

# NHS Pension Scheme Scotland

## Scheme Advisory Board

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### Draft Minutes

**Date:** 2 June 2021

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

**Location:** Virtual via MS Teams

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

**Attendees:** **Members**

Alan Robertson (BMA)  
Andy Carter (NHS Borders)  
Graham Pirie (CoP)  
Jackie Mitchell (RCM)  
Jane Christie-Flight (Golden Jubilee Hospital)\*  
Kay Sandilands (NHS Lanarkshire)\*  
Lorraine Hunter (NHS Grampian)  
Robin McNaught (State Hospital)  
Ros Shaw (RCN)  
Willie Duffy (Unison)

**Scottish Government**

Greg Walker (SPPA)  
Tom Nash (SPPA)\*

**Government Actuary's Department (GAD)**

Anne-Marie Pettie  
George Russell

**Secretariat**

Clare Moffat (SPPA)

**Apologies**

Daniel MacDonald (SG)  
Karen Gilchrist (SPPA)  
Phil McEvoy (BDA)  
Stuart MacArthur (SPPA)

\* *attended part of meeting*

## **1. Welcome and Apologies**

1.1 The Chair welcomed attendees and advised the focus of the meeting was to reach a collective view on contribution rates from 1 April 2022, with consideration of all viewpoints, to provide a fair structure within the CARE scheme and to minimise the number of scheme opt outs.

1.2 No new conflicts of interest were declared.

## **2. Minutes of the meeting held on 29 April 2021**

### Paper 2a – Draft SAB minutes of 29 April 2021

2.1 Alan Robertson highlighted that the comments included in 3.14 suggested all of the SAB were in agreement but, whilst the comments may have reflected the view of the majority of the SAB members, they did not reflect BMA's views. For instance, they would support everyone paying a flat rate of 9.8%. They therefore requested that the comments were amended to reflect this.

In addition, Alan Robertson asked that the comment in 3.20 was amended, as BMA's request was to allow for potential Annual Allowance and Lifetime Allowance charges, rather than NI.

On 3.26 on page 6, Alan Robertson asked that the statement said that BMA, rather than Alan Robertson, would not be able to support some of the options.

2.2 The minutes were approved, subject to these changes.

### Paper 2b – Action Log

2.3 Action Point 2021/02 - SPPA requested this action be carried forward to the next meeting.

2.4 Action Point 2021/08 - SPPA have prepared a timeline which will be finalised and published on SPPA website when HM Treasury bill is announced in July 2021.

2.5 Action Point 2021/09 - SPPA circulated draft report on 12 May 2021 requesting SAB comments. SAB agreed content. Action closed.

2.6 Action Point 2021/11 – GAD confirmed these papers could be shared. Action closed.

2.7 Action Point 2021/12 – GAD and SPPA explained the significant work involved in determining a meaningful average salary increase assumption for members not on AfC paybands. It was also highlighted that the more significant area of uncertainty associated with the modeller was likely to be the assumption that the demographic profile of the membership was unchanged since 2016. Agreed no further work required. Action closed.

2.8 Action Point 2021/13 – For discussion at agenda item 3.

2.9 Action Point 2021/14 – Action closed.

2.10 Action point 2021/16 – SPPA advised permission had not yet been granted to share E & W initial advice to DHSC on preferred member contribution structure. Action to remain open.

### Matters Arising

2.11 Unison asked how to progress queries received from unprotected members who had opted out of the reformed scheme but would not have done so if they had known they could get continued access to the legacy schemes. SPPA agreed to update the 2015 Remedy Q&A section of the website to advise the process and timescales.

2.12 Alan Robertson also asked if plans/timelines in relation to the Bill could also be added to this Q&A.

**Action 2021/17 – SPPA to update the 2015 Remedy Q&A section of SPPA website to advise process for contingent decision queries and timescales in relation to the Bill implementation.**

2.13 BMA thanked SPPA for issuing information on the extension of the deadline for voluntary scheme pays applications for the 2019/20 tax year.

## **3 – Member Contributions from April 2022**

3.1 The Chair summarised the SAB's previously agreed common position:

- that member contributions should be based on actual pay rather than whole-time equivalent (WTE) pay to determine the tier used to set member contribution rates,
- protect low earners by setting maximum contribution rate of 6% in lowest salary band
- maximise scheme membership

The Chair reminded the SAB the chosen structure must achieve a yield of 9.8%, and then invited GAD to present further illustrations of banded structures.

3.2 GAD introduced paper 3a: *Modelling Potential Structures (2)* which showed the outcomes of the discussions held on 29 April 2021 and provided four illustrations of banded structures (6B-E). The addendum paper provided an additional illustration on the banded structure (6F) which capped the effective banded rate at 12.5%.

3.3 GAD highlighted that, based on previous discussions, they were mindful of the following points:

- Low earners: The SAB had previously suggested the lowest contribution rate should be set at no more than 6%. The SAB had not yet considered what salary level this should extend to.

It was highlighted that the lowest tier/contribution rate in E&W structure applies to salaries up to circa £15,000, but in Scotland, the lowest tier/contribution rate applies to salaries up to £20,605.

- High earners: SAB to consider what earnings should be considered “high” and what maximum contribution rate should be, given such members are subject to additional tax liabilities

- Protection AfC Band 5: Some protection of AfC paybands to be maintained, particularly those on starting pay points
- Changes for members: Contribution increases that resulted in a sizeable reduction in member's take home pay should be avoided.

The material presented by GAD set out that it was previously agreed that changes that resulted in more than a 2% reduction in member's take home pay should be avoided, if possible, but SAB members questioned if a specific figure had actually been agreed.

