

# NHS Pension Changes October 2022 Questions and Answers

## 1. Why are the NHS Pension Tiers changing?

In 2008, tiered contribution rates were introduced to reflect that higher earners were likely to receive proportionally more benefits than lower earners over the course of their retirement, due in part to their final salary link.

To ensure the cost of the NHS Pension Scheme was fairly distributed and affordable for all members, these tiered contribution rates asked higher earners to pay proportionally more than lower earners to access the valuable benefits of the scheme.

As the NHS Pension Scheme has moved from final salary linked to a career average revalued earnings (CARE) model, all members will build up CARE benefits from 1 April 2022. This change ensures that the costs and benefits of the scheme are more evenly shared, and will be introduced as part of the [McCloud remedy](#).

In October 2021, the Department of Health and Social Care (DHSC) launched a public consultation proposing changes to the amount members pay towards their NHS pension. In February, DHSC announced these changes will go ahead on 1 October 2022. Full details of the consultation can be found on [GOV.UK](#)

## 2. Who has agreed this change?

All stakeholders had an input to the review with the final decisions being taken by the DHSC

## 3. What are the changes that have been agreed?

Members of the Scheme will pay different contribution rates depending on their actual pay, but the changes reduce the gap between these rates. The new contribution rates are designed to help make the benefits of the Scheme fair and affordable for everyone, and it remains one of the best ways to save towards retirement for all members.

- Determine member contribution rates based on the member's actual pensionable pay, using their earnings from the previous year.
  - Member contribution rates are currently based on Whole Time Equivalent (WTE) pensionable earnings. Many part-time employees will pay a lower contribution rate as a result of this change.

#### **Bottom of Band 4 example**

##### **Full time employee**

- Whole time Salary = £23,949
- Variable pay (On/call/Enhancements) in previous year = £1,500
- Total pensionable pay (£23,949+£1,500) = £25,449

##### **Pension Tiers April 2015 – 30 Sep 2022**

<b>Pay boundaries (WTE)</b>	<b>Member rate</b>
Up to £15,431	5.0%
£15,432 to £21,477	5.6%
£21,478 to £26,823	7.1%
£26,824 to £47,845	9.3%
£47,846 to £70,630	12.5%
£70,631 to £111,376	13.5%
Above £111,377	14.5%

**Pension Tier based on pensionable pay is 7.1%**

##### **Part time employee (60% WTE) – Actual earnings**

- Annual Salary = £14,369.40
- Variable pay (On/call/Enhancements) in previous year = £1,500
- Total pensionable pay (£14,369.40+£1,500) = £15,869.40

##### **Part time employee (60% WTE) – Pensionable Pay for Pension Banding**

- Whole time Salary = £23,949
- Variable pay (On/call/Enhancements) in previous year = £1,500
- Total pensionable pay (£23,949+£1,500) = £25,449

**Pension Tier based on WTE pensionable pay is 7.1%**

- Introduce a new contribution structure.
  - The number of contribution tiers in the new structure will be reduced from seven to six, with the top rate for the highest earners also reduced from 14.5 per cent to 12.5 per cent. This will reduce the steepness of the tiering, creating a flatter structure, which is considered to be appropriate in a CARE scheme, where all members get the same proportional benefits.
- Increase tier boundaries each year in line with the Agenda for Change (AfC) pay award.
  - This will reduce the likelihood of a member moving into a higher contribution tier as a direct result of a national pay award, which has previously led to a net-reduction in the individual's take home pay.
- Phase in the new member contribution structure, with the first phase to be implemented from 1 October 2022.

## NHS Pension Scheme member contribution rates

New contribution rates from 1 October 2022



Tier	Pensionable pay	Phase 1 - contribution rate from 1 October 2022 based on actual pensionable pay	Phase 2* - contribution rate based on actual pensionable pay
1	£0 to £13,246	5.1%	5.2%
2	£13,247 to £16,831	5.7%	6.5%
3	£16,832 to £22,878	6.1%	6.5%
4	£22,879 to £23,948	6.8%	6.5%
5	£23,949 to £28,223	7.7%	8.3%
6	£28,224 to £29,179	8.8%	8.3%
7	£29,180 to £43,805	9.8%	9.8%
8	£43,806 to £49,245	10.0%	10.7%
9	£49,246 to £56,163	11.6%	12.5%
10	£56,164 to £72,030	12.5%	12.5%
11	£72,031 and above	13.5%	12.5%

\*These rates will be implemented in 2023. The exact implementation date is still to be confirmed. Further information about these changes can be found on the [NHS Employers website](#).

#### 4. Will my take home pay be affected?

Your monthly take-home pay **may be** affected by these changes.

