

POLICY NOTE

THE NATIONAL HEALTH SERVICE PENSION SCHEME (SCOTLAND) REGULATIONS 2015

S.S.I. 2015/94

The above instrument was made in the exercise of powers conferred by section 1(1) and (2)(e) of, and paragraph 5(b) of Schedule 2 to, the Public Service Pensions Act 2013 (“the 2013 Act”). The instrument is subject to negative procedure.

Introduction

This instrument implements reforms to the NHS pension scheme required under the 2013 Act and establishes a new pension scheme for health service workers in Scotland from 1 April 2015. This instrument forms part of a group of three instruments that together implement reforms to pension scheme arrangement for health service workers. The other two linked instruments are: the National Health Service Pension Scheme (Transitional and Consequential Provisions) (Scotland) Regulations 2015 and the National Health Service Superannuation Scheme (Miscellaneous Amendments) (Scotland) Regulations 2015.

Background

In 2010, the UK Government gave a commitment to review the long-term affordability and sustainability of public service pension schemes. Although the Scottish Ministers are responsible for making regulations covering the Scottish NHS Pension Scheme, overall occupational pensions policy remains reserved to Westminster.

Lord Hutton of Furness was commissioned to conduct a fundamental structural review of public service pension provision and in March 2011 he published his final report on the future of public service pensions. His recommendations were considered by the UK Government and were subsequently reflected in the 2013 Act which provides for:

- the end to current final salary pension schemes
- establishing a link between normal pension age and state pension age
- improvements to public sector scheme governance arrangements
- that the reforms must be implemented by April 2015
- protection against the reforms for scheme members close to retirement

The provisions of the Act must be applied to the main public service schemes in Scotland.

Policy Objectives

Following discussions through the Scottish Pensions Group (SPG) (a tripartite group consisting of employer, trade union and Scottish Government representatives) a high level design for the new scheme was detailed in the “Scottish Framework Document” published on the SPPA’s website in August 2013. Detailed scheme rules have also been developed through discussions at SPG and these Regulations implement those agreed scheme rules and will establish the legal framework for the reformed pension scheme.

The main features of the new scheme are:

- Accrual based on Career Average Revalued Earnings (CARE) Scheme at a rate of 1/54th of member's pensionable earnings
- Revaluation of pension at the rate of CPI plus 1.5% for active members and at the rate of CPI for deferred members
- A scheme normal pension age the same as the individual's state pension age
- A clear governance structure
- Valuations and a cost cap will be set in line with Treasury Directions
- Employee contributions agreed in partnership but must provide an average yield of 9.8% of pensionable pay
- Options available to purchase additional pension and to buy out the reduction on pension which would occur if member wishes to retire at age 65
- Actuarial enhancement to pensions taken later
- Death in service lump sum and ill health provisions
- Survivor pensions
- Availability of partial retirement

Consultation

The Scottish Public Pensions Agency conducted a 9 week public consultation exercise which ended on 4 January 2015. The consultation was circulated to interested parties via email on 4 November 2014 as well as being hosted on the SPPA website (The contributions rates agreed in partnership were consulted on separately from 16 December to 11 January) The consultation received 24 responses in total.

Impact Assessments

No equality impact statement has been done for this individual instrument as one will be prepared for the wider pension reforms being introduced to the NHS scheme.

Financial Effects

No Business and Regulatory Impact Assessment has been prepared because no impact on the private or voluntary sector is foreseen.

Scottish Public Pensions Agency
An Agency of the Scottish Government
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