HSC Pension Scheme: proposed changes to scheme regulations

Consultation document and explanatory notes

Published 14 February 2019

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Introduction

The Department of Health (the Department) is consulting on a draft statutory rule (S.R.) entitled: The Health and Personal Social Services (Superannuation) and Health and Social Care Pension Scheme (Amendment) Regulations (Northern Ireland) 2019 (the "Draft Regulations").

The legal framework for the HSC Pension Scheme

There are two HSC Pension Schemes: the new reformed 2015 scheme and the older, closed scheme which is divided into the 1995 and 2008 Sections. Accordingly, there are three sets of regulations under which entitlement to pension and other benefits are calculated:

- The Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 (S.R. 1995 No.95);
- The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) (S.R. 2008 No.256; and
- The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (S.R. 2015 No.120).

Proposed changes to scheme rules

In summary, the draft rule amends the above-mentioned scheme regulations for the following main purposes:

- To implement a new contribution rate of 22.5% for employers from 1 April 2019 and renew the current employee contribution rates so that the same rates continue to apply beyond 31 March 2019; and
- To correct a minor defect in a previous statutory rule

This document explains the purpose and effect of the provisions set out in the draft rule.
How to respond

The Department welcomes any comments or views on the proposals set out in this document and the draft regulations.

Comments on the proposals and draft regulations can be submitted using the attached consultation response form via e-mail to:

modernisation@health-ni.gov.uk

Or by post to:-

DoH Pensions Policy Team
Waterside House
Room G33
75 Duke Street
Londonderry BT47 6FP

The consultation will close on 14 March 2019.

Confidentiality of information

Any information received, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information Act 2000 ("FOIA") and the Data Protection Act 2018 (the "DPA 2018").

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you would explain to us why you regard the information that you have provided as confidential. If we receive a request for disclosure of the information you have provided we will take full account of your explanation, but we cannot give an assurance that confidentiality will be maintained in all circumstances.

An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA 2018 and in most circumstances this will mean that your personal data will not be disclosed to third parties.
1. Member contribution rates

1.1 Each member of the scheme contributes towards the cost of their pension benefits. Scheme regulations set out the percentage rate of pensionable pay that a member is required to contribute. The rate is determined by reference to a member's pensionable pay. The current rates are set out in the table below:

### Current member contribution rates

<table>
<thead>
<tr>
<th>Whole time equivalent pensionable pay used to determine contribution rate</th>
<th>Contribution rate (before tax relief) (gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £15,431.99</td>
<td>5%</td>
</tr>
<tr>
<td>£15,432.00 to £21,477.99</td>
<td>5.6%</td>
</tr>
<tr>
<td>£21,478.00 to £26,823.99</td>
<td>7.1%</td>
</tr>
<tr>
<td>£26,824.00 to £47,845.99</td>
<td>9.3%</td>
</tr>
<tr>
<td>£47,846.00 to £70,630.99</td>
<td>12.5%</td>
</tr>
<tr>
<td>£70,631.00 to £111,376.99</td>
<td>13.5%</td>
</tr>
<tr>
<td>£111,377.00 and over</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

1.2 The current contribution rates were set for the four-year period 1 April 2015 to 31 March 2019. This means unless these rates are renewed or substituted with new rates, the HSC Pension Scheme will be unable to collect contributions from members from 1 April 2019 onwards. This is because the current rates expire on 31 March 2019.

Proposed amendment

1.3 The Department proposes to remove the time limit on current member contribution rates so the scheme can continue to collect contributions at the current rates until such time that any new rates are introduced.

Draft amending regulations

Amending regulations 3 and 5, 8, 9 and 11, and 14 and 15 amend:

- The 1995 Scheme Regulation 10 (contribution by members) and paragraph 10 of Schedule 2;
- The 2008 Scheme Regulation 28 (contribution rate for members other than non-GP providers), Regulation 30 (contribution rate and determination of pensionable earnings for non-GP providers) and Regulation161 (members' contribution rate);
- The 2015 Scheme Regulation 30 (members' contributions: employees) and Regulation 31 (members’ contributions: practitioners and non-GP providers) respectively.
1.4 Member contribution rates are set out in the regulations listed above. The relevant rates apply currently until 31 March 2019. The proposed amending regulations remove the existing time limit by replacing the words 'scheme years 2015/16 to 2018/19' with 'scheme years from 2015/16'. Consequently, the current tiered contribution rates will remain in operation until replaced by any future amendments.
2. Employer Contribution Rate

2.1 The scheme valuation is an actuarial assessment of past and future pension benefits building up within the scheme and is carried out on a four-year cycle. The results are used to determine the employer contribution rate required to meet current and projected scheme liabilities.

