

# NHS Pension Scheme Scotland

## Scheme Advisory Board

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### Final Minutes

**Date:** 23 March 2021

**Meeting reference:** NHS Pension Scheme Advisory Board

**Location:** Virtual via MS Teams

**Chair:** Derek Lindsay (NHS Ayrshire & Arran)

**Attendees:** **Members**

Willie Duffy (Unison)  
Anne-Marie Pettie (GAD)  
Alan Robertson (BMA)  
Ros Shaw (RCN)  
Jackie Mitchell (RCM)  
Robin McNaught (State Hospital)  
George Russell (GAD)  
Jane Christie-Flight (Unite)  
Graham Pirie (CoP)  
Kay Sandilands (HR NHS Lanarkshire)  
Lorraine Hunter (NHS Grampian)  
Andrew Carter NHS Borders  
Andrew McGlashon (GAD)  
Derek Lindsay

**SPPA**

Greg Walker (SPPA)  
Iain Coltman (SPPA)

**Secretariat**

Victoria Antcliff (SPPA)  
Carole Bertram (SPPA)

**Apologies:** Daniel MacDonald (SG)  
Phil McEvoy (BDA)  
Stuart MacArthur (SPPA)

## 1. Welcome and Apologies

1.1 The Chair welcomed everyone to the meeting and led introductions.

1.2 All confirmed that they had no conflicts of interest.

## 2. Minutes of the meeting held on 18 February 2021

### Paper 2a – Draft SAB minutes of 18 February 2021

2.1 The Chair asked for any comments or amendments to the minutes. Alan Robertson suggested a change to paragraph 6.3 to reflect the requirement to take account of pension tax when considering changes to the contribution structure. SPPA will pick up this change directly with Alan and agree changes to the wording in the minute. Otherwise, the minutes were agreed as accurate.

2.2 Willie Duffy highlighted an action which hadn't been recorded in relation to updating the McCloud Q&A's on the SPPA website. Willie noted that during meetings with his members they had raised a number of questions which were not covered in the published Q&A. Willie confirmed he would send the list of member questions to Greg Walker, who would provide answers where possible and consider if any could be used to supplement the Q&A on the website.

**AP2021/07 – Willie Duffy to send Greg Walker a list of McCloud questions raised by UNISON members for Greg Walker to answer and to consider adding to the Q&A on the SPPA website.**

2.3 Alan Robertson commented that it would be good to have a timeline on SPPA website for McCloud to give something visual for members about timescale of events for implementation and what they needed to do and when.

**AP2021/08 – SPPA to produce timeline on McCloud remedy implementation to sit alongside McCloud communications on the SPPA website.**

### Paper 2b – Action Log

2.4 Action point 2021/01 - Greg Walker confirmed that apart from feedback from Alan Robertson in respect of flexibility to manage pensionable pay there had been no other feedback from SAB members. This action is to be closed and outstanding issues of pensionable pay will remain on the action list under 2021/02

2.5 Action point 2021/02 - Greg Walker stated it had been agreed that uprating of pensionable pay would go to the Pension Board, and contractual overtime and flexibility to remain on the SAB radar and to be taking forward under this action point.

2.6 Action point 2021/03 – Action point closed, amended slides from GAD have been shared with SAB members.

2.7 Action point 2021/04 - Greg Walker noted the feedback received from Alan Robertson about the modelling contribution structures but there had been no further feedback. GAD colleagues will work up a contribution structure paper for next meeting, covering examples discussed at meeting of 18<sup>th</sup> February and including request from the BMA.

2.8 The Chair noted that as agreed at the meeting of 18<sup>th</sup> February that all modelling should be on the basis of actual pay rather than whole-time equivalent pay. The principle of moving to a contribution structure based on actual pay was unanimously agreed at the SAB meeting of 18<sup>th</sup> February 2021. Greg walker confirmed that the SAB's agreement on the move to actual pay had been recorded in the minutes of the SAB meeting of 18<sup>th</sup> February.

2.9 The Chair confirmed for the benefit of GAD colleagues that modelling should be based on actual pay and show tiered or banded options, and include another option demonstrating the impact of taking pension tax into account.

