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To: NHS Consultees

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Your ref:

Our ref: NHS/01/30

22 December 2011

Dear Colleague

The National Health Service Superannuation Scheme Scotland Consultation – Employee Contribution Rate Increases – Draft Amendment Regulations

The Scottish Government recently published a consultation on proposals for potential increases in the level of contributions scheme members will be required to make to the National Health Service Superannuation Scheme in Scotland from 1 April 2012, which ran from 7 October 2011 to 17 November 2011.

Responses from that consultation have been reviewed and considered and the attached regulations outline the proposed rates for 2012/13. An analysis of the responses received will be available on the SPPA website shortly. The rates contained in these draft regulations mirror the rates the UK Government is expected to introduce for the scheme in England and Wales. The draft regulations will further amend the NHS Superannuation Scheme (Scotland) Regulations 2011 and the NHS Pension Scheme (Scotland) 2008 Regulations. These changes update the employee contribution tables within the regulations with the increases effective from 1 April 2012 as agreed by the Scottish Ministers following the recent policy consultation. A more detailed explanation of the changes is set out in the annex to this letter.

The Scottish Government continues to face a very tight timetable to achieve effective legislation to introduce employee contribution increases by 1 April 2012. However, it is offering this further consultation on draft regulations until 3 February 2012. During that time, the Scottish Government will continue to monitor the UK Government's plans to identify and consider any further changes the UK Government may make.

The Scottish Government expects affected employers to prepare for the introduction of the employee increases on the basis of these draft regulations. Given the commitment above to monitor UK Government plans, any changes to these rates that the Scottish Government



determines may be necessary, will be communicated to affected employers and other stakeholders as timeously as possible.

Any comments on the draft regulations should be sent by e-mail to nhsensionsreform@scotland.gsi.gov.uk or by mail to the following address by no later than **3 February 2012**.

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A copy of the consultation documentation will also be available on the Agency's website at www.sppa.gov.uk/nhs/consultations.

If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly. All respondents should however be aware that the SPPA is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to the Agency under the Act for information relating to responses made to this consultation exercise.

Further consultations will take place in 2012 with regard to the employee contribution rates for 2013-14 and 2014-15.

Yours sincerely



Chad Dawtry
Director of Policy
SPPA

Addressees

Chief Executives NHS Boards
HR Directors NHS Boards
Scottish NHS Pensions Group (SPG)
SPPA Technical Working Group
NHS Trade Unions and Professional Organisations
Scottish General Practitioners Committee
Institute of Health Service Management
Scottish Practice Nurse Association
Women's National Committee
SGHD Directorate of Primary Care
SGHD Health Workforce Directorate
SGLD Finance
NHS Retirement Fellowship
Home Office, Police and Firefighter's Pension Schemes



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Department of Health and Social Services, Northern Ireland
NHS BSA Pensions Division
Department for Children, Schools and Family
Department for Communities and Local Government
DWP
GAD (for information only)
HM Treasury
SGLD
SPPA Senior and Regional Managers



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Member Contribution Rates

Background

The Scottish NHS Pension Scheme regulations require members to pay contributions to the scheme as a condition of membership. Contribution rates are “tiered”, so that higher earners pay a higher rate of contributions than lower earners. The regulations are amended whenever contribution percentage rates are changed or pay/earnings band amounts are changed, to keep them in step with Agenda for Change (AfC) pay rates.

Following consultation which ended on 17th November 2011, the Scottish Government proposes distribution of contribution rates for 2012-2013 as set out in the tables below. The new rates are spread across seven pay (or earnings) bands, and replace the existing four. A report on the consultation and Equality Impact Assessment will be published on the SPPA website at www.sppa.gov.uk shortly.

Full-time 2011/12 salary or total pensionable earnings	2012/13 contribution
Up to £15,000	5%
£15,001 to £21,175	5%
£21,176 to £26,557	6.5%
£26,558 to £48,982	8%
£48,983 to £69,931	8.9%
£69,932 to £110,273	9.9%
£110,274 to any higher amount	10.9%

Summary of contribution arrangements

Officer members

Broadly, ‘officer’ members (i.e. members other than practitioners and non-GP providers) who are in whole-time pensionable employment, both at the end of a previous scheme year and the beginning of the following current scheme year, pay contributions in the current scheme year according to the amount of their pensionable pay during the previous scheme year. The pay bands used to determine contributions are those applicable to that previous year. If an officer was employed for only part of a previous scheme year, their pay is first increased to a whole-year figure. Part-time officer members pay contributions assessed in the same way but using their whole-time equivalent pensionable pay figure.

