

# NHS Pension Scheme Scotland Scheme Advisory Board

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## Draft Minutes

<b>Date</b>	16 October 2023
<b>May</b>	Virtual meeting via Microsoft Teams
<b>Chair</b>	Matt McLaughlin (UNISON)
<b>Attendees</b>	Alan Robertson (BMA) Anne-Marie Pettie (GAD) Andrew Carter (NHS Borders) Derek Lindsay (NHS Ayrshire & Arran) Greg Donaldson (GAD) Jackie Mitchell (RCM) Jane Christie-Flight (Unite) Lorraine Hunter (NHS Grampian) Matt McLaughlin (Unison) Philip McEvoy (BDA) Robin McNaught (State Hospital) Ros Shaw (RCN) Ruth Kelly (NHS Lothian)
<b>SG / SPPA Officials</b>	Brenda Callow (SPPA) Greg Walker (SPPA) Iain Coltman (SPPA) Jack McAllister (SPPA) Daniel MacDonald (SG)
<b>Secretariat</b>	Jack McAllister (SPPA)
<b>Apologies</b>	Graham Pirie (RCPOD)

## **1. Welcome and Apologies**

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

## **2. Minutes of previous meeting and action log**

### **Paper 2a – Draft SAB minutes of 13 June 2023**

2.1 The minutes of the previous meeting were held as accurate.

### **Paper 2b – Action Log**

2.2 **Action point 2021/02** - SPPA to investigate Pensionable Allowances – Passed to Technical Working Group for consideration at meeting of 20 June 2023 with pensionable allowances noted on the workplan. Still under consideration by Technical Working Group. **Carried forward**

2.3 **Action Point 2021/25** - SPPA to confirm if electric cars could be an approved salary sacrifice scheme under the pension scheme. **Closed and taken forward under action point 2023/04**

2.4 **Action 2022/10** - SPPA to explore with Practitioner Services if GP data can show all members in scheme during the relevant period, including start and end dates - Discussed with Practitioner Services, is possible to change the date in the formula on the data reports going forward. **Closed**

2.5 **Action 2022/11** - SPPA to explore adding retirement figures to the participation report to be presented at the next meeting - Data on SPPA retirement figures included in participation report paper discussed under agenda item 4 today. **Closed**

2.6 **Action 2023/02** – SPPA to share flexible retirement guidance for employers with SAB for comment prior to publication – Flexible retirement draft guidance was shared with SAB for comment prior to publication and thereafter published on SPPA website and circulated to employers and relevant stakeholders. **Closed**

2.7 **Action 2023/03** – SPPA to provide initial feedback on the draft assumptions recommendations for NHSPS (Scotland) by end of June 2023 – Circulated to SAB prior to this meeting and discussed today under agenda items 3a and 3b. **Closed**

2.8 **Action 2023/04** – SPPA to draft an employer circular on salary sacrifice and share with SAB. **Carried forward**

### **Paper 3a – Provisional 2020 Valuation Results**

3.1 Greg Donaldson (GAD) provided a detailed walk through of the Provisional 2020 Valuation Results which highlighted the emerging results of the actuarial valuation of

the NHSPS (Scotland) as at 31 March 2020. The document reported on by Greg included the main outcomes of the valuation and that provisional results show an increase in employer contribution rate and no cost cap breach. Greg detailed that the main driver in terms of the increase in the employer contribution rate was the reduction in the SCAPE discount rate which accounted for a 13.1% increase when taken in isolation. The upward pressure from the discount rate change was countered by other downward pressures, primarily from changes to mortality assumptions.

3.2 Derek Lindsay highlighted that the paper details that long-term expectation of real GDP growth has been revised downwards from 2.4% p.a. to 1.7% and asked if this was directly reflected in the discount rate reductions.

3.3 Greg Donaldson replied, confirming the discount rate is directly linked to long term expectations of GDP growth based on projections from Spring 2023 published by the OBR.

3.4 Matt McLaughlin asked when they could expect the final dataset to be signed off.

3.5 Greg Donaldson replied that it is imminent and won't be at risk of being re-opened but of course can't be fully closed off until the valuations are complete in full. Further stated that this will be published alongside the final report in a matter of weeks.

3.6 Derek Lindsay asked about the salary increase rates highlighted in the HMT direction assumptions part of the paper.

3.7 Greg Donaldson commented that the salary increases prescribed in the HMT directions aren't tailored to specific workforces and are based on average earning growth across the whole public sector.

3.8 Derek Lindsay also queried what conclusion had been reached around the appropriateness of the SPPA data for the purpose of the 2020 Valuation.

3.9 Greg Donaldson highlighted the fundamentals of data collection needed for the purpose of the 2020 valuations and outlined that SPPA have committed to data improvement for the next scheme valuation but that it was not an absolutely essential to have NHSPS(S) experience data in order to carry out the valuation as comparable data from the scheme in England and Wales could be used.

