

## **SCOTTISH NHS SUPERANNUATION SCHEME**

### **REPORT ON CONSULTATION ON PROPOSAL TO INCREASE EMPLOYEE CONTRIBUTION RATES AND SUMMARY OF RESPONSES**

#### **1. Purpose**

1.1. The purpose of this paper is to provide a summary of the feedback received to the Scottish Government's recent consultation on increasing employee contributions to the NHS Superannuation Scheme.

#### **2. Introduction**

2.1. The Scottish Public Pensions Agency, on behalf of the Scottish Government, conducted a public consultation inviting stakeholders to register their views on the Scottish Government's proposals for increasing employee pension contributions to the NHS Superannuation Scheme in Scotland for 2012 -13, starting 1/4/2012. That consultation followed the Scottish Government's decision to apply these increases in Scotland following confirmation from the UK Government that failure to do so would result in deductions from the 2012-13 Scottish Government budget. The UK Government is seeking to raise contributions by 3.2% average pay by April 2014.

2.2. The Scottish Government's consultation began on 7 October 2011 and closed on 17 November 2011 and covered increases for 2012-13 only. A short consultation period was necessary because of the UK Government's insistence on the need to bring in the contribution rises by 1 April 2012. This report summarises the 556 responses received by the SPPA to that consultation.

2.3. A copy of the consultation documents can be accessed on the SPPA website at [NHS Consultations](#).

#### **3. Consultation process**

3.1. The Scottish Government's consultation document was issued by email to NHS employers, Trade Unions and other stakeholders on 7<sup>th</sup> October 2011. The document was also posted on the SPPA's website for access by NHS employees. The consultation document set out the Scottish Government's suggested distribution of contribution rate increases (see Table 1 below) and was based on those rates proposed by the Department of Health in its consultation issued on 28 July 2011 for NHS employees in England and Wales.

3.2. The proposals were that:

- Those earning less than £15,000 (full-time equivalent rate) will pay nothing extra;

- Those earning up to £26,557 (full-time equivalent rate) will pay no more than 0.6% of pay extra in 2012-13 (before tax relief);
- Higher earners will pay extra, but no more than 2.4% of pay in 2012-13 (before tax relief).

Full Time Equivalent pensionable pay	Contribution rate 2011/12	Contribution rate 2012/13	Contribution rate increase in 2012/13
Up to £15,000	5.0%	5.0%	0%
£15,001 to £21,175	5.0%	5.6%	0.6%
£21,176 to £26,557	6.5%	7.1%	0.6%
£26,558 to £48,982	6.5%	7.7%	1.2%
£48,983 to £69,931	6.5%	8.5%	2.0%
£69,932 to £110,273	7.5%	9.8%	2.3%
Over £110,273	8.5%	10.9%	2.4%

3.3. A second table was included in the consultation which showed the effect of the contribution rises when tax relief was applied.

Full-time 2010/11 pay	Contribution rate 2011/12	Contribution rate 2012/13	Increase in contribution rate 2012/13	Additional cost (£ per month)
£10,000	4.00%	4.0%	0.0%	0
£15,000	4.00%	4.0%	0.0%	0
£20,000	4.00%	4.5%	0.5%	8
£25,000	5.20%	5.7%	0.5%	10
£30,000	5.20%	6.2%	1.0%	25
£40,000	5.20%	6.2%	1.0%	33
£60,000	3.90%	5.1%	1.2%	60
£80,000	4.50%	5.9%	1.4%	93
£130,000	5.10%	6.5%	1.4%	152

Further consultation will take place on the draft regulations.

#### 4. Analysis of Responses

4.1. The consultation posed six questions, one of which provided the opportunity to provide a general response on the policy. Although 556 responses were received only a few gave direct answers to some or all of the questions. The main comments are summarised in the tables at **Annex A**.

