NHS Pension Schemes 2023/11

Who should read:	NHS HR and Payroll Managers GP Practice Managers Direction Bodies Practitioner Services Division (PSD) Dental Payments
Action:	Employers to inform scheme members of the changes and to implement revised contribution tier structure
Subject:	Employee contribution structure from 1 October 2023
Date:	14 September 2023

The purpose of this circular is to advise Employers of the introduction of a new employee contribution structure in the NHS Pension Scheme (Scotland). Employers should inform scheme members of the forthcoming changes.

Key information in this circular:

- Information for employees on changes to contribution rates from 1 October 2023
- Confirmation of final member contribution structure from 1 October 2023
- Employee contribution pay bandings to be applied from 1 October 2023

1. Background

1.1. The SPPA published a consultation on 23 May 2022 entitled, NHS Pension Scheme (Scotland): Consultation on proposed changes to member contributions from 1 October 2023 and miscellaneous amendments. The changes are necessary to ensure the correct level of contribution income is being received, as required by HM Treasury. Other changes are also required to ensure the contribution structure is suitable for the NHS Pension Scheme 2015 which is career average revalued earnings (CARE) scheme. All members have been part of the CARE Scheme since 1 April 2022.

1.2. The consultation sought views on the reform of the member contribution structure and proposed the following changes to the structure:

- rebalancing contribution rates by reducing the highest contribution tiers and narrowing the range of contribution tiers
- changing the approach to increasing tier boundaries in line with AfC pay awards
- A phased implementation of changes over two years

1.3. Following the conclusion of the consultation, respondents' views have been considered and a final contribution structure has changed to be more suitable for a CARE scheme, while aiming to maximise participation and allowing the scheme to achieve the target yield of 9.8%. The final member contribution structure is detailed in Table A below.

2. Information for Employees

2.1. On behalf of Scottish Ministers, SPPA launched a public consultation in May 2023 on proposed to changes to member contributions in the NHS Pension Scheme (Scotland). The changes are necessary to ensure the correct level of contribution income is being received, as required by HM Treasury. Other changes are also required to ensure the contribution structure is suitable for the NHS Pension Scheme 2015 which is career average revalued earnings (CARE) scheme. All members have been part of the CARE Scheme since 1 April 2022.

Changes to your pension contributions

- The rate you pay will be based on your actual annual rate of pensionable pay. This is a change and more appropriate for a CARE scheme. The rate was previously based on your whole-time equivalent pay.

- This means that if you work part-time, you may pay less because your contribution rate will be based on how much you're paid each year, rather than how much you would earn if you worked full time.

- Typically, pensionable pay is basic pay, and some additional allowances, up to full time hours. It doesn't include overtime, so you won't pay pension contributions on pay over full-time hours, such as Bank or other overtime.

- The SPPA has updated the pensionable pay ranges used to decide how much you contribute to your pension, and the percentage of your earnings you'll pay to be a member of the pension scheme – these are explained in the **'Understanding how much you'll pay'** section below.

- The changes mean that some members will pay less, and some members will pay more each month. To give members time to adjust, and to protect lower-earning staff from large contribution increases, the SPPA is phasing in the new contribution rates in two stages, starting on 1 October 2023 with further changes planned in 2024. The consultation for the further change, and outcome from it, will be published on www.pensions.gov.scot.

- The salary ranges used to decide how much all members contribute will change annually in line with the average Agenda for Change pay award. 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.

2.2. **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.**

2.3. You can read about the changes in full, at pensions.gov.scot/news/changes-nhs-contribution-rates

Understanding how much you'll pay

2.4. Members of the Scheme will pay different contribution rates depending on their actual pay. The new contribution rates are designed to make the benefits of the Scheme fair and equitable across the whole of the scheme membership.

2.5. The NHS Pension Scheme is one of the best ways to save towards retirement. Employers make a substantial contribution towards providing retirement benefits which are fully protected against inflation, on some of the most generous terms available from a pension scheme.

2.6. The table below explains the new contribution rates for each salary range from 1 October 2023. For most members the contribution rate to be applied is based on actual pensionable earnings for the previous scheme year (1 April to 31 March 2023).