2.10 Anne Marie Pettie confirmed that GAD had sent a scoping document to the SPPA on this basis. There had been some discussion around the pensions tax modelling in England and Wales and BMA wanted this factored in. However there was still some discussion to be held as to whether there was something specific to Scotland that was required, or whether GAD should continue based on the E & W discussions.

2.11 The Chair said he was aware of the variables and Alan Robertson has fed back his requests around that to be considered by Greg Walker and his team in conjunction with GAD.

### Matters Arising

2.12 Alan Robertson asked about meeting date for late April meeting and Greg Walker said not everyone had responded to the request. He intimated that 29 April or 5 May were looking possible and anyone who had not given availability should do so urgently so we could get the date confirmed.

## **3. 2016 Valuation**

### Paper 3a – 2016 Valuation Cost Cap - Directions

3.1 Andrew McGlashon from GAD gave a presentation on the revised 2016 valuation cost cap directions. The presentation gave a brief background on the provisional valuation results and highlighted that these have now been adjusted to take account of the transitional protection remedy costs. The presentation also covered the key elements of the draft directions which impact the calculation and results, including; what costs should be included, over what period should remedy cost be paid for, and the data, assumptions and methodology to be used.

3.2 The presentation then went on to cover those key elements in detail. Highlighting that all transitional protection remedy costs are included in the 2016 valuation cost cap calculations and therefore will not need to be recognised in future valuations. The remedy costs will be recovered over 4 year implementation period which gives greater alignment with those who benefit from remedy. The HMT directions specify that the data, method and assumptions should be consistent with those set as part of the 2016 valuation unless as a direct result of the impact of the transitional protection remedy. No allowance will be made “for the passage of time”.

3.3 The Chair confirmed that HMT have advised how GAD must carry out the valuation via the directions.

3.4 Alan Robertson asked if the link to cost and final salary link had been dealt with or is GAD looking at ongoing costs regarding this.

3.5 George Russell explained that GAD's focus going forward was on the future costs that were building up, and every valuation they do compares the notional assets held within the fund to the value of the benefits to date, and if there is a surplus or deficit this is then spread forward 15 years to adjust ongoing Employer contribution rates.

3.6 The Chair asked a question in terms of the directions that have come from HMT as to whether they were out for consultation and are they looking for feedback as GAD had mentioned there would be a final set of directions.

3.7 Anne Marie Pettie commented that HMT had not specifically asked for feedback however GAD would encourage SAB members to give feedback if they had any.

#### Paper 3b - 2016 Valuation Provisional Cost Cap - Results

3.8 The Chair noted that 2 years ago one surprising aspect of the valuation results was that life expectancy of members was plateauing and reducing which meant that the liability of the pension was also reducing. Therefore the liability for future pension scheme breached the floor and this is discussed in the presentation.

3.9 Anne-Marie Pettie gave a detailed presentation on the provisional cost cap results for the NHS Pension Scheme (Scotland). Anne-Marie highlighted that GAD expect these provisional results to be quoted in the final valuation report if there are no changes to the draft HMT Directions, if SPPA are content with GAD's approach to identifying members in scope for McCloud remedy and SPPA decides to adopt assumptions in line with GAD's recommendations, having consulted the SAB

3.10 Anne-Marie Pettie confirmed the headline figure in the provisional results which showed that the costs of the scheme are 0.7% below the employer cost cap and within the +2%/-2% corridor and therefore there is no breach of the cost cap and member's benefits remain unchanged. Anne-Marie also highlighted that transitional protection remedy cost for the scheme is £0.4 billion which represents 2.4% of pay over 2019-23.

3.11 Anne-Marie went on to provide analysis on the cost of the remedy by age of member and highlighted that the biggest increases in cost of benefits will be for younger members, where the final salary scheme is more valuable, and for older members, where the CARE scheme is more valuable. However, a significant proportion of the data lies at ages where the increase in the cost of benefits is less.

3.12 Finally, Anne-Marie gave an overview of the data and assumptions and methodology, highlighting that 81% of the scheme membership are considered as eligible for the McCloud remedy.

3.13 The Chair opened the floor to questions

3.14 Willie Duffy noted that there would be no increased cost to members and also questioned the assumption in the calculation that members will choose higher benefits at retirement and queried how reliable is this as an assumption.

