Dear Colleague

Scottish NHS Superannuation Scheme - Consultation on draft regulations for proposed employee contribution increases

In a statement to Parliament on 28 November 2012, the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, announced the Scottish Government’s decision to implement the second annual increment of the UK Government proposed employee contribution increases for the Teachers’, NHS, Police and Firefighters’ schemes in Scotland. The full text of that statement can be viewed in the Official Report for that day and via the following link: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions

Attached is a copy of a Scottish Government consultation on proposed increases to employee contribution rates to take effect from 1 April 2013 for the Scottish NHS Superannuation Scheme. During current partnership negotiations on longer-term reform of the Scottish NHS Superannuation Scheme, the Scottish Government has actively sought partners’ views on the most appropriate way to implement this, the second increment of increases. However, as trade unions and staff side representatives remain opposed to the policy of increasing member contributions it has not been possible to reach formal agreement on proposed rates. Consequently, the proposals contained in the attached consultation represent the Scottish Government’s considered view of the most appropriate rates to apply in the circumstances in the absence of compelling evidence or arguments in support of any particular alternative.

To simplify the process you can respond to this consultation online via the following link: http://www.sppa.gov.uk/index.php?option=com_wrapper&view=wrapper&Itemid=1491.
Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to nhspensionsreform@scotland.gsi.gov.uk or via mail to the following address no later than 12 February 2013:

NHS Employee Contributions Consultation  
Policy Branch  
SPPA  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

A copy of the consultation documentation is also available on the Agency's website at: http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=713&Itemid=484

Yours faithfully

Chad Dawtry  
Director of Policy

Copies to:

Addressees
HR Directors and Payroll managers NHS Boards  
Scottish NHS Pensions Group (SPG)  
Scottish Terms and Conditions Negotiating Group (STAC)  
SPPA Technical Working Group  
NHS Trade Unions and Professional Organisations  
Scottish General Practitioners Committee  
Institute of Health Service Management  
Scottish Practice Nurse Association  
Women’s National Committee  
SGHD Directorate of Primary Care  
SGHD Health Workforce Directorate  
SG Finance  
NHS Retirement Fellowship  
Home Office, Police and Firemen’s Pension Schemes  
Department of Health and Social Services, Northern Ireland  
NHS BSA Pensions Division  
Department of Health, England and Wales  
Department for Children, Schools and Family  
Cabinet Office  
Department for Communities and Local Government  
DWP  
GAD (for information only)  
Standard Life and Equitable Life  
HM Treasury
Savings, Pensions, Share Schemes HMRC
SGLD
SPPA Senior Managers
1. Purpose

1.1 This consultation sets out the Scottish Government’s proposals for the second annual increase in employee contributions to the Scottish NHS Superannuation Scheme, which are due to apply from 1 April 2013.

1.2 The Scottish Government invites views on the proposed employee contribution rates and on the draft regulations (attached) intended to bring these increases into effect. The Scottish Government has set out, at section 7, specific questions on which it would welcome responses, though consultees may respond on any aspect of the proposals.

1.3 This consultation is solely concerned with further increases in employee contribution rates proposed to apply to the NHS Superannuation Scheme in Scotland with effect from 1 April 2013. In due course, the Scottish Government may consult on proposals for a potential third annual increase in employee contributions. It will also consult on proposals for longer-term reform of the NHS Superannuation Scheme in Scotland following partnership negotiations.

2. Consultation timetable

2.1 This consultation runs from 20 December 2012 to 12 February 2013.

3. The Scottish Government’s position on employee contribution rate increases

3.1 The Scottish Government has set out its position on employee contribution increases on a number of occasions, most recently during the Cabinet Secretary for Finance, Employment and Sustainable Growth’s statement to Parliament on 28 November 2012. The full text of that statement can be viewed in the Official Report for that day and via the following link: http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7569&i=69154&c=0&s=pensions
4. **Principles**

4.1 The Scottish Government takes its commitment to affordability, sustainability and fairness in public sector pension deals seriously. In proposing the increases outlined in this consultation it has reflected its commitment to protect the lowest paid and minimise the risk of opt outs from the NHS Scheme in Scotland. The protection being proposed is that those members earning up to the whole time equivalent (WTE) of £15,278 will see no increases applied this year and those earning up to WTE of £26,557 will see only a 0.3% rise. It is intended that taking this approach will help those in the early part of their career to remain in the scheme and therefore reduce the number of potential opt outs from the scheme. Above that level, increases are being spread progressively in order to ensure that those earning higher salaries pay proportionately more for their pensions.

