

NHS Pension Scheme Scotland

Scheme Advisory Board

Minutes

Date: 14 June 2018

Meeting reference:

Location: Victoria Quay, Edinburgh

Chair: Willie Duffy (UNISON)

Attendees: Members

Derek Lindsay (NHS Ayrshire & Arran), Willie Duffy (UNISON), Alan Robertson (BMA), Jane Christie-Flight (UNITE), Ros Shaw (RCN), Lorraine Hunter (NHS Grampian) Phil McEvoy (BDA), Jackie Mitchell (RCM)

Scottish Government

Lorimer Mackenzie (SPPA), Jim Preston (SPPA)

By invitation

Michael Rae (GAD), Garry Swann (GAD)

Secretariat: Lesley Hood/Lorraine Gallagher (SPPA)

Apologies: Graham Pirie (SCP) Dorothy Wright (NES), Margo Mcgurk (NHS24), Colin Cowie (SGHD)

1. Welcome and Apologies

1.1 The Chair welcomed everyone to the meeting inviting introductions from all members as Lesley Hood, SPPA was covering secretariat duties.

1.2 All confirmed that they had no conflicts of interest.

2. Minutes of the meeting held on 27 April 2018

2.1 Derek highlighted that the minutes should be amended at 5.9 to reflect a grammatical error. (Contribution used twice)

2.2 Pages 4 and 5 agreed.

2.3 The minutes were approved as a correct record of the meeting, including amendments noted above. Action points were updated as noted below;

Action Points carried forward;

2018/06 - SPPA to confirm the position with regards to advising members they might breach the AA and/or LTA and how the purchase of additional pension is treated for AA purposes - Closed

2018/08 – GAD to consider communications around employee contributions based on banding and advise SAB – Paper circulated – Closed

2018/10 – Staff side to agree their preferred option by next SAB – Option offered during the meeting reflected different views from different unions.

2018/11 – SPPA to provide a paper at the next SAB stating their position on the use of WTE in setting contributions – Paper issued - closed

3. Matters Arising

3.1 Derek Lindsay commented at 5.17 that under Auto Enrolment employer and employee rates will change by April 2019.

3.2 With regards to point 5.10 Lorraine Hunter emphasised that payroll required a 6-month turnaround to allow for changes in the method of calculating contributions.

3.3 Alan Robertson raised concerns around previous discussions on page 3 of the draft minutes regarding scheme members who could face large tax bills with a retrospective effect.

3.4 Jim Preston (SPPA) advised that where the AA is breached collectively but not individually in either scheme then this is not required to be reported to HMRC by the scheme. A discussion followed regarding how HMRC would possibly seek recovery of any outstanding payments at a future date that would be out with the time limits to request voluntary scheme pays. He advised that a calculator will be going on the SPPA website, allowing members to calculate what their pension reduction would be where scheme pays is applied.

3.5 Alan Robertson advised he would like the group to act in a proactive manner regarding tax matters and Phil McEvoy noted he had been engaged in communications with NHS E&W in Fleetwood regarding their aspiration to offer all linked contract pension information together.

Action Point 2018/12: Jim Preston advised that he would check the information, which is issued to members through the ABS in relation to a combined breach of the AA.

3.6 Savings statements were discussed, which provide members with information if they will be in breach of the AA.

Action Point – 2018/13 SPPA will investigate if such statements could be provided online for members.

3.7 Willie Duffy advised that pay negotiations in E&W were complete with details expected to be announced following the NHS staff council meeting to be held on 27/06/18.

3.8 Willie Duffy advised that a 3-year pay negotiation deal was being offered in Scotland. The principles were being considered and a final offer would be made by the SG on 15/06/2018. The consultation will then proceed closing on 15/08/2018. Following this outcome the agreed details will be shared.

3.9 Staff in NHS Scotland will receive any money due with their pay in July, backdated to April 2018. The following bands could reflect details as noted below;

- Band 1 – possible 5.1% increase to raise wages to that of the living wage
- Bands 4 & 5 – Negotiations will follow regarding which formula will be used

3.10 In England & Wales there will be a £4.2 billion cost over a 3-year period for wage rises with consequential funding from the Barnett formula.

Action Point 2018/14: The chair asked that a letter should be drafted for Sharon Liptrott in respect of her contribution to the SAB.

