

NHS Pension Scheme Scotland

Scheme Advisory Board

Minutes

Date: 4 October 2018

Meeting reference:

Location: Victoria Quay, Edinburgh

Chair: Derek Lindsay (NHS Ayrshire & Arran)

Attendees: Members

Phil McEvoy (BDA)
Chris Rafferty (SGHD)

Scottish Government

Lorimer Mackenzie (SPPA), Jim Preston (SPPA)

By invitation

George Russell (GAD),

By telephone link

Alan Robertson (BMA)
Jane Christie-Flight (UNITE)
Garry Swann (GAD)

Secretariat: Greg Walker (SPPA) Carole Bertram (SPPA)

Apologies: Graham Pirie (SCP),
Ros Shaw (RCN)
Jackie Mitchell (RCM), ,
Margo McGurk(NHS24)
Dorothy Wright (NES),
Willie Duffy (Unison),
Lorraine Hunter (NHS)

1. Welcome and Apologies

1.1 The Chair welcomed everyone to the meeting special welcome to Chris Rafferty from SGHD .

1.2 All confirmed that they had no conflicts of interest. The Chair informed the meeting as 5 members were in attendance the quorum had not been met.

2. Minutes of the meeting held on 21 September 2018

2.1 The Chair asked for accuracy of these minutes, Phil McEvoy asked for Min 3.18 to be removed as he felt his comment had been misinterpreted.

2.2 The minutes were amended and approved as a correct record of the meeting.

3. GAD presentation on Cost cap rectification process

Slide 3 – Options for rectification (updated 21 September 2018 slide)

3.1 Garry Swan explained 3 options

3.2 The Chair questioned what higher in service revaluation is about, CPI + Revaluation? Current dependents benefits are 37.5%. Discussed increasing contribution factor. Increased accrued benefits – improved 2016 benefits. Gad to confirm what happens 2016-2019.

3.3 Phil McEvoy suggested improving accrued rights is not tidy, what about the people who have retired. Accrued benefits for active members would not impact on the cost cap. Surplus spread over 15 years has 3.1% increase on cost cap.

3.4 Garry Swann said problems with communicating increasing accrued benefits, would be easier to increase ancillary benefits. Would have to be active 2015 to feature in the cost cap calculation.

3.5 Phil McEvoy made a point equal access to dependents benefits is an opportunity to close cost cap.

3.6 Jim Preston replied for final salary to open up to pre 88 service , can't come out of cost cap. We have to maintain restriction on widowers as the surplus can't be used to increase final salary. Treasury position 88 constraints remain policy. Walker gives full service to same sex partners. What about male same sex. I have asked Treasury still awaiting reply.

3.7 There was a discussion 2015 members paying for final salary members if dependents benefits equal. What about the people who had left the scheme? Money available why can't it be used.

Slide 4 – Considerations for rectification approach

4.1 Garry Swann discussed the different approaches.

4.2 Alan Robertson feels employee contribution reduction would fit into criteria. Early retirement linked to state pension age. How would this work?

4.3 Jim Preston informed us that Scottish Teachers Superannuation Scheme have reduced Actuarial Retirement Factors (ARF) rates between age 65 and 67. Fire Pension Scheme paid for improved ARF factors in Scotland through cost envelope.

Slide 5 – Options for rectification (2)

For illustration only: 2% of the cost cap breach 2015 scheme members from 2019 only. Accrual rate most important – everything else would come second. For members still working, information will be produced as soon as possible.

The Chair noted Dependents portion 50% under 1995 section, 37.5% for 2008 and 33.75% for 2015

Phil McEvoy noted lower percentage to get same benefits because of the lower accrual rate.

Garry Swann explained commutation factor 20-1 max for Life Time Allowance. Changing accrual factors related to 2015–2019 is 12-1, 2019 onwards 20-1.

Slide 6 - Options for rectification (3) Improved early retirement terms

Garry Swann explained ARF could all go into last year or spread across 5 years eg. 4% a year.

Phil McEvoy was concerned, What happens if ARF factors change? Modelled that 5% never changes. How do we ensure factor is used in 50 years. Proportionate reduction to ARF.

Phil McEvoy feels options around normal pension age preferable to improve accrual. HMRC don't care about retirement age but care about improved accrual.

Alan Robertson concerned their tax bill on what they might get and then what they did receive by ACF, so penalised twice.

Phil McEvoy concerned there could be problems with the administration and communication regarding ARF's.

The Chair questioned, does changing ARF for 2015-2018 impact on the cost cap.

Garry Swann replied. It wouldn't impact on the cost cap directly on a 1 to 1 basis, however past service costs would have some effect.

Garry Swann explained cost direct approach. HMT would look closely at any attempt to move retirement age back down

The Chair asked how did STSS get improved ARF factors.

Jim Preston replied "Soft Landing" remove the impact of ARF between age 65-67 in later dates. HMT consider the impact negative. 3% realistic built into scheme framework plus buy out ARF.

Phil McEvoy asked, is 3% written into the Regulations?

Jim Preston replied REG 70 for 2015

The Chair confirmed STSS has 3% between age 55-57 and 5% between 58-60.

Alan Robertson feels it is logical to look at ARF if life expectancy is going down.

Slide 7 – Annual Allowance impact

Garry Swann explains understates Tax charge , no revaluation (1% + CPI

Alan Roberston concerned £50k earners with 30 years' service might be hit.

Gary Swann confirmed Past service will have AA on 54%. Changing for 2015 to 2019 won't affect past service.

Phil McEvoy feels past service impacting on AA, lots of high earners opting out because of the higher accrual will exacerbate this.

Alan Robertson agreed higher accrual will increase AA. Modest salary difficult to compare for every type of member.

Slide 8– Next Steps for the SAB (updated 21 September 2018 slide)

Phil McEvoy concerned changes in the Budget on 29 October 2018 could impact. SCAPE rate will be confirmed in the Budget.

Jim Preston informed he had heard a rumour regarding tax free lump sum. Fire leaders were considering flat rate of 25%.

Phil McEvoy felt there should be flexibility within the scheme accrual and tiers. Members would disapprove if all 3 went wrong way.

The Chair felt the contribution rate had been parked due to time restraints, may have to be revisited.

The Chair asked if anyone had any questions for Garry Swann on the presentation. George Russell explained GAD taking forward costings on slide 5. He would also look into NHS specific costings.

The Chair commented, modelling something like STSS “soft landing” would be interesting would have an impact on the cost cap.

AOB

9.0 Alan Robertson concerned that the Annual Allowance letters dated September 2018 were issued late which may cause tax breeches to our members.

9.1 Jim Preston replied confirming this was a regrettable issue, 95 letters were issued late to members. Where there is a charge SPPA will write to members. Before 31 December 2018 no penalties will be applied. SPPA are currently issuing 1300 letters for scheme breeches for 17/18.

Chair informed this was a Pension board issue not a SAB issue.

9.2 Phil McEvoy concerned as deadline was 31 October 2018 what will be the process for next meeting.

9.3 The Chair suggested any modelling should be done over the next few weeks. SAB should deal with actions by discussion via email and move forward any actions before 24 October 2018 to enable SAB to rubber stamp the final decision before 31 October 2018.

9.4 Lorimer Mackenzie informed us if ground rules change this will open a discussion.

9.5 George Russell is close to finishing the GAD table on Slide 7 and should be finalised by next week

Date & Agenda for next meeting

10.0 It was agreed for the next meeting on 24 October 2018 a vote will be taken to decide whether a telephone conference would be suitable depending on the number of attendees.