4.2 The limited data on opt outs available for the NHS superannuation scheme in Scotland to date shows no identifiable increases in opt outs since the introduction of the first round of employee contribution increases. We understand that a similar picture has emerged from other public service schemes. However, the Scottish Government will continue to monitor and consider the impact of increases in employee contributions on opt outs from the scheme.

5. **Proposed increase in contributions 2013-14**

5.1 The employee contribution rates the Scottish Government proposes to apply from 1 April 2013 are set out in Table 1 below. These rates are the same as those proposed by the UK Government's Department of Health in its consultation on increases for the scheme in England and Wales which was issued on 20 November.

5.2 When set alongside employee contribution increases introduced in April 2012, the proposals in this consultation will deliver the anticipated increase of 2.56% of pensionable pay (1.28% of pensionable pay from 1 April 2012 and this further 1.28% of pensionable pay from 1 April 2013) required by HM Treasury from 1 April 2013.

5.3 Table 1 shows the increase in contribution compared with 2012-13 and shows that:

- Those earning up to £15,278 (WTE) will pay no increase on their current contributions.
Those earning between £15,279 (WTE) and £26,557 (WTE) will have only a 0.3% increase.

**Table 1**

2013-14 Employee rates before tax relief and percentage increase from 2012-2013

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

5.4 Table 2 below shows the progressive structuring of contribution rates reflecting the beneficial impact of tax relief for the higher rate payers.

**Table 2**

2013-14 contributions after tax relief (net)

<table>
<thead>
<tr>
<th>Full-time pay</th>
<th>2012-13 contribution rate net of tax relief</th>
<th>2013-14 contribution rate net of tax relief</th>
<th>Net contribution rate increase (percentage points)</th>
<th>Additional cost (£ per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000</td>
<td>4%</td>
<td>4%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>£15,000</td>
<td>4%</td>
<td>4%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>£20,000</td>
<td>4%</td>
<td>4.24%</td>
<td>0.24</td>
<td>4</td>
</tr>
<tr>
<td>£25,000</td>
<td>5.2%</td>
<td>5.44%</td>
<td>0.24</td>
<td>5</td>
</tr>
<tr>
<td>£30,000</td>
<td>6.4%</td>
<td>7.2%</td>
<td>0.8</td>
<td>20</td>
</tr>
<tr>
<td>£40,000</td>
<td>6.4%</td>
<td>7.2%</td>
<td>0.8</td>
<td>27</td>
</tr>
<tr>
<td>£60,000</td>
<td>5.34%</td>
<td>6.78%</td>
<td>1.44</td>
<td>72</td>
</tr>
<tr>
<td>£80,000</td>
<td>5.94%</td>
<td>7.38%</td>
<td>1.44</td>
<td>96</td>
</tr>
<tr>
<td>£130,000</td>
<td>6.54%</td>
<td>7.98%</td>
<td>1.44</td>
<td>156</td>
</tr>
</tbody>
</table>
5.5 The contribution tier which will apply to a scheme member will continue to be determined by reference to their whole-time equivalent salary. It remains government policy that it is a member’s whole-time equivalent salary which is used to calculate their pension entitlement and that it would be unfair to full-time staff to treat part-time staff differently. For example, a scheme member with a working pattern of 50% who earns a whole-time equivalent salary of £46,000 (actual pay £23,000) will pay a gross contribution of 9% of their salary from 1 April 2013.

