

NHS Pension Scheme Scotland Scheme Advisory Board

Minutes

Date: 23 September 2021

Meeting reference: NHS Pension Scheme Advisory Board – Extraordinary meeting on member contributions from 1 April 2022

Location: Virtual via MS Teams

Chair: Derek Lindsay (NHS Ayrshire & Arran)

Attendees: **Members**

Alan Robertson (BMA)
Andy Carter (NHS Borders)
Jackie Mitchell (RCM)
Jane Christie-Flight (Unite)
Lorraine Hunter (NHS Grampian)
Robin McNaught (State Hospital)
Ros Shaw (RCN)
Willie Duffy (Unison) until 15:45

Scottish Government

Daniel MacDonald (SG Health)
Greg Walker (SPPA)
Iain Coltman (SPPA)

Government Actuary's Department (GAD)

Anne-Marie Pettie
George Russell

Secretariat

Clare Moffat (SPPA)

Apologies

Graham Pirie (CoP)
Kay Sandilands (NHS Lanarkshire)
Phil McEvoy (BDA)

1. Welcome and Apologies

1.1 The Chair welcomed attendees and asked if there were any conflicts of interest.

1.2 No new conflicts of interest were declared.

2. NHS Pension Scheme (Scotland) Member Contribution Structure from April 2022

2.1 The Chair asked if E & W SAB had agreed proposals on contribution structure. SPPA confirmed that 4 tiered proposals were under consideration however there was no preferred option from E & W yet.

Paper 2a – Options paper

2.2 SPPA introduced paper 2a which presented two options for a new contribution structure in the NHS Pension Scheme (Scotland), based on SAB's previous advice and following feedback from Ministers.

2.3 SPPA outlined:

- The reasons for reviewing the contribution structure
- SAB's recommendations to Ministers
- Two options for the SAB to consider, with comparison data
- Possible approach to implement a new structure

2.4 SPPA asked the SAB to:

- provide feedback on the proposed options
- agree a preferred option to be taken forward to open public consultation
- provide feedback on the proposed approach to phasing in the new structure
- request any further information that is needed to finalise its advice.

2.5 The majority of the staff side strongly rejected the proposals, and expressed disappointment that the staff side's original recommendation was no longer an option.

2.6 SPPA confirmed the staff side's option was not ignored, however, they outlined SPPA's view that:

- there is a need to reduce the steepness of the tiers in a CARE scheme
- the current tiered structure is designed for a final salary pension scheme where those with higher career pay progression get a proportionally better pension, that tends to be higher earners, therefore they pay a higher contribution rate. In a CARE scheme all members get the same proportional benefits, therefore there is little justification for retaining the steep difference between highest and lowest earners.
- The majority staff-side proposal does nothing to flatten the contribution structure and in fact increases the steepness of the tiering by increasing the rates paid by higher paid members. This is unlikely to be acceptable to Ministers.

2.7 SPPA apologised that time constraints had not allowed co-Chairs to be sighted on the options proposed in advance of the meeting.

2.8 The Chair requested clarification of the process to date and reiterated changing member contributions being based on actual pay rather than WTE salary would benefit almost 1/3 of current scheme membership.

2.9 The Chair acknowledged agreement would not be reached on the proposals at this stage and suggested members outlined their key areas of concern.

2.10 Unison confirmed the following contribution rates were unacceptable:

- 6.6% for members earning up to £20,605 as opposed to 6.0% proposed by majority staff-side
- 8.9% for those within Band 5 salary range as opposed to 8.1% proposed by majority staff-side

2.11 Unison reiterated the staff side's preference of minimal change to structure and reminded the board that the band 5 staff are already in a dispute over pay.

2.12 The Chair reminded the board that an overall 9.8% yield was required and highlighted challenges recruiting staff at all levels across the service.

2.13 BMA outlined E & W proposals include 4 tiered options between 5.2% and 12.5% which, along with higher rate of income tax in Scotland, would result in Scottish members being worse off by comparison than counterparts in E & W.

2.14 SPPA confirmed paper 2b had been presented to Scottish Ministers along with official advice, and paper 2a was the outcome for the SAB to consider, and reminded the board as part of their advice they had explicitly endorsed the principles set out in the E & W SAB advice which recommended reducing the number of tiers to avoid cliff edges.

2.15 SPPA acknowledged the differing views and explained the proposed legislative timeline to introduce regulations for the change of member contribution structure:

- 20 February 2022 - Aim to lay regulations in parliament
- Mid-January 2022 – draft regulations
- October 2021 – start of public consultation period

2.16 RCN outlined the need to incentivise the scheme for new graduates joining at Band 5 and requested more detailed comparison tables of effect of proposed changes at a range of salary points.

Action 2021.09/01 GAD to expand comparison tables to broaden salary range and add some illustration on effect on part time members.

2.18 The Chair requested opinion on the proposed administration solution and it was broadly agreed that employers could continue using members' actual pay from the previous year (pro-rata basis if joined mid-year) although it was highlighted earnings often fluctuate due to shift patterns.

2.19 The board discussed phased implementation but there was no consensus on the desirability of a phased approach.

2.20 SPPA reminded the SAB to provide written feedback as soon as possible. Meantime, SPPA would work with GAD and liaise with colleagues in E & W.

2.21 The Chair confirmed another meeting should be held scheduled within next two weeks, thanked everyone for their attendance and closed the meeting at 16:10

Action 2021.09/02 SPPA to schedule another meeting to discuss member contribution structure as soon as possible.