4. Employee Contribution Structure

4.1 The Group discussed individual positions on the options available to the rates and structure of member contributions from April 2019. Willie Duffy recognised that there would be a requirement to recoup 0.2% regarding the yield shortfall but the additional 0.4% costs of moving to using actual pay would be difficult to manage. Ros Shaw recognised that further work was needed on the question of using actual rather than WTE pay to set contribution. Phil McEvoy said the expected pay increases will increase the yield so there is a need for change in the current structure. He suggested that the current tiers should be compressed and would support a move to actual pay, highlighting the fact that a part-timer earning £25k actually pays the rates which reflect higher rate tax relief although the member does not benefit from that relief. Alan Robertson felt that a wide spread of contribution bands/rates was becoming more difficult to justify as more of the membership moved to CARE accrual. Jane Christie-Flight noted that Unite's position would favour banding based on a calculation using actual pay and asked what further information would possibly be available for consideration.

4.2 Derek Lindsay provided the employers side view that given the 9.8% yield was a requirement, a decision had to be made on WTE versus actual and the structure would need to have a flatter range of rates. These suggestions would be represented more with option 4 but based on actual pay being applied. Also the design would need to reflect the current tax relief available therefore with a tier starting at the threshold of higher rate tax relief (currently £44,273) but this would need to be flexible for tax relief changes in future.

4.3 It was noted that E&W had not reached any conclusions on the contribution structure; however, the SAB would have to consider a clear date for looking at final options.

4.4 Lorimer Mackenzie raised the issue of pay increases, which surrounded promotion and the effect this may have on some members banding or contribution levels.

4.5 GAD highlighted that option 4 had previously been considered as it displayed inclusion of Policy issues such as inclusion to the scheme for low paid workers and to minimise opt outs from the scheme. In addition, any changes would have to be presented in pay net of the members tax position.

4.6 The group discussed if an interim position should be considered, Phil McEvoy felt that would be difficult whilst the scheme valuations remain inconclusive. Derek Lindsay asked if it would be possible for 50% of staff to pay 9.8% with other banding either side of that rate. Given the scheme profile this would be difficult as some scheme members paying 9.8% would be standard rate taxpayers, whilst others paying a higher rate of tax. Also this structure may prove complex by using actual pay. Willie Duffy highlighted that any hybrid structures would remove the aim of broad comparability with the rates and structure in the E&W scheme. Lorraine Hunter confirmed that any change to the structure of the contribution rates would require at least a 6-month lead in time for payroll systems.

4.7 Derek Lindsay asked if GAD can produce a model around the addition of a 9.8% contribution band covering 50% of the members but with the top of the tier being at the higher rate tax relief threshold and GAD agreed this would be possible

Action Point 2018/15: GAD will produce a model as requested by Derek Lindsay

4.8 Discussions then centred around transfers between NHS Scotland and E & W and what impact any possible changes may have on this. It was agreed that there would be no change to the club transfer arrangement, which offer preferential factors on a like for like basis.

4.9 Any changes would need clear communications and the greater the change the more effective those communications would need to be. This should also incorporate information underlining the value of the scheme helping to encourage continued participation. Discussions followed regarding the timeframe for amending and implementing regulations and it was agreed it was imperative that we receive the valuation results and directions from Treasury at the earliest possible time. Lorimer Mackenzie noted that Brexit negotiations would have no impact on the work and conclusion of the valuations. Further meetings will be arranged once the Directions are issued so that the outcome of the valuation can inform discussion on contribution rates and structures.

4.10 Lorimer Mackenzie advised that the Scottish Ministers are responsible for the final decision regarding the amendment of banding or contribution rates for a scheme if agreement is not reached by the group, and he explained the process in further detail.

5. AOB

5.1 SPPA will send out future possible SAB dates for August, taking into consideration member's commitment

Action Point 2018/16: Group would like participation and opt out data to assist with further discussions.

5.2 Willie Duffy asked if the recent pension activity surrounding SERCO would be business within the remit of the SAB for discussions.

5.3 Jim Preston advised the proposed arrangements for SERCO employees and clarified that staff who were originally TUPE transferred out of the NHS scheme could transfer back on a bulk transfer but this would not be possible for directly employed staff.

Action Point 2018/17: SPPA to issue a paper from 2017

5.4 Phil McEvoy noted that investigations into AA will be necessary as part of future consideration of both contribution and participation rates and may involve significant data requests from SPPA.

5.5 The issue was raised regarding the availability and reliability of VC facilities to allow some members to attend future meetings remotely.

Action Point 2018/18: SPPA to check availability and reliability of VC facilities