<b>Respondents</b>		<b>Permission to publish response given</b>
Individual Responses	547	Varying
<b>Staff Representative Organisations</b>	<b>Representation</b>	
British Medical Association	15,000 doctors in Scotland	Yes
British Dental Association	20,000 dentists across the UK and 4,000 student members	Not given
Unison	50,000 workers in NHS Scotland and related services	Not given
Independent Federation of Nursing Scotland	Federation representing nurses in Scotland	Yes
Guild of Healthcare Pharmacists	Professional body within Unite	Yes
<b>NHS Employer Groups</b>		
NHS National Services Scotland	Provides national strategic support services and expert advice to NHS Scotland.	Yes
Scottish Ambulance Service	Provides an emergency ambulance service to a population of over 5 million people in Scotland	Yes
Medical Practice		No
Healthcare Improvement Scotland	Provides support to healthcare providers in Scotland to deliver high quality, evidence-based, safe, effective and person-centred care; and to provide public assurance about the quality and safety of that care	Yes
Scheme Membership as at 31/3/2010	160, 014	

4.2. The following table provides a breakdown of the employment of the individual members who responded (where stated).

<b>Stated employment</b>	<b>Number</b>	<b>%</b>
Doctor	205	38
Unknown	148	27
GP	128	23
Nurse	20	4
Administration staff	19	4
Junior Doctor	13	2
Other medical staff	8	1

Management	3	0.5
Dentists	3	0.5
Total	547	

## 5. Key messages

5.1. Most respondents, including all those staff-side organisations who responded, were opposed to any increase in employee contributions. A number of other key messages were repeated throughout the consultation responses.

5.2. NHS scheme is currently a net contributor to the public purse and it has not been shown that the proposed increases are based on any rational assessment of the increase of scheme costs because no such figures exist.

5.3. Cost sharing mechanism could have been used to address issues of longevity with any costs associated with improvements in longevity already agreed as falling to the employee under cost sharing agreements.

5.4. Contribution increases should not be considered in isolation from the wider discussion of pension scheme reform.

5.5. Whilst recognising the UK Government is driving the policy, the Scottish Government can make different choices.

5.6. Staff side research indicates that increased opt out rates and early retirements of experienced employees will lead to an overall deterioration in scheme finances.

5.7. Part time workers likely to be more detrimentally affected due to their contribution rate being determined by their whole time equivalent earnings.

5.8. Although agreed that it is important to protect the low paid, the higher earners will have had their contributions significantly increased in recent years as a result of the previous 2008 reforms and the new proposals.

## 6. Next Steps

6.1. Having considered each of the consultation replies it has been decided to proceed with the rates that are being introduced into the scheme in England and Wales. A further consultation on the draft regulations reflecting this approach was issued on 22 December.

## Annex A:

**Question 1.** Should we adopt the England and Wales proposals or adjust them to reflect circumstances in Scotland as long as these still achieve the required yield for 2012/13?

	Responses
Adopt	22 (4%)
Adjust	18 (3%)
Question answered but said neither should apply – taken as view that increase should not be applied.	69 (13%)
Respondents who did not answer this question	447 (80%)
<ul style="list-style-type: none"> <li>• Should be the same as E&amp;W to prevent staff recruitment issues and further fragmentation of NHS.</li> <li>• No-one in Scotland should pay more than their E&amp;W counterparts.</li> <li>• There should be a flat, even increase across all pay bands.</li> <li>• Consultation should firstly be on how to fill budget deficit or how to find savings.</li> <li>• Public sector pensions should not have to pay for shortfalls.</li> </ul>	

**Question 2:** How might any Scotland specific adjustments fit with our policy of having agreed common salary scales/terms and conditions across the UK?

