

SCOTTISH NHS SUPERANNUATION SCHEME

REPORT ON CONSULTATION ON REGULATIONS TO INCREASE EMPLOYEE CONTRIBUTION RATES FROM 1 APRIL 2013 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 regulations increasing employee contributions to the NHS Superannuation Scheme from 1 April 2013.

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 2013 -14 from 1 April 2013.

2.2 The Cabinet Secretary for Finance, Employment and Sustainable Growth in his statement of 28 November 2012 confirmed that employee contributions in Scotland would increase from 1 April 2013, for a second year. He explained that the Scottish Government would face a £100 million budget reduction for every year that the increases were not applied and that the Scottish Government had no effective choice but to implement a second year of increases for members of the NHS, Teachers, Police and Fire pension schemes

2.3 The Scottish Government's consultation began on 20 December 2012 and closed on 12 February 2013. 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 2013. This report summarises the 905 responses received by the SPPA to that consultation.

2.4 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 letter and draft regulations were issued by email to NHS employers, Trade Unions and other stakeholders on 20 December 2012. 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 27 November 2012 for NHS employees in England and Wales.

3.2 In considering how best to structure the increases, the UK Government laid out a series of parameters within which individual public service pension schemes could develop their approach to achieving the required savings:

- There should be no increase in employee contributions for those earning less than £15,000 on a Full Time Equivalent basis;
- There should be no more than a 0.6 percentage point increase in 2012-13 for those earning up to £21,000, and no more than a 1.5 percentage points increase in total by 2014-15;
- There should be no more than a 2.4 percentage points increase in 2012-13 for high earners, and no more than 6 percentage points increase in total by 2014-15.

3.3 In proposing the implementation of the same contribution tiers as proposed in England and Wales, the Scottish Government has sought to protect the low paid, apply increases progressively and limit the level of opt out that higher contribution rates may generate.

3.4 The first year of increases was applied from 1 April 2012 and opt-out data has been monitored to check the impact of the increases. There has only been a small increase in opt-outs, which are in-line with assumptions. The data does not indicate that a change is required in the approach to determining the distribution of contribution increases for 2013-14. An Equality Impact Assessment will be published in due course.

2013-14 employee contributions before tax relief (gross)

Full-time pay	2012-13 contribution rate (gross)	2013-14 contribution rate (gross)	Contribution rate increase (percentage points)
Up to £15,278	5%	5%	0
£15,279 to £21,175	5%	5.3%	0.3
£21,176 to £26,557	6.5%	6.8%	0.3
£26,558 to £48,982	8%	9%	1.0
£48,983 to £69,931	8.9%	11.3%	2.4
£69,932 to £110,273	9.9%	12.3%	2.4
Over £110,273	10.9%	13.3%	2.4

2013-14 contributions after tax relief (net)

Full-time pay	2012-13 contribution rate net of tax relief	2013-14 contribution rate net of tax relief	Net contribution rate increase (percentage points)	Additional cost (£ per month)
£10,000	4%	4%	0	0
£15,000	4%	4%	0	0
£20,000	4%	4.24%	0.24	4
£25,000	5.2%	5.44%	0.24	5
£30,000	6.4%	7.2%	0.8	20
£40,000	6.4%	7.2%	0.8	27
£60,000	5.34%	6.78%	1.44	72
£80,000	5.94%	7.38%	1.44	96
£130,000	6.54%	7.98%	1.44	156

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 905 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**.

Respondents		Permission to publish response given
Individual Responses	860	Varying
Staff Representative Organisations	Representation	
British Medical Association	15, 000 doctors in Scotland	
Unison	50,000 workers in NHS Scotland and related services	
NHS Employer Groups		
NHS Ayrshire and Arran		
NHS Health Scotland		
Millhill Surgery		
NHS NSS Practitioner Services		
Scottish Ambulance Service		

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

Stated employment	Number	%
Doctor	106	13.8
GP	23	3
Nurse	197	25.6
Administration staff	110	14.3
Junior Doctor	3	0.4
Other medical staff	214	27.8
Management	107	13.9
Dentists	8	1
Retired	1	0.1
Total	769	

5. Key messages

- Contributions should not be increased to meet the UK Government's spending deficit and that any increases should arise solely from financial factors arising from the scheme valuation
- That the scheme is perceived to be in surplus and was reformed in 2008 to make it more sustainable.
- Increases are wholly unjustified as we move to a redesigned CARE pension scheme from April 2015

- Many respondents expressed concern that these further increases will result in a large number of members opting out or retiring early.
- Respondents were also concerned about increasing employee contributions during a pay freeze, compounded for many by the removal of child benefit, loss of tax credits and increases in NI contributions

6. Next Steps

6.1 Having considered the responses it has been decided to proceed with the rates that are being introduced into the scheme in England and Wales. The Scottish Government will continue to monitor the effect on scheme membership and any equality issues that may emerge.

Annex A:

Question 1: Do the proposed tiered contributions meet the Scottish Government's objectives of protecting the low paid and minimising opt outs from the scheme?