Changes to member contribution rates will be phased in over two years, with changes in October 2022 and in 2023 (the exact date in 2023 is still to be confirmed by the government).

The changes mean that some scheme members will have a higher rate and will be required to contribute more to the scheme than they currently do, and some will have a lower rate and will contribute less.

Many part-time employees will contribute less from 1 October 2022. This is because contribution rates will be based on what an individual actually earns each year, rather than what they would have earned if they worked full time.

The salary ranges used to decide how much all members contribute will change in line with any annual increase to the Agenda for Change pay scales. This means that members who receive an increase in salary from a national pay award are less likely to move up a contribution tier and pay more in contributions.

Pay boundaries	Current rates (WTE pay)	Rate from 1 Oct 2022 (actual pay)	Second phase in 2023
Up to £13,231	5.0%	5.1%	5.2%
£13,232 to £15,431	5.6%	5.7%	6.5%
£15,432 to £21,478	7.1%	6.1%	
£21,479 to £22,548	9.3%	6.8%	8.3%
£22,549 to £26,823		7.7%	
£26,834 to £27,779	12.5%	8.8%	10.7%
£27,780 to £42,120		9.8%	
£42,121 to £47,845	13.5%	10.0%	12.5%
£47,846 to £54,763		11.6%	
£54,764 to £70,630	12.5%	12.5%	12.5%
£70,631 to £111,376	13.5%	13.5%	
Above £111,377	14.5%	13.5%	

## 5. Who can tell me what rate that I will be paying from October?

The NHS Payroll system (ESR) is being updated with the new rates at the end of September.

Due to the high volume of NHSBT staff in the NHS Pension scheme (circa 5,200) Pay Support are unable to advise of the individual impact.

Examples has been provided on how the ESR will be calculating the new rates.

### **Example 1 – monthly paid**

#### **Pay Award 1st April 2022, no other changes**

Process will use total actual pensionable pay 1st April – 30th September, divide by 6 then multiply by 12 to get an annual value to determine the tier to be allocated

### **Example 2 – monthly paid**

#### **Pay Award 1st April 2022, promotion 1st July 2022**

Process will use total actual pensionable pay 1st July – 30th September, divide by 3 then multiply by 12 to get an annual value which will determine the tier to be allocated

## 6. Will my retirement pension be affected by these changes?

The value of your pension benefits won't be affected by the changes to contributions – only the way contributions are calculated, and the amount members pay are affected.

## 7. Are any future changes planned?

There are 2 phases of rate changes as detailed in question 3

- Phase 1 - implementation October 2022
- Phase 2 – Date not yet confirmed by NHS Employers/NHS Pensions

## 8. Are employer contributions also changing?

Employers will continue to pay 20.6%

### **9. What if I don't want my rate to change?**

This is a national change for all members of the NHS Pension scheme which is unable to be overridden.

### **10. What are the benefits of being in the NHS Pension Scheme?**

Because you're a member of the NHS Pension Scheme you pay reduced income tax – so your actual contribution will cost less than the percentage in the table in question 3.

If you opt out of the pension scheme, you'll lose the tax relief and you'll need to make alternate plans for when you retire.

You'll also lose enhanced ill health retirement, life assurance and family benefits cover.

You can find more about all of the benefits on your annual Total Reward Statement which is available via [MyESR](#)

### **11. Can I temporarily stop my contributions?**

NHS Pensions members Hub provides details [of leaving/taking a break from the scheme](#)

NHSBT are unable to give financial advice or encourage members to leave the scheme.

### **12. Can I leave the NHS Pension Scheme?**

NHS Pensions members Hub provides details [of leaving/taking a break from the scheme](#)

NHSBT are unable to give financial advice or encourage members to leave the scheme.

### **13. If I leave the NHS Pension scheme can my contributions be refunded?**

To qualify for a refund of pension contributions, you must:

- have no continuing membership upon reaching Normal Pension Age.
- have ceased membership of the Scheme in all employments.
- have less than two years qualifying membership in the NHS Pension Scheme,
  - (Including membership in both the 1995 and 2008 Sections and any transferred in membership)
- have not had a transfer into the NHS Pension Scheme from a personal, money purchase or stakeholder pension.

If you have re-entered pensionable NHS employment after a break of 12 months or more, you may be entitled to a refund of your earlier contributions.

If you have requested a transfer of this earlier membership (within the transfer time limits) to another pension arrangement you will not be able to request a refund.

Full details can be found on the [Members Refund Factsheet](#)

#### **14. If I leave the NHS Pension Scheme, can I re-join?**

If you are in NHS employment, you may re-join the Scheme if you meet the eligibility conditions.

Full details of eligibility can be found at [Joining the Scheme](#)