

Consultation on NHS pension contribution changes

Introduction

The Scottish Public Pensions Agency (SPPA) is consulting on increasing the overall contribution made by members to the NHS pension scheme. This briefing outlines some of the main features of what is being proposed and gives some of the background.

Background

Although the scheme is not based on a fund, it does have rules and targets. In recent years the member yield has fallen short of the 9.8% target contribution yield. The 9.8% yield is set by the Treasury and the Treasury has been clear that the shortfall must be made up by member contributions.

SPPA ran an initial consultation early last year seeking views on a number of proposals for reforming the member contribution structure. These got a mixed reception from staff side unions. As a result of concerns about the cost-of-living pressures on NHS staff, the implementation of all proposals was postponed.

The SPPA is now consulting on new (but similar) proposals which they wish to implement in October 2023.

Main Proposals

The SPPA proposals involve a mixture of direct increases but also changes to the tiers (bands) which determine what contribution is paid. Some of these proposals are positive. Others less so.

Currently contribution rates for scheme members are based on notional Whole Time Earnings (WTE), regardless of whether a member works full or part time (PT) or of the actual hours worked. It is proposed to move to actual pay instead of WTE. This will benefit part time workers who will pay less for their pension and their contribution will better reflect their benefit. Members with multiple PT roles would make pension contributions based on the aggregate earnings of their PT jobs.

The proposals also commit to annually reviewing the tier thresholds and increasing them by the average pay uplift to prevent pay rises pushing members into a higher tier.

A 'flatter' structure of tiers with fewer bands is proposed. This reduces the likelihood of wage rises pushing people into a higher contribution rate band. However the value of this change is undermined significantly by the way it is proposed to be implemented.

Rather than finding a way of increasing the member yield in a way that is fair, the structure proposed will reduce contributions for the highest paid and increase the percentage paid by some of the lowest earners. (NB: There is a discounted rate for those earning less than £13.3k.)

Details of the proposed increases in contributions follow, alongside examples of how wages will go down (or up) if the changes are implemented. Two things are worth bearing in mind. The first is that even if the changes are implemented the NHS pension scheme remains a very good way to save for retirement. The other is that the move to actual pay (instead of WTE) and the benefit to part time workers makes the picture more complex.

KEY POINTS:

- **The Scottish Public Pensions Agency is consulting on changes to contributions to the NHS pension**
- **The aim is to increase the overall amount raised through members pension contributions**
- **Some grades will see increased contributions, while higher grades would see a decrease**
- **Contributions to be based on actual rather than whole time equivalent earnings**

UNISON:

- **supports the NHS Pension Scheme**
- **supports the moves towards actual earnings for part time workers**
- **supports the annual tier changes in line with pay awards**
- **supports having changes phased over a number of years**
- **does not support the changes which will increase pension costs for low and middle income members**

Table 1: Current tiered system and proposed new structure (Table 3B in the consultation document).

A	B	C	D	E	F	G
Current Structure			Proposed new structure			
Current tiers	Pensionable earnings based on 2021/22 AfC Pay Rates	Current rate	Pensionable earnings based on 2022/23 AfC Pay Rates	Rates from 1/10/2023	Rates 1/10/2024	New tiers
		WTE pay		Actual pay	Actual pay	
Tr 1	Up to £21,614 →	5.2%	Up to £13,330	5.8%	5.8%	Tr 1
		5.2%	£13,331 to £23,819	6.2%	6.5%	Tr 2
Tr 2	£21,615 to £25,981 →	5.8%	£23,820 to £28,186	6.8%	7.1%	Tr 3
Tr 3	£25,982 to £32,914 →	7.3%	£28,187 to £35,365	8.3%	8.7%	Tr 4
Tr 4	£32,915 to £66,017 →	9.5%	£35,366 to £43,421	10.5%	10.6%	Tr 5
		9.5%	£43,422 to £48,784	11.0%	11.4%	Tr 6
		9.5%	£48,785 to £68,222	11.6%	11.7%	Tr 7
Tr 6	£66,018 to £92,423 →	12.7%				
Tr 7	£92,424 to £123,147 →	13.7%	£68,223 and above	13.7%	12.7%	Tr 8
Tr 8	£123,148 and above →	14.7%				

The impact of these changes can be demonstrated in the table below.

Table 2: Changes in wages (see 'Examples of impact', pp18-20 in consultation document).

Example	Pay point	Impact as proposed	Comp Av 9.8% yield
HCSW (f/t) £23362	Bottom band 2	+£16 pm	- £56pm
HCSW (p/t)(50%)	Bottom band 2	+£6pm	-£43pm
Nurse (f/t) £32,300	Pt2 Band 5	+£21pm	-£32pm
Nurse (p/t) (60%)	Pt2 Band 5	-£14pm	-£46pm
Consultant £125,000		-£38pm	+£150pm
Consultant (60% f/t)		-£73pm	+£105pm

Action for branches

Hold stalls and walk about your workplaces giving out this UNISON briefing note.

Encourage your members to use the [UNISON template consultation response](https://action.unison.org.uk/page/131730/action/1) You can use a tablet to help them sign and send it. (Make sure responses are in by the deadline of midnight on 15 August.)

Use the materials provided to create some energy on your social media.

Additional reading

- [NHS pension contribution consultation document](https://pensions.gov.scot/site/default/files/2023-05/NHS_Pension_Scheme_-_Consultation_on_proposed_changes_to_member_contributions_Oct_2023_0.pdf)
[https://pensions.gov.scot/site/default/files/2023-05/NHS Pension Scheme - Consultation on proposed changes to member contributions Oct 2023 0.pdf](https://pensions.gov.scot/site/default/files/2023-05/NHS_Pension_Scheme_-_Consultation_on_proposed_changes_to_member_contributions_Oct_2023_0.pdf)
- [UNISON template consultation response](https://action.unison.org.uk/page/131730/action/1)
<https://action.unison.org.uk/page/131730/action/1>
(See Action for Branches, below left)



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