6. Examples of what this could mean for individuals

6.1 NHS Superannuation Scheme employee contributions are deducted from gross pay before income tax is deducted. However contributions made to an individual’s pension scheme normally benefit from tax relief.

6.2 For illustrative purposes Table 2 above shows the estimated net impact of the proposed increases from 1 April 2013. The contribution rate after tax relief is the percentage of total pay by which take-home pay will be reduced as a result of the increases in pension contributions. This also shows the beneficial effect of tax relief on pension contributions.

6.3 A pensions contributions calculator is available on the SPPA website: http://www.sppa.gov.uk/Documents/NHS/NHS%20Useful%20Resources/NHS%20Consultations/2012/NHS%20calculator.xls

This may be used to estimate the impact on individuals of the proposed increase in contributions from 1 April 2013.

7. Views sought on the proposals

7.1 This consultation and draft regulations set out the proposals for increasing employee contributions from 1 April 2013. The Scottish Government would welcome views on the following questions:

**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?

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

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?

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

The closing date for receipt of comments is 12 February 2013.

To simplify the process you can respond to this consultation online via the following link:

Alternatively responses may be made by completing the Consultation Response Form attached to this letter which can either be submitted electronically to nhspensionsreform@scotland.gsi.gov.uk or via mail to the following address no later than 12 February 2013:

NHS Employee Contributions Consultation
Policy Branch
SPPA
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

8. Next steps after the consultation ends

8.1 A summary of the responses to this consultation will be made available on the SPPA website.

8.2 A full Equality Impact Assessment evaluating the approach proposed for the Scottish NHS Superannuation Scheme in respect of the proposed increase in contributions will be published in due course.

9. Confidentiality of Information

9.1 We need to know how you wish your response to be handled and, in particular, whether you are happy for your response to be made public. It
would be helpful if you would complete and return the Consultation Response Form which forms part of the consultation questionnaire as this will ensure that we treat your response appropriately. If you ask for your response not to be published we will regard it as confidential, and we will treat it accordingly.

9.2 All respondents should be aware that the Scottish Government are subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.
CONSULTATION RESPONSE FORM: SCOTTISH NHS SUPERANNUATION SCHEME CONSULTATION ON DRAFT REGULATIONS FOR PROPOSED EMPLOYEE CONTRIBUTION INCREASES EFFECTIVE FROM 1 APRIL 2013

1. Name/Organisation
Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

3. Permissions - I am responding as… (please complete either sections (a), (b) and (d) or sections (c) and (d):

<table>
<thead>
<tr>
<th>Individual</th>
<th>Group/Organisation</th>
</tr>
</thead>
</table>

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government website)?

Please state yes or no: ____________

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please state yes to one of the following:

Yes, my response, name and address all available

Yes, my response available, but not my name and address

Yes, my response and name available, but not my address

(c) The name and address of your organisation will be made available to the public (in the Scottish Government library and/or on the Scottish Government website).

Are you content for your response to be made available?

Please state yes or no: ____________

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please state yes or no: _____________________________
ABOUT YOU

I am responding …

☐ as a scheme member
☐ on behalf of an Employer Organisation
☐ on behalf of a Trade Union/Staff Association
☐ other (please specify)

What is your gender?

I am female ☐
I am male ☐

I am employed as…

☐ an administrator
☐ a dentist
☐ a doctor
☐ a general Practitioner
☐ a junior doctor
☐ a manager
☐ a nurse
☐ I’m retired
☐ other (please specify)

What is your working pattern?

I work part-time ☐
I work full- time ☐
Not applicable ☐
CONSULTATION QUESTIONS

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?

Yes ☐

No ☐

Comments:

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?

Yes ☐

No ☐

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

Yes □
No □

Comments:

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?

Yes □
No □

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

Yes ☐
No ☐

Comments:

Please use this space to provide any further comments.

Comments:
Please e-mail your response to nhspensionsreform@scotland.gsi.gov.uk or send via mail to:

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7 Tweedside Park
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