NHS Pension Scheme: Consultation on proposed increases to employee contribution rates effective from April 2012.

Response from Managers in Partnership (MiP)

Introduction

MiP is submitting this response to the consultation on behalf of our members. The response is based on the comments we have received from our members about the proposed changes. We have received more comments about these proposals than any other issue on which we have consulted our members. The views expressed are overwhelmingly opposed to the proposed changes and outraged that the Department of Health intends to impose these changes without reaching agreement with staff representatives.

MiP represents senior managers in the health service paid on a salary level equivalent to Agenda for Change band 8 and above (currently £38,851 a year and more). Our members, therefore, would be subject to the higher rate increases under these proposals of between 1.2% and 2.4%. We have nearly 6,000 members, including over 200 chief executives working across all areas of the NHS, including acute and mental health services, primary care trusts, strategic and special health authorities and ambulance trusts. We are, therefore, well placed to reflect the views of senior managers in healthcare.

Views on (a) the preferred approach of the Department of Health and Welsh Government and (b) other ways of delivering savings through increased employee contributions

MiP does not accept that these increases to employee contributions to the NHS pension scheme are necessary, appropriate or fair. The scheme is designed to be sustainable over the long term and contributions exceed benefits in payment by £2 billion a year at present. The ‘cap and share’ mechanism introduced three years ago ensures that employees will bear the brunt of any future cost increases.

Scope of the consultation

The scope of the consultation exercise is far too narrow, simply asking about the distribution of increases in employee contributions to average 1.3% from 2012.

The lack of flexibility in looking at alternatives and the tiered nature of the contributions simply sets one group of health staff against another as the only alternative available for consideration. This is unacceptable.

Furthermore, a genuine consultation needs to present the whole picture, not just part of it. There is clearly an intention to make further changes in following years but it is unreasonable to ask for our views on the first part without explaining what the ultimate change will be. It feels like this is an attempt to get agreement in stages by keeping us in the dark about the whole picture.

The NHS pension scheme is part of the total remuneration package
The terms of the NHS pension are an important element in attracting staff into the service. It is bad faith to unilaterally impose changes without proper consultation.

The last changes to the terms of the scheme three years ago followed discussions in partnership between staff representatives and employers. An agreement was reached which should only be changed by agreement not imposition.

The proposed contribution increase is not about sustainability
The public sector unions agreed changes in 2007 to ensure the sustainability of public sector pensions. In the NHS this produced the new 2008 NHS pension scheme, which all new entrants join. Existing employees are currently going through the pension choice exercise to decide which scheme to belong to. Higher paid NHS staff have already accepted a higher percentage contribution rate to sustain the NHS pension, so further tiered percentage increases are unnecessary.

These agreed changes would also have involved scheme valuations in 2010 to determine whether there were any increased costs. These arrangements have been abandoned following the Government's refusal to allow scheme valuations to proceed. The Public Accounts Committee reported in May of this year on the impact of the 2007-08 changes to public sector pensions. Its report stated that projections made by the Government Actuary's Department suggested that the 2007-08 changes to the civil service, NHS and teachers' pension schemes will bring substantial savings to the taxpayer of £67 billion over 50 years. The changes will stabilise the costs of these schemes at around 1% of GDP. Additional changes announced in 2010 are also expected to reduce costs. The Hutton Report also projects costs falling as a proportion of GDP.

The NHS scheme already contributes more to the Treasury than it takes out. The Public Accounts Committee has said that the changes already made to the NHS scheme as part of the 07/08 reviews will keep public sector pensions stable. This proposed increase is therefore not needed to ensure the sustainability of the NHS pension scheme.

Public sector staff are being asked to pay a levy for the banking crisis
NHS staff have already had to pay a high price for the banking crisis through a two year pay freeze (three years in some cases) during a period of rising inflation including massive increases in the cost of essentials such as transport and energy bills. This proposed increase of 3.2% on average in pension

contributions during the coming Spending Review period is, in effect, a levy on public servants for the next three years. Many individual NHS managers will pay much more than the average increase in order to lessen the increase for lower paid health staff. The money raised is part of the deficit reduction programme and will go straight to the Treasury. There is no doubt that the country faces significant economic problems, but public service employees are being asked to pay too high a price for the failings of others.

Proposed increases are not the same as 'cap and share'
The newly agreed NHS pension scheme includes a 'cap and share' arrangement which ensures sustainability with capped costs to the employer. The consultation paper suggests that the proposed increase for 2012-13 is probably similar to the increase that might have been triggered under this mechanism. This is highly misleading. Any increase under 'cap and share' would have been a one-off increase, not the first of three in as many years. Critically, it would have left unchanged the value of benefits or the retirement age for scheme members. The Government proposes changes to both, as well as increases in contributions of 3.2% on average. 'Cap and share' also provides for negotiation of changes to benefits as an alternative to contribution rises.

The value of public service pensions has already been cut
In April 2011 the Government switched from using the retail price index (RPI) to the consumer prices index (CPI) to calculate cost of living increases in pensions. This move represents a cut of at least 15% in benefits.

These are excessive increases over a very short time period. They take no account of staff's long term planning.
The overall impact on health workers could be significant and the short timeframes for proposed implementation do not consider the long term nature of pension planning. Many health staff have been paying into their pension schemes for many years and will have based their future and retirement plans on principles that will no longer be in place. As such many health workers may not be able to take retirement as planned and may have to continue to work for considerably more years. This could have an added financial cost in the support of sickness and ill health payments for older workers.

There is a risk of mass opt out from the scheme
The proposal to make unilateral changes undermines confidence in the pension scheme, creating the risk of a mass opt out from the scheme, which really would undermine its sustainability. Mass opt out would immediately affect the Government's finances. Taxpayers would also have to foot the bill for benefits for a greater number of people relying in retirement on their basic state pensions.

The initial reaction of many staff to the announcement of the proposed increase was that they would have no choice but to leave the scheme and/or look to take out their benefits early (those who are eligible) with an actuarial reduction.

Having had no cost of living increase for two years with no guarantee of anything from April 2013, the proposed increases are for many people simply unaffordable.

This is another blow against hard working public sector workers
There used to be an idea of public service being an honourable choice, a vocational career. The NHS pension scheme is seen as one of the most important parts in the contract between health workers and the government. It is very disheartening to be attacked constantly by the government as the cause of all the problems in the NHS, while trying to do our own jobs, prepare for an uncertain future, and support staff through the changes that are happening. This is bound to have a detrimental impact on morale and on recruitment and retention.

Conclusion
In conclusion, the proposed increase in contributions is unnecessary, unfair and potentially counter-productive as a revenue-raising measure. Pensions are a long term investment for staff, and any changes should be carefully considered and implemented through the agreed procedures. The Department of Health should enter into full and frank discussions with the trade unions and the employers to consider the proposals put forward in the Hutton report and reach a truly sustainable agreement for the future of the NHS pension scheme.

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