Table A

Pensionable earnings in 2022/23	Applicable contribution percentage rate from 1 October 2023
Up to £13,330	5.7%
£13,331 to £23,819	6.1%
£23,820 to £28,186	6.7%
£28,187 to £35,364	8.2%
£35,365 to £35,521	9.8%
£35,522 to £37,086	10.0%
£37,087 to £45,079	10.5%
£45,080 to £48,784	10.8%
£48,785 to £68,222	11.3%
£68,223 and above	13.7%

2.7. If you want an indication of the impact on your take-home pay you can calculate your net pay using on an online salary calculator, such as the calculator at the following link: The Salary Calculator - Take-Home tax calculator

2.8. Please remember that to establish the applicable contribution rate you use your pensionable earnings in the previous financial year (annualised if you worked less than a full year) against the table above. Once you have established the correct rate, it is then applied to your earnings in the current year to work out the amount of contributions payable.

3. Information for Employers

3.1. All members will be moved to the new contribution tiers and rates set out in the tables 1 and 2 in Annex A below from 1 October 2023 and will pay contributions based on these tiers.

3.2. A key change from 1 October 2023 is that when setting the member contribution rate, **the member's actual pensionable earnings should be used instead of whole-time equivalent earnings**. If the member did not work a full year, the actual earnings should be annualised.

3.3. As before, **members active in the scheme on the last day of the previous scheme year and the first day of the current scheme year** will have their contribution rate assessed using actual pensionable earnings received during the previous scheme year. For this purpose their earnings will be assessed against Table 1 below.

3.4. Where a **member started a new job or their contribution rate changed during that preceding year**, pensionable earnings from the date of change should used to determine the member's contribution rate. Earnings should be annualised, so they are representative of a full year.

3.5. Where a **member changes jobs or has a pay increase during a current scheme year** their contribution rate will required to be reassessed. Pensionable earnings for the current scheme year should be annualised to represent a full year. The full years earnings are then used to see if those earnings fall into a different band and therefore a different percentage rate should apply from the date of change to the end of the scheme year. To assess the applicable rate for the current year, table 2 below should be used. The tiers thresholds in this table have been increased in line with any AfC pay award for 2023/24.

3.6. The consultation response confirmed that where members have **concurrent part-time employments with the same employer** the earnings **should be aggregated from 1 October 2023**. Further guidance will be provided on aggregation of concurrent employment but essentially earnings from the multiple posts should be added together and the applicable contribution rate allocated based on total pensionable earnings.

3.7. It should be noted, however, that members who hold **concurrent posts with different employers will not be aggregated for 1 October 2023.**

3.8. More detailed guidance for employers in respect of applying the revised contribution rates based on a member's actual pensionable pay will be provided by way of an updated circular shortly.

Please contact sppapolicy@gov.scot if have any enquiries about this circular.

SPPA Policy Team
14 September 2023

Annex A

Table 1 – Used in respect of members in pensionable employment on the last day of the previous scheme years and the first day of the current scheme year.

Column 1 Pensionable earnings band in 2022/2023	Column 2 Contribution percentage rate from 1 October 2023
Up to £13,330	5.7%
£13,331 to £23,819	6.1%
£23,820 to £28,186	6.7%
£28,187 to £35,364	8.2%
£35,365 to £35,521	9.8%
£35,522 to £37,086	10.0%
£37,087 to £45,079	10.5%
£45,080 to £48,784	10.8%
£48,785 to £68,222	11.3%
£68,223 and above	13.7%

Table 2 – This table will apply to any member who starts a new job or whose annual rate of pay changes during the current scheme year.

Column 1 Pensionable earnings band in 2023/2024	Column 2 Contribution percentage rate
Up to £13,330	5.7%
£13,331 to £25,367	6.1%
£25,368 to £30,018	6.7%
£30,019 to £37,662	8.2%
£37,663 to £37,829	9.8%
£37,830 to £39,496	10.0%
£39,470 to £48,009	10.5%
£48,010 to £48,784	10.8%
£48,785 to £68,222	11.3%
£68,223 and above	13.7%