**Changes to the NHS Pension Scheme Pension Tiers from 1st October 2022**

**Introduction**

Members of the NHS Pension Scheme pay a percentage of their pensionable pay to the scheme each month, known as a contribution rate. Changes to members' contribution rates will be made from 1 October 2022.

The changes will apply to all members of the NHS Pension Scheme and may impact on the amount that members pay into the scheme each month.

**Background**

From 1 April 2022 all members of the NHS Pension Scheme are in the 2015 career average scheme for their future NHS Pension Scheme service. The change which took place from 1 April 2022 means that all members of the NHS Pension Scheme are now building up future benefits under the same career average arrangements. Due to this change it was considered that the member contribution structure needed to be reviewed.

The 2015 scheme is a Career Average Revalued Earnings (CARE) scheme, where members accrue or build up their pension savings at a rate of 1/54th of their pensionable earnings each month. From 1 April 2022, there has been a change from individuals building up a mix of future benefits, some with a final salary link and some under the career average arrangements. Whilst members with built up benefits in the previous final salary schemes will retain the final salary link for service built up within their final salary scheme membership before 1 April 2022, any benefits they build up after April 2022 will be under the career average arrangements and this will be the same for all scheme members.

It was felt that because **all** staff are now accruing the same proportional benefit i.e., 1/54th of their pensionable pay that there was a strong argument that everyone should pay the same rate – that would be a contribution rate of 9.8% for all scheme members. However, it has been decided following a national consultation that a tiered contribution approach will be retained to support membership of the NHS Pension Scheme across the whole NHS workforce. Overall, the amount which is paid into the NHS Pension Scheme by all NHS Pension Scheme members will remain the same.

**The new pension contribution structure**

The new tiering structure consists of 11 tiers ranging from 5.1% to 13.5% of pensionable earnings. These tiers will be increased each year in line with uplifts that are applied to the Agenda for Change pay bands. The aim is to mitigate the cliff edge issue which has previously seen some members being charged a higher contribution rate because the annual pay award has put them into a different tier. The change from 1 October 2022 is phase 1 of a two phase introduction of the new structure and the NHS Business Service Authority have recently sent letters to all NHS Pension Scheme members setting out the new contribution structure and the impact of the changes. The second phase will be introduced in 2023. This structure will reduce the number of overall tiers to 6 and these will range from 5.2% - 12.5%.

The change will also assess what an individual’s contributions should be, based on a member’s actual pensionable pay rather than the previous system which was based on an individual’s whole-time equivalent pay. It is felt that this is fairer for members who work less than full time and accrue pension in a CARE scheme, this means that many part-time members will pay lower contributions from 1 October 2022.

**Table 1 - The contribution structure from 1 October 2022**

|  |  |  |  |
| --- | --- | --- | --- |
| ***Tier*** | ***Pensionable earnings band*** | ***Contribution percentage rate******1-10-2022*** | ***Contribution percentage rate (to be implemented in 2023 – date to be confirmed)*** |
| **1** | Up 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%** | 10.7% |
| **10** | £56,164 to £72,030 | **12.5%** | 12.5% |
| **11** | £72,01 and above | **13.5%** | 12.5% |

**Table 2 - Agenda for Change - How Pension Band Changes relate to full time salaries in the pay structure from 1st October 2022**



**Note**

* **The new structure is based on actual pay.**
* **The table applies to full time staff with an annual salary with no additional pensionable earnings.**
* **Part time staff or full time/part time staff who have additional earnings such as unsocial hours shift enhancements should refer to Table 1. The pension tier an individual will be in will be based on their annual pay for their contracted hours plus any additional pensionable pay such as unsocial hours enhancements.**

**Key messages**

**1.The amount you pay into the NHS Pension Scheme may change from 1 October 2022.**

* 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.

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

* The changes to monthly pension contributions, and associated changes to income tax, could have a direct impact on take-home pay from October 2022 and again in 2023.
* The pension contribution changes are being implemented following the 2022-23 pay award. This is intended to help mitigate the impact on take-home pay for those members that will be required to pay higher pension contributions.

**3. Contributions and tax relief**

* NHS Pension Scheme employee contributions are deducted from gross pay before income tax. This means pension contributions are deducted from your monthly earnings before tax.
* This provides significant tax relief so the real cost to a pension scheme member is less than the headline contribution percentages.
* For example, for a 20% rate taxpayer the 9.8% contribution rate would equate to 7.85% of their net pay.

**4. Your employer will continue to contribute 20.6 per cent of your pensionable earnings towards your pension each month.**

* Employers pay this figure to the NHS Pension Scheme in addition to the member’s contribution. The current employer contribution rate of 20.6 per cent (plus a 0.08 per cent scheme administration levy) is fixed until 31 March 2024.

**5. The amount of pension you'll receive in retirement will not be affected by these changes.**

* These changes will only affect the amount that members contribute to the scheme.
* The amount of pension received in retirement will not be impacted by these changes.
* Since April 1, 2022, all members have been building up pension in the 2015 NHS Pensions Scheme.

