However, as pensions are accrued rights with liabilities that exist for significant periods, old rules still impact individuals today - Lord Hutton did not recommend moving all accrued rights into new schemes with new rules, stating that *protecting accrued rights is a prerequisite for reform both to build trust and confidence and to protect current workers from a sudden change in their pension benefits or pension age*,¹ and Government accepted these recommendations.

Regarding your specific point on survivor benefits and the difference in treatment between widows and widowers in opposite-sex couples, the Government has considered this full equalisation, in the way you described in the chamber. Improving benefits associated with past service, as these ones are, can only be paid for by current active members, and therefore introduces an element of intergenerational unfairness into pension provision. This would create an estimated £400 million cost to private sector schemes, and a cost of around £3 billion for government in respect of the public sector. Successive Governments have taken the view that it is not, in general, right to impose this type of retrospective cost - that could not have been taken into account in the original funding assumptions, or in valuing the remuneration package - on public service schemes. For these reasons, the Government has recently responded to the Review of Survivor Benefits in Occupational Pension Schemes, confirming that it will not make further retrospective changes to the existing provisions governing occupational pension schemes to equalise survivor

¹ Independent Public Service Pensions Commission (2011). Final Report.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

benefits beyond those mandated by the *Walker v Innospec* judgment.²

I look forward to your continued questions and engagement on this important issue.

I will place a copy of this letter in the Library of the House.

A handwritten signature in black ink, appearing to read 'Lord Young', written in a cursive style.

LORD YOUNG OF COOKHAM CH

Rt Hon the Lord Naseby
House of Lords

² <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2019-07-04/HLWS1650/>