	Responses
Yes	128 (40%)
No	192 (60%)
Respondents who did not answer this question	584
<p>Key Comments:</p> <ul style="list-style-type: none"> ▪ Small pay rise in January means that now fall into higher band for contribution which more than cancels out pay rise/ contribution increase cancels out pay rise (13) (in particular the top of Band 5). ▪ People earning £15,279 - £21,175 should have been treated as low paid as in the past as they are mainly part time workers (10). ▪ Pay freeze means a reduction in take home pay (24). ▪ Given that the increase in contributions has to happen, this seems to be the fairest way to achieve this (8) ▪ Unfair to calculate part time employees contributions based on WTE salary (7) ▪ NHS scheme is currently in surplus so no increase should be needed/ scheme has already been reformed to make it sustainable (8). ▪ Many are likely to opt out/ higher earners near retirement may opt out (24). ▪ Agree that lower paid staff should be protected but this is being done disproportionately with a punitive effect on higher earners (7). ▪ Disagree with tiered contributions/ Tiering doesn't work in a CARE scheme (7) ▪ The band from £26,558-£48,982 is too broad and should be reduced so that those earning more than £45,000 pay more (7) ▪ Many GPs will stop out of hours work because of the increased amount of contributions to be paid. ▪ Should examine the % application to different banding to further protect the lower paid and rebalance the middle grades which receive tax benefit. 	

Question 2: Are there any other rates which you think would help to further minimise any opt outs from the NHS Superannuation scheme but will deliver the necessary increase?

	Responses
Yes	88 (34.9%)
No	164 (65.1%)
Respondents who did not answer this question	652

Key Comments:

- It would be fairer to have a 6 step increase rather than a 3 step one as shown in table 1.
- Those earning less than £26,557 shouldn't have an increase as happened last year (3)
- Increases shouldn't be quite as steep, higher earners should only pay around 50% more than low earners, not 200% more (4).
- By not linking to AFC pay bands, band 5 staff are disproportionately affected as the top of this band falls into the next band up (3)
- There is little evidence of an increase in opt out
- Some of the mid-tier rates should be increased/ there should be more bands/ some of the bands too broad (9)
- Contribution rates should be equalised across the public sector (3)
- Should be the same percentage increase across the board/ there should be a flat rate for all (8)
- Increase employer contribution (2)

Question 3: Are there any consequences of the proposed contribution tiers that you consider have not been addressed?

	Responses
Yes	160 (68.4%)
No	74 (31.6%)
Respondents who did not answer this question	670

Key Comments:

- By not linking to AFC pay bands, band 5 staff are disproportionately affected as the top of this band falls into the next band up (7)
- More higher earners will opt out/ retire early (8)
- Someone earning £1 less than another employee may not have to pay increase (2)
- The increase in contributions for those earning more than £48,983 has not been considered as this is a significant increase (3)
- Part time workers discriminated against (3)
- Tiering unfair in a CARE system (4)
- The threshold for the rise in contributions from 1% to 2.4% overlaps with the UK Government's thresholds for drawing child benefit so significant impact on those who will be hit twice by this (6)
- Lack of equity between all members, disincentive for promotion (3)
- Middle grade earners receive a tax benefit from their pension contributions so could contribute more to protect lower grade staff
- The top three tiers should be capped at 2012 rates

Question 4: 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 tiering?

	Responses
Yes	147 (65.9%)
No	76 (34.1%)
Respondents who did not answer this question	681
<p>Key Comments:</p> <ul style="list-style-type: none"> • There is likely to be a greater proportion of female and ethnic minorities in the second tranche of the scale (7) • By not linking to AFC pay bands, staff are disproportionately affected when different bands fall into different increases (10) • People at the top of the scale as this is likely to be people with longer service this is age discrimination (4) • Higher earners are discriminated against (21) • Middle earners who overlap with the UK Government's thresholds for drawing child benefit so significant impact on those who will be hit twice by this (11) • Single parents (3) • Young scheme members • Single males working full time • People earning less than £15,000 don't have to pay an increase which isn't fair (2) • NHS staff having to pay more than other public sector workers (13) • Professionals who go to university and start in the scheme later/ graduates (3) • Part time workers when based on WTE salary/ women who take time out to have families (12) • Workers who get enhancements like shift workers and whose salary changes each month will be better off 	

Question 5: Are there any other specific issues around these potential increases that you would like the Scottish Government to consider?

	Responses
Yes	136 (63.8%)
No	77 (36.2%)
Respondents who did not answer this question	691
<p>Key Comments:</p> <ul style="list-style-type: none"> • Has any consideration been given to any differential impact of the increases on those in the 1995 and 2008 schemes? • Employees in the lower salary ranges who are within 5 years of retirement could have made financial arrangements to secure their future (e.g. additional pension purchase) which could be now compromised by these increases, should they be excluded? • Tiered contributions not appropriate under a CARE scheme (2) 	

- Increases in contributions are inevitable but should be the same across the board
- Decision on increases should wait until after negotiations have concluded
- Employer contributions should be increased
- Impact of State Pension Reforms should also be considered alongside this
- Due to the average length of payment of a pension to Scottish staff being shorter than that elsewhere in the UK, there is validity in the Scottish contributions differing from the rest of the UK.
- A Scottish solution should be found rather than going along with Westminster.
- Protection for people near to retirement should be extended, especially if they only miss the cut off by a few months.
- The NHS scheme was reformed in 2008 to make it more sustainable and is in good health financially.