GAD reminded the SAB that they should consider that the structure chosen should be fit for purpose for the 4-year period.

3.4 GAD commented that the structures presented did not allow for the additional pay increase that was effective from 1 December 2020, but that work was underway to assess if allowing for this, would have a material impact on the results.

3.5 GAD presented each additional illustration in turn, and confirmed the slides could be shared.

3.6 It was noted that the presentation material outlined a comparison of the existing structure with each of the proposed structures for full-time members. However, under each of the structures modelled, the use of member's actual earnings rather than their whole-time equivalent salary, would mean many part-time members would actually see a reduction in their contribution rate.

3.7 The "amended existing structure" (i.e. Option 1) previously discussed, modelled the contribution rates that would be required to reflect (1) a change from the use of member's whole-time equivalent salary to their actual earnings to determine the contribution rate payable, and (2) uniformly increase all contribution rates to ensure the required yield of 9.8% was achieved.

Some SAB members questioned if a comparison between this "amended existing structure", rather than the existing structure, with the alternative structures modelled would make it easier to compare the relative merits of the various illustrations.

#### Consideration of High Earners

3.8 GAD explained a contributions cap may help to acknowledge additional tax charges for higher earners (AA /LTA), but the SAB should consider if the caps illustrated were appropriate or at the right level.

3.9 The BMA viewed the illustrated cap of 14.7% in 6D as being too high, and suggested a 12.5-12.7% cap may be more appropriate, particularly given concern LTA may reduce in future.

#### Consideration of Banded Structure

3.10 The Chair highlighted employer representatives' preference of a banded approach and asked if the member representatives had established a favoured option.

3.11 Unison advised no discussions had yet taken place on structure and highlighted E&W had discounted banded structure, yet LGPS used a banded structure.

3.12 RCN advised lead staff were not inclined to support a banded structure but this had not been discussed with membership yet.

3.13 The BMA acknowledged a banded structure removed potential 'cliff edges' where small increases in earnings would result in significant increases in member contribution.

3.14 BMA agreed NHS (Scotland) need not reflect E&W's structure, however, highlighted different structures may cause issues when staff move posts between Scotland and E&W.

#### Consideration of protecting AfC Band 5

3.15 The Chair asked RCN to clarify their objective to protect the contributions for newly qualified band 5 staff. RCN confirmed they wish to secure scheme membership from newly registered band 5 staff e.g. occupational therapists, midwives and physiotherapists, whose salary starts at £26,104.

3.16 The SAB discussed the first contribution increase applying from circa £28,000 and the BMA confirmed this would also apply to House Officer 1 staff.

#### Consideration of who should pay 9.8%

3.17 The BMA felt that most members should be paying 9.8%, and then adjustments should be applied to limit opt outs.

3.18 BMA requested consideration of the balance of membership was factored in and stated that as almost half the scheme members earned £28,000-£51,000, perhaps these individuals should pay 9.8%.

#### Forming an organisation's position and then SAB position

3.19 Member representatives highlighted difficulties in finding options which could be put to members as some organisations had not yet accepted the 4% AfC pay rise offered yet were to be asked to consider an increase in their contribution rates. Unison suggested the SG should consider a higher pay increase to counterbalance the pension increase and queried how the pension contribution increase would be implemented and in particular, if phasing in any potential changes would be possible.

3.20 SPPA confirmed the pension contribution increase could be phased, with careful consideration of managing the yield across the period of implementation, and confirmed this SAB discussion is the first step in the process of the SAB concluding its advice, for further discussion with the Minister.

3.21 SPPA highlighted the SAB proposal should be prepared by mid-July 2021, to enable discussion with the Minister in August 2021. This would mean the proposed changes would be in consultation October-December 2021; regulations laid January-February 2022 to come into force from 1 April 2022.

3.22 The Chair suggested the SAB could narrow down the options available for members to consider. SPPA confirmed the SAB should ideally propose one contribution structure – either banded or tiered – for Ministers to agree, then a consultation would be undertaken on this one structure.

3.23 Unison expressed concerns about the scale of this task for SAB, given the need to discuss changes with members in tight timescales. CoP reiterated this view.

3.24 The SAB's general view was that there was some merit in the minimum amount of change, as illustrated by option 1, but could not reach consensus. BMA strongly advised they could not support up to a 15.5% rate within option 1. All member representatives confirmed the need to consult with members before reaching any decision.

3.25 SPPA advised the SAB could put forward a common position with caveat(s) to outline where any representatives did not support this.

3.26 The SAB requested a summary of the actual contribution rates payable across different salaries under option 1; tiered options 2C, 2D and 3A; plus banded options 6D, 6E and 6F. GAD's figures should include comparison of gross contribution rates, and comparison of take home pay impact.

**Action 2021/18 – GAD to produce summary of comparison of rates payable at different salaries under options 1, 2C, 2D, 3A, 6D, 6E and 6F. This is to include comparison of gross contribution rates and comparison of take home pay impact.**

3.27 The Chair confirmed the employer representatives had already formed some view of the most appropriate structure and requested the member side agree their view. BMA were inclined to support option 6F.

3.28 It was noted some members had left the call to attend other meetings. The Chair summarised the actions agreed as follows:

**2021/19 - Employer and member representatives to draft initial advice and submit to SPPA by 9 July 2021**

**2021/20 – SAB Secretariat to schedule next meeting for August 2021.**

## **AOB**

4.1 No other business except plans for date of next meeting which would be sent by Secretariat.

4.2 The Chair thanked everyone for their attendance and closed the meeting.