# UNISON Scotland response to Scottish National Health Service Superannuation Scheme: draft regulations for proposed contribution increases – April 2014

## Introduction

UNISON is Scotland's largest healthcare trade union representing over 50,000 members working in NHS Scotland and related services. Our health members are nurses, student nurses, midwives, health visitors, healthcare assistants, paramedics, cleaners, porters, catering staff, medical secretaries, clerical and admin staff and scientific and technical staff.

This paper is the UNISON Scotland reponse to the Scottish NHS Superannuation Scheme - Consultation on draft regulations for proposed employee contribution increases

All of our healthcare members greatly value the pension benefits they are accruing in the NHS Pension Scheme and the importance of saving for their retirement, which is emphasised by the current high take up rate of the NHS Pension Scheme. The scheme allows many low paid workers the opportunity to save for their retirement so they can retire in dignity and not have to rely on future taxpayers.

Many of our members are relatively modestly paid, suffering from pay restraint that keeps wages below the cost of living. They are also fearful of the impact of health spending cuts and are angry and distressed that the Scottish Government, at the behest of the UK Government, is asking them to pay more in pension contributions. The reality is that many of our members will simply not be able to afford to make the proposed contribution increases and will have to opt-out of their scheme to their and the State's future detriment.

## Draft Regulations

The covering letter to the draft regulations correctly states that the Scottish Government is mirroring the rates proposed for the NHS pension scheme in England and Wales. The Scottish Government is therefore not taking into account specific Scottish circumstances, including longevity that have been highlighted in their own White Paper – Scotlands Future.

UNISON Scotland believes that there are compelling arguments against the increases and alternative approaches that the Scottish Government has chosen to ignore. We remain of the view that the increase in contributions are not justified or necessary.

They are not justified because the NHS Pension Scheme is currently cash rich and is actually offsetting the cash deficit in Pay As You Go schemes over the next few years based on the current level of membership being maintained.  Even if the scheme was cash poor it is not justifiable to impose a tax or levy on members currently trying to save for their retirement.

Members of the NHS Pension Scheme have paid over £16 billion to the Treasury over the last 10 years alone. All pension schemes mature over time and for decades most Pay As You Go schemes were paying more than they were receiving from the Treasury. The NHS Pension Scheme like all Pay As You Go schemes is notionally funded and contributions are based on assumptions of how much the benefits cost as they accrue; they have not been based on whether the scheme is cash rich or cash poor at any given moment in time.

We have not been shown how the proposed increases are based on any rational assessment of the increase in cost of the scheme, because no such figures exist. These proposals are not necessary because an equivalent approach could have emerged from the cost-sharing approach to funding the NHS Pension Scheme which was agreed in Partnership in 2007. This approach would most likely have led to a requirement to increase contributions or amend benefit structures and UNISON would have participated fully in any resulting discussions and consultation emerging from this process. Unfortunately this agreed procedure has been unilaterally dismantled by the UK Government.

UNISON have not and still don't accept the Treasury's rationale for imposed member contribution increases which have been devised to counteract the effects of the financial crisis caused by reckless risk taking in the banking sector. The contention that these contributions are necessary to pay for increased longevity is false; this cost pressure is identified in the cost-sharing agreement under which NHS employees (not taxpayers) would stand to pick up the cost of living longer. In essence this is simply a tax on hard working and loyal health service workers. The reality is that the proposed increased member contributions will not aid the funding position of the NHS Pension Scheme as the money will simply go straight to the Treasury to help pay off deficits that have nothing to do with our members.

We set out our detailed response to the proposals in our submission to previous consultations on contribution increases. There is nothing in these draft regulations or the explanatory letter that changes our position on these points.

## Scottish Government's position

UNISON Scotland again welcomes the Scottish Government's statement that at a time of pay constraint and pressure on household finances - and in the absence of clear evidence of immediate need – the UK Government's policy of increasing employee contributions is unwarranted and disruptive. We agree with the Cabinet Secretary for Finance (28 November 2012) hen he said;

*"Beyond all else, what has emerged is that the UK Government has conflated the approach to public sector pension reform with its austerity agenda. Her Majesty's Treasury is intent on raising more than £6 billion of extra revenue from additional pension contributions, £0.5 billion of which is to come from Scotland alone. That is deficit reduction; it does not improve the sustainability of pensions."*

While we understand the financial pressure the UK Government is exerting on the Scottish Government, we believe other options exist for funding the cost of these contribution increases. In particular we believe that the extensive efficiency savings achieved by health workers could have been utilised to mitigate the contribution increases. NHS Scotland has met and regularly exceeded the efficiency saving targets set in the Scottish budget. We also believe further savings could be achieved in areas like the drugs budget.

UNISON Scotland welcomes the fact that there will be no percentage increase for staff earning below £15,431. However, employee contributions for other staff on low incomes will increase.

The Scottish Government therefore has the opportunity to make different choices to those set out in these regulations.

## Conclusion

UNISON Scotland does not agree to the draft regulations. They are a tax on hard pressed NHS workers who in many cases cannot afford to contribute more to their pension and are being penalised through the reckless risk taking of the banking and financial sector. Ultimately these proposals risk mass opt-outs which will only serve to increase dependency on the State.

We do not accept that the Scottish Government has no option other than to follow the UK Government's proposals. There is a separate scheme in Scotland and there are other options to fund the cost. These should be pursued in partnership through the Scottish Terms and Conditions Committee and the Scottish Pensions Group.

UNISON Scotland

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