Medical and dental practitioner (GP) and non-GP provider (NGPP) members

Broadly, GP and NGPP members pay contributions using the same pay bands and rates as officer members, but based on their total pensionable ‘earnings’, not pay. However, pensionable earnings any year are calculated by reference to the GP/NGPPs relevant tax return, and contributions based on an estimate of likely earnings for the year, not earnings in the previous year. Estimated contributions paid are then adjusted following completion of the tax return, and GP/NGPP certification of final earnings in the relevant year.



Use of pay/earnings band tables in regulations

Currently, the above methods of calculating contributions require the use of two pay band tables:

- Table 1 - providing the 'previous scheme year' pay bands, and
- Table 2 - providing the (latest) 'current scheme year' pay bands

Officer members

The increased contribution percentages and move to seven pay bands for the 2012-2013 scheme year mean that the new table shown above will initially apply to all officer members for that year, whether they are in continuing employment or taking up a new post.

Differences for GP and non-GP provider members

The different method of contribution assessment for GP and NGPPs means that the current 'two-table' format in regulations will be retained throughout the 2012-2013 scheme year, mainly to clarify the (unchanged) pay bands and contribution rates applicable for earlier scheme years. However, any update to the 2012-2013 pay bands effective from April 2012, would also benefit GP and NGPP members, and be implemented by replacing 'table 2' for scheme year 2012-2013.

Detailed changes

1995 section (2011 Regulations)

Amending regulation 3

Amendment 3(a) replaces paragraph 2 of regulation D1 (contributions by members). The new paragraph replaces the current 'two-table' format with a single table, including new pay bands and corresponding contribution rates applicable to all 1995-section 'officer' scheme members for the scheme year 2012/13.

Amendments 3(b), (c) and (d) correct links applicable to the previous 'two-table' format, to line up with the new single table format.

Amending regulation 4

This amendment introduces the new pay bands and contribution rates for scheme year 2012-2013 for GPs and NGPPs. However, for these members the current 'two-table' format can be retained in regulations throughout the year, keeping the amendments to a minimum.

Paragraph 14 of Schedule 1 to the 1995 regulations provides that the (2011) regulations apply to GP and NGPP members, with the modifications described in the Schedule. Amending regulation 4 replaces sub-paragraph (2), so that:

- the current contribution rate table for scheme years 2010/11 and 2011/12 is retained – 'table 1',
- the new earnings bands and contribution rates for 2012/13 are inserted – 'table 2', and



- the definition of ‘relevant table’ is updated to accommodate the above changes.

2008 section regulations

Amending regulation 6

This amendment replaces the current ‘two-table’ contribution table format in paragraph (5) of regulation 2.C.2 (contributions for members other than non-GP providers) with a single table in a revised paragraph (2). The new contribution table includes the pay bands and corresponding contribution rates applicable to all 2008-section ‘officer’ scheme members for scheme year 2012/13.

Amending regulation 7

This amendment updates the “relevant table” cross reference in various paragraphs of regulation 2.C.3 (determination of pensionable pay for the purposes of setting a contribution rate for members other than non-GP providers) from “paragraph (5)” to “paragraph (2)”, to fit the changes made by amending regulation 6.

The combined 1995 section contribution changes described for GPs and NGPPs apply in a similar way for GPs and NGPPs in the 2008 section. However, in the 2008 regulations, NGPPs are covered in Part 2 and GPs in Parts 3 and 4.

Amending regulation 8

This amendment deals with 2008 section NGPPs, replacing paragraph (15) of regulation 2.C.4 (contribution rate and determination of pensionable earnings for non-GP providers) in a way similar to that described for amending regulation 7, specifically:

- the current contribution rate table for scheme years 2010/11 and 2011/12 is retained – ‘table 1’,
- a new earnings bands and contribution rates for 2012/13 is inserted – ‘table 2’, and
- the definition of “relevant table”, is updated to accommodate these changes

Amending regulation 9

This amendment deals with 2008 section GPs, replacing paragraph (14) of regulation 3.C.2 (member’s contribution rate) in a way similar to that described for amending regulation 7 above, specifically:

- retention of the current contribution rate table for scheme years 2010/11 and 2011/12 – ‘table 1’,
- introduction of the new earnings bands and contribution rates for 2012/13 – ‘table 2’, and
- updating of the definition of ‘relevant table’, to accommodate these changes.