### **Paper 3b - Update on assumption recommendations for 2020 valuation**

3.10 Greg Donaldson (GAD) then updated SAB on assumption recommendations based on the 2020 valuation results. He highlighted the original and revised recommendations outlined in the paper. The minutes below reflect key discussion points at the meeting and are not intended to repeat all of the commentary covered in GAD's report.

3.11 During the discussion around the retirement age assumption, Derek Lindsay highlighted that the paper does state that it seems likely due to the introduction of partial retirement for the 1995 Section members from 1 October 2023 that fewer 1995 Section members will retire after NPA in future and asked if that therefore gives basis for an assumption going forward.

3.12 Greg Donaldson replied that at this time, the effect the introduction of this policy would have on member behaviour is speculative as there is no experience on which to base assumptions about member behaviour. Given this uncertainty over the effect on member behaviour it is recommended that no changes are made to the assumptions at the 2020 valuation.

3.13 Alan Robertson then asked if there was any feel for what amount of uptake of partial retirement policy would need to occur to have a significant effect on the retirement age assumption.

3.14 Greg Donaldson noted that allowing for the impact of partial retirement would have an upward pressure on the employer rate but at this stage he did not have a sense of the extent of that impact.

3.15 Matt McLaughlin also noted that it is sensible to take a more conservative view of the effects any new policy changes may have on this assumption at present until we know what the actual trends may be.

#### **Paper 4 – Participation Rates**

4.1 Jack McAllister provided a detailed walkthrough of the most recent participation rates for NHSPS(S) across Agenda for Change staff, medical and dental and senior management in the NHS as well as general dental and medical Practitioners.

4.2 Alan Robertson highlighted the impact of the Recycling Employer Contribution (REC) scheme on the increase in medical staff participation between quarter 4 of 2022/23 and quarter 2 of 2023/24

4.3 Ruth Kelly highlighted a change in the contract for doctors which would explain the anomaly in the 'Speciality Doctors' data which had seen a dramatic reduction in total numbers.

4.4 Alan Robertson welcomed the retirements data which had been provided but highlighted that it would also be useful to see the total number of actual retirements. The figures provided had counted a retirement from each scheme where members retired from both the legacy and reformed schemes.

4.5. Jack McAllister committed to also provide those figures as part of future retirements data.

## **Paper 5 - Remedial Service Statement Draft**

5.1- Brenda Callow presented SAB members with a draft Remedial Service Statement (RSS) which detailed what information in relation to remedy NHSPS(S) members will be presented with when retiring from the NHS.

5.2 Derek Lindsay asked if members are allowed to take more than the 25% of pension lump sum or if that is just the % amount that is tax free.

5.3 Brenda Callow replied that 25% commutation of the member's capital fund value is the maximum lump sum payable from the scheme.

5.4 Matt McLaughlin asked if the table providing the options to members would be tailored to each member's circumstances and only show applicable options. Brenda Callow confirmed this would be the case.

5.5 Derek Lindsay also outlined that these RSS will be sent out when members indicate that they wish to retire and queried whether the RSS when members opt to partially retire.

5.6 Brenda Callow and Greg Walker confirmed that those members who apply to partially retire will also be given their RSS and chance to make their remedy choice at that point.

5.7 Lorraine Hunter noted that it may be useful to add in the RSS document that the lump sum is tax free and that anywhere that the examples on page 5 and 7 of the document could benefit from some more clarification on what that means for lump sum amount and normal pension.

5.8 Alan Robertson echoed Lorraine Hunter's points above and suggested some more explanation on what 'dependents pension' actually means for those members who may not be used to pension terms and what those entitlements are. He also highlighted some formatting and display issues that could be improved upon.

5.9 Alan Roberston also highlighted that a section may need to be added on Lifetime Allowance and Annual Allowance tax limits.

5.10 Brenda Callow thanked SAB for the feedback and comments and highlighted that as a first draft the RSS document still had some work to be done.

## **AOB**

6.1 Matt McLaughlin highlighted issues that members of the NHSPS(S) have raised around how to achieve the 10% reduction in pensionable pay in relation to the partial retirement election.

6.2 Greg Walker noted that he felt the employer flexible retirement guidance was clear on this, in that overtime up to whole-time is automatically pensionable for part-time staff, with the exception of those who have taken partial retirement in the last 12 months for whom it is automatically non-pensionable. This means that members who reduce their core contract to 90% and then continue to work additional hours above their core contract, which would be non-pensionable, would meet the 10% reduction requirement for partial retirement.

6.3 Greg also noted that there had been some concern expressed by employers about how payroll systems could manage the different treatment of 'overtime' hours for normal part-time staff and those part-time staff who have taken partial retirement. Therefore, this option was presented as an employer flexibility in the employer guidance.

6.4 Greg Walker also highlighted the intention to make retrospective amendments to the scheme regulations from 1 April 2024 to set out this position in legislation.

6.5 Lorraine Hunter highlighted that payroll managers are currently dealing with partial retirement elections manually and so any issues that arise will be identified and dealt with manually by payroll managers.