**Draft response to the Scottish Public Pensions Agency (SPPA) consultation on the proposed models for the NHS Pension Scheme (Scotland) contribution structure**

1. ***Do you agree or disagree that the Scottish Government should pursue a yield position of 9.6% to avoid increasing contribution rates by an additional 0.2% to meet the target yield required by HM Treasury? Recognising that maintaining the 9.6% yield will require the Scottish Government to divert £12m of vital health budget spending to pay for the pension contribution shortfall in 2022-23.***

* Member contribution rates should not be higher in Scotland than elsewhere in the UK, especially given the higher income and national insurance taxes that we pay.
* The underlying issue is the 9.8% target yield. This is disproportionately high when compared with other public sector pension schemes. The Scottish Local Government Pension Scheme, for example, has an average member contribution yield of 6.3%.
* There is little explanation as to why there is a shortfall in yield, and the specific workforce distribution issues that influence this. Further consideration is required as to the causes and appropriate responses so as not to further punish Scottish healthcare workers.
* The surplus from the previous cost floor breach should not have been used to pay for the McCloud Remedy.
* The Scottish Government should, at the very least, pursue a yield position of 9.6% during 2022-23.

1. ***Do you agree or disagree that the member contribution rate should be based on actual annual rates of pay instead of members’ notional whole-time equivalent pay? If you disagree or don’t know how to answer, please explain why.***

* Yes, I agree – it is not fair to continue using whole time equivalent pay when everyone is in a career average scheme.

1. ***Do you agree or disagree with the proposed member contribution structure set out in this consultation document? If you disagree or don’t know how to answer, please explain why.***

* The consultation document doesn’t adequately explain why a tiered structure has been retained.
* Under the CARE system, all members should in effect pay the same amount per £1 of pension. There is therefore no need for any tiering, and I would therefore suggest a totally flat contribution rate based on a fair yield percentage that did not create surpluses within the scheme, as has already been the case.
* If the required yield remains 9.8% (or 9.6% in 2022-23), a fairer approach would be for all members, or at least the majority, to be contributing that amount. This doesn’t seem to be the case in the proposals outlined.
* Whilst the top two tiers have been removed, others that sat just below 9.8% (old tiers 4 and 5 at 9.5%) have now been moved to far above 9.8% - no justification or reason has been given for this.
* In particular, there is a significant rise in contributions for those in the current tier 4 and the new tier 6, who will see their contributions disproportionately increase by nearly 2%. This is the steepest increase across the entire structure and impacts members who are already paying rates broadly in line with the target yield. The consultation acknowledges the need to move ‘towards more members paying closer to the 9.8% yield’, however, this change runs entirely counter to this intention.
* Members in current tier 5 and new tier 7 appear to see an increase of 1% during the implementation period, before seeing a 1% decrease. Again, it is unreasonable to ask members already paying well above the target yield to pay more still. This unfairness is counter to the intention to flatten contribution rates to closer align with the target yield.

1. ***Do you agree or disagree that the thresholds for the member contribution tiers should be increased in line with Agenda for Change pay awards? And that the increase should be based on the average uplift in AfC pay rather than tracking individual pay points. If you disagree or don’t know how to answer, please explain why.***

* As mentioned, a tiered structure is completely inappropriate within a CARE scheme.
* If tiering is to be maintained, it is clear that uprating is required, although I would suggest the greater of average AfC or medical staff pay rises should be used.

1. ***Do you agree or disagree that the proposed member contribution structure should be phased over 2 years? If you disagree or don’t know how to answer, please explain why.***

* No. Phasing prolongs the existing unfairness. We should be moving to a flat contribution structure with immediate effect.

1. ***Do you agree or disagree that the proposed draft amending regulations deliver the policy objectives of implementing the first phase of changes to the tiered contribution rate structure and the assessment of a tiered rate using actual annual rate of pensionable pay for part-time members rather than notional whole-time equivalent? If you disagree or don’t know how to answer, please explain why.***

* The regulations themselves look to achieve the aim. However, as mentioned, I disagree with the underlying proposals. In a CARE scheme, the contribution structure should be flat.

1. ***Are there any further considerations and evidence that you think the department should take into account when assessing any equality issues arising as a result of the proposed changes?***

* The structures proposed retain unjustified, steep tiering within the scheme.
* In addition to the points identified in response to question 3, it is also clear that these proposed models are unfair relative to other pension models. At the top end of the pay scales, doctors pay almost twice as much a year in contributions for a similar pension compared to civil servants or high court judges.
* The tiers being proposed are inherently unfair, clearly reducing the value for doctors remaining within the pension scheme and continuing to work. This will have the effect of demoralising staff and increasing the likelihood of doctors taking early retirement at a time where the NHS can ill afford to lose these experienced doctors. Regardless of age, a flat structure would be fair for all members within the scheme.
* The issues outlined are further heightened by the effect of the excessive taxation that is incurred by higher earners within the NHS pensions scheme. The modelling fails to factor in the significant impact of either the annual or lifetime allowance – these taxes more than wipe out any benefits from income tax relief on pension contributions.
* An option of recycling employer contributions has been proposed multiple times to the Scottish Government and they still have not implemented it, despite similar schemes being provided by many employers in England and being advocated by Welsh Government.
* As a result of these taxes being unfairly applied, many of us feel forced to reduce working hours at a time when waiting lists are at their highest for many years. If things continue as they are, many of us will question the point of staying working in the NHS until retirement age.
* The UK Government’s proposed changes to the pension scheme for the judiciary (also agreed by the Scottish Government), in response to similar issues with recruitment and retention to those found within the NHS, seem a much better solution. An unregistered scheme would mean no tax relief but also no AA/LTA complications or costs to deal with.
* As doctors, we just want to do our job and not have to spend our evenings and weekends learning to be accountants to try and understand these hugely complicated tax laws.
* Short of this solution, the further flattening of the proposed contribution tiers is a necessity for the existing scheme, to ensure that a greater number of scheme members are paying closer to the average yield of the scheme.
* The current proposed models represent a clear missed opportunity to create a fair scheme that encourages all members to participate and be treated fairly.