



The Pharmacists' Defence Association (PDA) response to the government consultation on NHS Pension Scheme: proposed changes to member contributions

December 2021



Background

The PDA represents about 7000 pharmacists working in the NHS and who are eligible to join the NHS Pension Scheme. We are grateful for the opportunity to respond to the Government proposals.

We welcome two of the three proposals contained in this consultation and would urge government to delay until after the next valuation any restructuring of the contribution tiers and to do so without increasing the costs of those in the most populated pay bands.

We have long supported calls to end the practice of deducting from part time workers contributions based not on their actual earnings, but on a notional amount that they would earn had they been full time workers. Our experience of the wider pension landscape, particularly dealing with private sector companies, has led us to believe this practice is unfair at best and potentially discriminatory and is not replicated in other schemes we have members in.

We have also advocated linking the contribution tiers to pay increases to end the similarly unfair practice of pay increases moving people into a higher tier and leaving those impacted with less take home pay than before the often modest cost of living increase.

We believe these two proposals will command widespread support among all stakeholders and it is now a matter of urgency that both issues are removed as proposed.

However, we believe it is disappointing that these important changes are linked to a restructuring of contribution tiers that will see many pay more for their pension benefits. This proposal we believe to be divisive, unpopular and will not therefore ensure a consensus among all NHS pension stakeholders.

About the PDA

The PDA is a not-for profit defence association and trade union for pharmacists. It is the only organisation that exclusively looks after the interests of employee and locum pharmacists across all sectors of pharmacy, currently with a membership of more than 32,000, the PDA is the largest representative membership body for pharmacists in the UK and this membership continues to grow.

Delivering more than 5,000 episodes of support to members in the last year alone, provides the PDA with a rich vein of up-to-date experiences which have informed policies and future strategy.

Response to the consultation questions

- 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.**

The PDA fully supports this proposal.

The existing arrangements have been unfair to part-time workers and potentially would leave the NHS Schemes open to further legal challenges under the Equality Act. We believe this change is long overdue and are fully supportive of the proposal but emphasise that this answer must be read in conjunction with our overall comments and in particular with our answer to the next question.

- 2. 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 PDA disagrees with the proposed new member contribution structure.

We do not agree that there is any need to restructure contributions now and this view is supported by the fact that the new proposed structure produces the same overall yield as the existing structure.

We note that under the proposed structure generally those employed full time in Bands 5,6 and 7 will pay more while those in bands 8a-9 will pay less, as will those whose pay exceeds Agenda for Change Bands.

We do accept there is a need to look at member contribution rates as the scheme is expensive for many. However, we believe linking this to the other changes, changes that have been long overdue and are supported by all stakeholders, is wrong.

Instead, we would suggest these proposals are delayed until such time as to ensure no one in the new tiers 4 and 5 will see an increase in contributions from their current level. Any reduction in contributions for those more highly paid should only be achievable once this criterion is met. We recognise there are pay points below Band 5 that would also see an increase in contributions, and we would support calls for those groups not to see any increase in contributions if they are made by others in this consultation.

3. Do you agree or disagree that the thresholds for the member contribution tiers should be increased in line with Agenda for Change pay awards? If you disagree or don't know how to answer, please explain why.

As with the first question and the proposal to use actual pay, not WTE pay, we fully support this proposal. The current arrangements have been unfair and, during the 10-year period when pay increased very slowly, have led to a pay increase potentially leaving some people with less take home pay as the increase moves them to the next contribution tier.

The proposal to link the tiers with Agenda for Change (AfC) pay increases will end this and is long overdue. Our answer to this question should, however, be read in conjunction with our general comments and our answer to the above question.

4. 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.

We do not agree with the proposed member contribution structure, as outlined above. Rather than phase in an unpopular and unnecessary new structure over the next two years we would urge Government to delay the proposal to change the structure and review at the time of the next valuation.

Scheme members are currently required to understand how the McCloud remedy will impact them. We firmly believe there is a compelling case to allow the implications of McCloud to bed in, for members to understand the complexities of deferred choice, to make the two critical changes contained in this consultation document and return to the issue of contribution structure at the next valuation. Particularly as there is no need from the last valuation to increase the overall yield produced by members' contributions.

5. 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.

We are not able to comment on this question as we do not agree with the proposed restructuring of members' contributions. We are confident, however, that the draft regulations will correctly implement the changes we are supportive of.

6. 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?

We are mindful that NHS pension provision seems to have been in a constant state of change. Legislative changes following challenge by members, such as the Walker and McCloud cases and the remedies required, plus the complex move to CARE, have led to pension provision that is complex for members and expensive.

As detailed above we fully support two of the proposals and believe these will be welcomed by members. For those part time workers who have been subject to their contributions being based on the Whole Time Equivalent pay and for all of those who have seen their take home pay drop when a small pay increase moves them to a higher tier, the changes addressing these issues are urgently needed. We believe these two changes also make a small contribution towards simplifying the scheme and will remove two aspects of the scheme members found difficult to understand. However, at the same time to complicate matters further by proposing a new contribution tier is, in our view, a serious mistake.

We would urge Government not to consider phasing in over two years the proposal on contribution tiers as set out in this paper, but to review the need to make any changes in three years after the next valuation and only at a time when the contribution rates for those in bands 5, 6 and 7 can be maintained while achieving some reductions for those paid more highly.

Contact policy@the-pda.org