2.2 Employers currently pay 16.3% of a member's pensionable pay into the HSC Pension Scheme. The employer rate came into force on 1 April 2015 and has been reviewed as part of this quadrennial valuation.

Employer contribution rates from 1 April 2019

2.3 The Government Actuary's Department (GAD) in their provisional valuation report have reported an increase in benefit costs, requiring a 6.2 percentage point rise in the employer contribution rate to 22.5%. The cost increase is driven principally by a reduction in the discount rate used to set contribution rates for unfunded public service pension schemes (also known as the SCAPE rate). The SCAPE rate is the notional investment return on contribution income. A new SCAPE rate of 2.4% plus CPI was confirmed at Budget 2018.

2.4 Consequently, draft amendments are proposed to increase the employer contribution rate from 16.3% to 22.5% from 1 April 2019. Officials in the Department of Finance Public Spending Directorate are taking forward discussions with HMT on the funding implications for NI Departments.

Draft amending regulations

Amending regulations 4, 10, 12 and 16 amend:

- The 1995 Scheme Regulation 11 (contributions by employing authorities);
- The 2008 Pension Regulations 31 and 162 (contributions by employing authorities: general); and
- The 2015 Pension Scheme Regulation 32 (contributions by employing authorities) respectively.

2.5 The employer contribution rate is set out in the regulations listed above. The draft amendments change the rate from 16.3% to 22.5%.
3 Miscellaneous amendment

3.1 Amending regulation 7 corrects a drafting error in Regulation 22 of the 2008 Regulations previously inserted by S.R. 2016 No.348, regulation 8.
CONSULTATION RESPONSE FORM

CONSULTATION

The Health and Personal Social Services (Superannuation) and Health and Social Care Pension Scheme (Amendment) Regulations (Northern Ireland) 2019

(Please complete and return to the address at the end of the form to ensure that we handle your response appropriately).

1. Name/Organisation

Organisation Name

Title

Surname

Forename

2. Postal Address

Postcode

Phone

Email

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

<table>
<thead>
<tr>
<th>Individual</th>
<th>Group/Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Do you agree to your response being made available to the public (in the Assembly library and/or on the Assembly web site)?</td>
<td>(c) The name and address of your organisation will be made available to the public (in the Assembly library and/or on the Assembly web site).</td>
</tr>
<tr>
<td>Please state yes or no: _____</td>
<td>Are you content for your response to be made available?</td>
</tr>
<tr>
<td></td>
<td>Please state yes or no: ...............</td>
</tr>
<tr>
<td>(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis</td>
<td>(d) We will share your response internally with other 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?</td>
</tr>
<tr>
<td>Please state yes to one of the following:</td>
<td>Please state yes or no: ........................................</td>
</tr>
<tr>
<td>Yes, make my response, name and address all available</td>
<td></td>
</tr>
<tr>
<td>..........</td>
<td>or</td>
</tr>
<tr>
<td>Yes, make my response available, but not my name and address</td>
<td></td>
</tr>
<tr>
<td>..........</td>
<td>or</td>
</tr>
<tr>
<td>Yes, make my response and name available, but not my address</td>
<td></td>
</tr>
</tbody>
</table>
ABOUT YOU

I am responding …

☐ as a scheme member
☐ on behalf of an Employer Organisation
☐ on behalf of a Trade Union/Staff Association
☐ other (please specify)

What is your gender?

I am female ☐
I am male ☐

I am employed as…

☐ an administrator
☐ a dentist
☐ a doctor
☐ a general practitioner
☐ a junior doctor
☐ a manager
☐ a nurse
☐ I’m retired
☐ other (please specify)

What is your working pattern?

I work part-time ☐
I work full-time ☐
Not applicable ☐
CONSULTATION COMMENTS

Please use this space to provide any comments on the amendments.

Comments:

Please e-mail your response to modernisation@health-ni.gov.uk or post to:

DoH – Pension Policy Team
Room G33
Waterside House
75 Duke Street
Londonderry BT47 6FP

The closing date for receipt of comments is 4 March 2019.