

# NHS Pension Schemes

## 2023/07

<b>Who should read:</b>	NHS HR and Payroll Managers GP Practice Managers Direction Bodies Practitioner Services Division (PSD) Dental Payments
<b>Action:</b>	Employers are required to implement a retrospective change to the employee contribution tier bandings from 1 April 2023
<b>Subject:</b>	Retrospective changes to the employee contribution tier bandings from 1 April 2023
<b>Date:</b>	4 August 2023

**The purpose of this circular is to advise Employers that there is a retrospective change required to the contribution tier bandings from 1 April 2023**

Key information in this circular:

- The upper earnings threshold for contribution Tier 1 has been revised with retrospective effect from 1 April 2023
- Some employees will be entitled to a refund of pension contributions. This mainly affects staff in AfC Band 1 and those at point 1 of Band 2
- Employers are required to correct contribution rates as soon as possible and arrange for a refund payment to be made where applicable.

### Background

1. SPPA are currently [consulting](#) on proposals to reform the member contribution structure from 1 October 2023. Because of these impending reforms there were no changes made to the contribution tiers from 1 April 2023 and the tiers were not updated in line with the AfC pay award.
2. It had been envisaged that not updating the tiers would not have an impact on NHS staff because the existing tier thresholds remained above the AfC pay points for 2022-23. The member contribution rates for the current scheme year (1 April to 31 March) are determined by a member's whole-time equivalent earnings in the previous scheme year.

3. **We have since, however, established that not uprating the tiers has impacted a small cohort of staff.** Those affected are in AfC band 1 and band 2 (salary scale point 1) whose annual salaries have increased to £21,692 and £21,814 respectively, above the upper threshold for tier 1 of £21,614. As a result, staff have gone from contribution tier 1 to tier 2, increasing the contribution rate payable from 5.2% to 5.8% as a result of the pay settlement for 2022-23.
4. **There are no other groups of staff directly impacted by not uprating the tiers.** For all other staff, the core salary for 2022-23 remains below the lower earnings threshold for the higher contribution tier.
5. SPPA appreciate the significant administrative impact this will have on payrolls and apologise for this inconvenience. However, the upper earnings threshold for tier 1 requires to be corrected.
6. Therefore, the amended table below will be retrospectively implemented into scheme regulations and will be effective from 1 April 2023:

	Column 1 Pensionable earnings band in 2022/2023	Column 2 Contribution percentage rate from 1 April 2023
Tier 1	Up to <b>£23,819</b>	5.2%
Tier 2	<b>£23,820</b> to £25,981	5.8%
Tier 3	£25,982 to £32,914	7.3%
Tier 4	£32,915 to £66,017	9.5%
Tier 5	£66,018 to £92,423	12.7%
Tier 6	£92,424 to £123,147	13.7%
Tier 7	£123,148 and above	14.7%

7. As a result of these retrospective changes to the contribution tier banding, employers are required to correct the affected cohort's contribution tier and rate retrospectively from 1 April 2023 and arrange repayment of any overpaid contributions.
8. Employers will already have submitted the overpaid employee contributions to SPPA as part of monthly contribution payments from April. Once refunded to the employee, the easiest way to recover these funds is to offset them against future monthly contributions payments you make to SPPA.

9. To do this, all that is required is for you to reduce your next monthly payment to us by the overpaid amount by detailing this amount as an overpayment of employees contributions on the corresponding online submission. Please ensure that you add a comment to the comments box stating that the overpayment detailed relates to this issue.
10. There is no change to the way the table is applied. This circular supersedes circular [2023/02](#). More detailed guidance on applying the contribution table is set out in previous [circular 2022/04](#)

Please contact [sppapolicy@gov.scot](mailto:sppapolicy@gov.scot) if have any enquiries about this circular.

**SPPA Policy Team**  
**4 August 2023**