	Responses
Number who responded to this question	89 (16%)
Question not answered	467 (84%)
<ul style="list-style-type: none"> <li>• There should not be any adjustments; salary scales etc should be common. Need to preserve transferability.</li> <li>• Adjusting could lead to a disadvantage for Scotland with staff preferring to work in England.</li> <li>• Adjusting could make Scotland a more attractive place to work.</li> <li>• There are already differences in T&amp;C and salary scales between nations (e.g. London weightings, different merit awards).</li> <li>• Under Agenda for Change, T&amp;C's and salary scales not common.</li> <li>• Dentists, GPs and senior managers pay is different across nations.</li> <li>• Nationally agreed T&amp;C's already eroded by increase in local health board contracts.</li> <li>• Consideration should be given to separate Health/GP contracts in Scotland.</li> <li>• We should have national pension contribution rates as we have national T&amp;C's.</li> <li>• SG should use power to abandon common salary scales if E&amp;W impose something unjust.</li> </ul>	

**Question 3:** How might any Scotland specific adjustments be set to ensure that no-one in Scotland pays higher levels of contributions than their UK counterparts?

	Responses
Number who responded to this question	55 (10%)
Respondents who did not answer this question	501 (90%)
<ul style="list-style-type: none"> <li>• This requires further dialogue with representative bodies.</li> <li>• A cap should be set to the maximum of E&amp;W levels.</li> <li>• Apply a ceiling to each higher paid group.</li> <li>• The UK contribution should be set as a ceiling.</li> <li>• Scotland specific adjustments should be continually benchmarked against UK.</li> </ul>	

**Question 4:** Do the proposed tiered employee contributions from April 2012 achieve the appropriate balance between:

- Protecting the low paid;
- Minimising potential opt out from the scheme;
- Ensuring that they are set progressively, so that higher earners pay proportionately more?

Replied to question (all or part)	Responses		
	Yes	No	blank
protect low paid ?	31 (5%)	30 (5%)	495 (90%)
minimise opt out?	21(4%)	38(7%)	497(89%)
tiers set appropriately?	27 (4.5%)	26 (4.5%)	502 (91)%
<ul style="list-style-type: none"> <li>• Respondent would consider opting out/ many will opt out – 56 mentions</li> <li>• Respondent would consider moving abroad/ many will move abroad – 36 mentions</li> <li>• Respondent would consider retiring early/ many will retire early – 36 mentions</li> <li>• Respondent would leave the pension scheme/ many will leave the pension scheme – 28 mentions</li> </ul>			

**Question 5:** Do you consider that there are any potential equality issues? For example, is there anything in the proposals that might result in individual groups being disproportionately affected by the proposed contribution tiers?

	Responses
Number who responded yes to this question	82 (15%)
Number who responded no to this question	14 (2.5%)
Respondents who did not answer this question	460 (82.5%)
<ul style="list-style-type: none"> <li>• A robust Equality Impact Assessment is required.</li> </ul>	

**Question 6:** Are there any other specific issues around these potential increases that you would like the Scottish Government to consider?

	Responses
Number who responded to this question	532 (96%)
Respondents who did not answer this question	24 (4%)
<ul style="list-style-type: none"> <li>• NHS scheme in surplus – 251 mentions (45%)</li> <li>• Current scheme reformed 3 years ago – 236 mentions (43%)</li> <li>• Current scheme was designed to be sustainable – 165 mentions (30%)</li> <li>• Government is using the NHS pension scheme for a short-term cash grab – 144 (26%)</li> <li>• Little attempt has been made to raise funds elsewhere without penalising public sector workers/ SG should take penalty and raise the funds elsewhere instead of implementing pension changes – 138 mentions (25%)</li> <li>• Inappropriate to consult on how much contributions should rise by when no agreement they should increase in first place – 112 mentions (20%)</li> <li>• Pay freeze – 72 mentions (13%)</li> <li>• Paying more for less pension – 61 mentions (11%)</li> <li>• Could lead to recruitment/ retention issues/ staffing issues – 44 mentions (8%)</li> <li>• Government moving goalposts/ breach of contract – 34 mentions (6%)</li> </ul>	