**How will payroll (NWSSP) administer this new system**

Historically a member’s Pension Tier percentage payment is set on the 1April each year and run by our Payroll providers IBM. This will continue to be the case and an assessment will be undertaken every year to ensure that an individual is paying the correct NHS Pension Scheme contributions in line with their pensionable earnings e.g., annual salary plus unsocial hours payments.

The pension tier will now be based on actual salary. Prior to 1 October 2022 the pension tier percentage was determined on the full time salary for the role.

From the 1October 2022 if any of the following changes occur to salary, a **Pension Tier Assessment** will be undertaken:

1. A contractual change in hours up or down
2. A new starter or move from another NHS organisation.
3. Following a national pay award\*
4. Promotions

\*The Pensionable Earnings Bands will be increased each year in line with the pay award and this should avoid individuals with regular monthly pay moving into a different pension tier due to a pay uplift, however an assessment will need to be made to consider whether variable pay earned e.g., unsocial hours will mean a change in pension tier.

The process will use the pensionable pay in the period to estimate the pensionable pay for the year. This will be calculated by taking the pensionable pay in the month (or weekly if paid weekly) multiplied by 12 (or 52.143 if weekly paid) to get an annualised pensionable pay for pension tier assessment purposes.

**Once the assessment has been completed, and only if appropriate, the contribution rate will increase or decrease.**

**Example of the effect of the change**

* Band 5, Working 37½ hours per week with no Enhancement/Regular payments with a full time salary of £29,180 would have paid 9.30% up to 30 September 2022 and from the 1October 2022 this will rise to 9.8%
* Band 5, Working 18.75 hours per week with no Enhancement/Regular payments with a part time salary of £14,590 would have paid 9.30% up to 30 September 2022 and from the 1 October 2022 this will decrease to 5.7%

**Determining the contribution rate**

To see how your pension percentage tier, you need to look at your payslip in the month following a change in your Salary. For example, if you change your hours from 37.50 hours to 20 hours on the 3October 2022, your assessment will take place in your November pay and show on your November 2022 payslip.

To check your Pension Tier percentage, you will need to look at your own payslip. An example of a payslip is below.

As the NHS Pension contribution tier percentage is not based solely on Basic Salary, it includes regular payments, just merely looking at your Basic salary will not determine what your Pension Tier should be unless you only receive Basic Pay.

The new method of assessment will be evaluated every month. **Note: this will not affect you unless you have triggered one the changes stated above and only if following the assessment, you fall into a higher or lower tier.**

Example Payslip



If you take your relevant months’ payslip and use the [Pension Tier Calculator](https://www.nhsconfed.org/articles/nhs-pension-scheme) you can check/calculate your Pension Tier Assessment percentage.

Please do not contact Payroll unless you have checked your percentage first on the Pension Tier Calculator, if it is the same percentage as shown on your payslip then this is correct and payroll cannot amend it, however, if it is incorrect, please contact Payroll.

How can I check what my Pension Tier percentage payment will be once I have triggered a change.

Firstly, take your payslip following the change, i.e., if your hours change after the beginning of a month then the change will not be affective until the next month.

1. Use your payslip or whichever month is relevant and find the pensionable pay section.



1. Put this amount in the ready reckoner



1. This will indicate the Pension Tier %
2. Review your payslip to ensure that this is correct.
3. In this example it shows that the rate in May was 9.3%, however from October 2022 it is 9.8%

**Frequently asked questions.**

Q1. **Will my Pension Tier percentage payment change each month?**

A1. No – Your Pension Tier percentage will remain the same and will only be reviewed if you hit one of the following triggers for a Pension Tier Assessment, i.e. Change in Hours up or down, New Starter, A change to the assignment grade step (whether this is pay affecting or not), Assignments affected by a pay award, Promotion/Demotion, Salary Sacrifice.

Q2. **Will the review/assessment change my tier percentage?**

A2. Not necessarily, the trigger is a mechanism for payroll to pick up a change which may result in a change. In many instances there will not be a change as a result of an assessment being undertaken.

Q3. **How will it calculate my Pension Tier percentage?**

A3. It will take the Basic salary plus any Pensionable pay elements, i.e., Enhancements, Standby etc and multiply it by 12 (for monthly paid staff) to arrive at an Annual Pensionable Salary.

Q4. **I am part time, will I be affected?**

A4. Yes – One of the reasons for the change to the structure was to link contributions to actual pay and this change will support part time staff who have previously paid contributions based on the whole time salary for the role.

Q5. **What is if I think my Pension Tier percentage is incorrect?**

A5. Firstly, use the [Pension Tier checker](https://www.nhsconfed.org/articles/nhs-pension-scheme) this will calculate what your rate should be, if this is incorrect, please contact your Payroll Team

Q6. **What happens if I stop or increase my enhancements/Standbys and will my Pension Tier percentage Change?**

A6. No – As per Answer 1 above, your pension tier percentage will remain the same unless there is a change which meets the criteria for a Pension Tier Assessment to be undertaken.