

CONSULTATION RESPONSE FORM: NHS SUPERANNUATION SCHEME SCOTLAND. CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES EFFECTIVE FROM 1 APRIL 2012

Please Note this form should be returned with your response to ensure that we handle your response appropriately. An electronic version of the form can be accessed at www.sppa.gov.uk/nhs/consultations

1. Name/Organisation

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

Individual or **Group/Organisation**

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

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, make my response, name and address all available

or

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

or

Yes, make 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 web site).

Are you content for your **response** to be made available?

Please state yes or no: ...YES.....

(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:YES.....

CONSULTATION QUESTIONS – Please give reasons for your answers.

Within the context of the principles set out in the consultation document, your comments are invited on the preferred approach to delivering the required savings by increasing employee contributions to the Scottish NHS Superannuation Scheme by the amounts set out in Table 1 below.

Proposed increases to contribution rates (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%

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 additional contribution yield for 2012/13?

The Guild of Healthcare Pharmacists is not convinced that any increase in NHS Pension scheme members' contributions is required at this present point in time. The NHS Pension scheme is currently receiving £2billion more, each year, in contributions than it is paying out in benefits. This fact has not been denied by the UK Government.

The contribution rate rose in 2008 to cover the increased costs of the NHS Pension scheme and therefore NHS staff have already contributed significantly to the overall savings required by the Government. Other changes made to the scheme at that time included 'capping' the contribution from the employer (and hence the tax payer) and a review of employee contributions if the actuarial review demonstrated a deficit. There was also the option to re-negotiate some of the scheme benefits to reduce cost.

A rise in employee contributions at this time (on the basis that savings need to be made to ensure the viability of the scheme) is not justified and combined with a pay freeze for the last 2 years and the current high inflation rates, represents a significant cut in employee's take home pay.

A serious risk posed by the potential increase in contribution rates is that the NHS Pension scheme may be less attractive to new employees. This, in conjunction with current members nearing retirement age deciding to retire early to avoid paying higher contribution rates for little benefit in their overall pension; members not close to retirement age taking the short term view on contributions, in the current financial climate, and withdrawing from the scheme.

The proposed English Health Bill increasing 'private sector' involvement and leading to fewer NHS employed staff (and therefore Pension scheme members) could result in a significant reduction in the number of members contributing to the NHS Pension scheme. The risk that the scheme may then not be able to balance contributions and payable benefits could rise significantly, thereby negating the arguments in support of increasing the current contribution rates.

The latest available figures for Scotland (2009/10) show that £224.5million (25.4% of contributions) more was paid in to the NHS scheme than was paid to pensioners. The surplus in UK terms is £2billion.

The proposed increase in employee contributions for the year 2012/13 will result in a further £55 million approximately and thus the excess of contributions over pay out will become £279 million approximately (29.8% of contributions).

A request for the latest four yearly actuarial valuation of the NHS pension scheme from the Scottish Public Pensions Agency yielded the information that it is for the period 2000-2004! Work on the 2004-2008 valuation was halted due to various changes. There is, therefore, no information from which to conclude that the scheme will be in deficit. The UK Government have never denied the scheme is in surplus or stated that it will go into deficit. The public sector pensions review by Lord Hutton actually indicated costs would fall if CPI was used as the measure of inflation.

It is therefore very clear that the UK Government politicians are making judgements on 'affordability' and, therefore, on what changes have to be made to NHS pensions, without any factual basis.

This is essentially a de facto extra tax on NHS workers - workers who have already had a 2 year pay freeze applied that may well end up equating to a 10 percent reduction in real earnings.

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

As there is no factual basis, or proof of any need, to increase pension contributions, this question is not relevant.

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?

It is difficult to see how this could be achieved.

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

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

There is real concern that many NHS employees, because of the financial situation causing significant erosion of their standard of living, may well take a short term view on the increased contributions. If they leave the scheme, or the benefits are reduced to the extent that new NHS staff never join, the risk to the scheme being able to deliver a balance between contributions and benefit liabilities rises significantly.

The argument becomes the same as that with the 50percent tax rate. Does it really increase income to the Treasury and is the longer term damage (more citizens with inadequate pension provision) even greater?

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?

The proposals are being applied to all public sector pension schemes, irrespective of the health of the individual scheme. This is iniquitous when the NHS scheme is a net contributor to the Treasury to the sum of £2billion each year.

There is no justification for the imposition of increases when it was previously agreed that any increases would be negotiated in partnership and information on the schemes shared with all parties involved. This has not happened.

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

It would appear that the UK Government proposals are based on assumptions that the English Health Bill will lead to substantially more 'private sector' involvement, with less NHS employed staff to pay into the pension scheme. This may well result in the scheme going into deficit. This is not, however, the case in Scotland where the Scottish Government has ruled out privatisation of NHS services.

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

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Closing date for receipt of comments is 17 November 2011.