3.15 Anne Marie Pettie commented that it was a pretty reliable assumption and they have looked at purely the highest actuarial benefits available which seems reasonable

3.16 The Chair asked if more detailed information on data and assumptions would be made available to the SAB. Anne-Marie Pettie replied that GAD were currently working on that paper for SPPA who would then share with the SAB.

3.17 Iain Coltman confirmed SPPA will review the assumptions and if they find them agreeable they will circulate around SAB members. If not then SPPA will need to speak to GAD first about any issues.

3.18 Willie Duffy stated he made an observation from page 6 assumptions and was surprised that 81% of members were eligible for the remedy process. He thought that was high considering information they had in 2012 for eligibility of lifetime protection. Anne Marie Pettie said this was comparable to what is seen in other NHS and similar schemes in the UK.

3.19 Andrew McGlashon highlighted that this was a lot broader than just looking at protection, and most members joined the scheme before 2012 so most members will be eligible for the remedy.

3.20 Iain Coltman commented that Fire Fighter scheme eligibility is 92% and Police is 89%, LGPS in high 60's% therefore it is comparable.

3.21 The Chair asked if there were any other questions and the key thing of this analysis is we don't need to consider remedies in terms of adjusting benefits as we are still in the variance limits.

**AP2021/09 – SPPA to circulate GAD's draft report on assumptions, data and methodology for the 2016 cost cap valuation of the NHS (Scotland) Pension Scheme.**

#### **4 – Increasing the normal minimum pension age**

##### Paper 4 – Consultation on implementation

4.1 Greg Walker gave a brief overview of the consultation document which was shared with SAB members on 26 February and highlighted that the consultation closes on 22 April 2021. The UK Government has stated for some time their intention to increase minimum pension age from age 55 to age 57 in the light of increases in life expectancy. Some exclusions and exemptions remain for members of Police, Fire and Armed Forces. The changes are expected to take place from 6 April 2028 aligning with increase of State Pension age to 67. Consultation proposes protection for members currently able to take pension benefits below age 57 and protection will be on all of their benefits. Questions in consultation document may raise specific issues in NHS that SAB may wish to consider. Due to changes this may impact on workforce planning if members wish to retire before implementation of new pension age rules. SAB may also wish to consider if there are any categories of NHS employment that may qualify for similar exemptions in line with Police, Fire and Armed Forces.

4.2 Alan Robertson asked how many Special Class Members would be affected by 2028 and there was agreement that the protections as proposed in the consultation document would mean that special class members who would have to currently be members of the scheme would not be impacted by this change.

4.3 Willie Duffy commented that the SAB should submit a response to the consultation and that member representatives will also want to submit separate responses on behalf of their organisations.

4.4 Willie Duffy highlighted that there was a lot of pressure regarding normal pension age for Scottish Ambulance Service (SAS) staff when 2015 scheme was implemented, and calls to treat them the same as other 'blue light' services and that point should also be made in respect of an increase in normal minimum pension age for SAS staff.

4.5 Iain Coltman commented on how the change would be implemented in regulations and consideration should be given to whether NHS Pension Scheme regulations specify a minimum pension age or if they refer directly to the Finance Act 2004.

4.6 The Chair sought agreement from the SAB to submit a collective response which was agreed. The Chair suggested Greg Walker should draft an initial response and share with the SAB for their input and sign-off by SAB co-chairs by 22<sup>nd</sup> April. This was agreed by SAB.

**AP2021/10 – Greg Walker to draft an initial response and share with the SAB for their input and sign-off by co-chairs by 22<sup>nd</sup> April.**

## **AOB**

5.1 No other business

5.2 The Chair highlighted the need to firm up next meeting date and SAB members who had not provided their availability needed to do so. The main focus of the meeting will be developing a new employee contribution structure from April 2022. He suggested in advance we run through questions from previous presentation with constituent groups and bring feedback to the meeting to compare views.

5.3 Willie Duffy said he would put a note on the staff side to arrange meetings.

5.4 The Chair confirmed there was a date in the diary to get together with employer side mid-April and thanked everyone for attendance and closed meeting.