**NHS Pension Scheme member contribution changes**

## April 2024 requirements

### **Issued: March 2024**

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# Introduction

## Purpose

This document provides requirements for the second phase of the NHS Pension Scheme member contribution structure. These requirements are in addition to those already provided in the phase one payroll requirements which must continue to be applied.

The changes that will be implemented on 1 April 2024 include moving to a six-tier contribution structure with revised thresholds and contributions rates. A new process for increasing thresholds annually in line with CPI and subsequent Agenda for Change (AfC) pay awards using a ‘better of’ indexing approach. There has also been amendment of the 2015 Scheme definition of overtime and the introduction of carer’s leave as a period of authorised absence.

## Background

On 1 April 2022 all active members, regardless of their age, transitioned into the 2015 NHS Pension Scheme for future accrual and the 1995/2008 Scheme closed.

As the 1995/2008 Scheme was a Final Salary Scheme, higher earners tended to derive more value from their ultimate pension benefits relative to the amount they contributed over their career. This additional value was recognised in the higher contribution rates they paid. However, under a career average earnings scheme this advantage no longer exists for higher earners, with all members receiving the same proportional benefit for their contributions. It is appropriate and fair that members contributions are reviewed to take account of this.

Member contribution rates were comprehensively reviewed in 2021 with trade union and employer representatives. Following consultation on the future approach to member contributions, a first phase of changes implemented an interim 11-tier rate table on 1 October 2022. The second phase took effect on 1 April 2024, with the adoption of the final six-tier rate table. Contribution Tiers may change again in future.

## In scope

All staff who are eligible for the NHS Pension Scheme are within scope of the proposed changes. This includes those NHS workers who are:

* directly employed by the NHS
* medical, dental, and ophthalmic practitioners and trainees (GP registrars are regarded as officer scheme members)
* general medical practice staff: salaried employees of a GP practice, out of hours providers (OOHPs), or alternative provider of medical services (APMS) contractors who are not GPs or non-GP providers
* non-general practice providers
* employees of a direction Body, including those set up under New Fair Deal or independent providers who have access to the NHS Pension Scheme

# Requirements

## New member contribution tiers and rates – all members

* + 1. The payroll solution must use the new contribution tiers and rates from 1 April 2024.

Table 1: Contribution rates and tier thresholds from 1 April 2024

|  |  |  |
| --- | --- | --- |
| **Tier** | **Pensionable earnings thresholds (uplifted in line with Sept 2023 CPI\*)** | **Contribution % rate from 1 April 2024** |
| 1 | Up to £13,259.99 | 5.2% |
| 2 | £13,260 to £26,831.99 | 6.5% |
| 3  | £26,832 to £32,691.99 | 8.3% |
| 4 | £32,692 to £49,078.99 | 9.8% |
| 5 | £49,079 to £62,924.99 | 10.7% |
| 6 | £62,925 and above | 12.5% |

\*Applicable until there is a change in CPI/AfC payscales in England.

## Re-banding following CPI and annual pay award (‘better of’ indexing approach)

2.2.1 The payroll solution must re-assess all members contribution rates on 1 April each year using the new contribution table that will be published to take account of any CPI increases. Where there has not been an increase in CPI, or it has decreased, there will be no change to the earnings thresholds.

2.2.2 If, during the same year, the subsequent AfC pay award is greater than the CPI increase a new contribution table will be published to take account of the AfC pay award and the payroll solution must re-assess all members contribution rates from 1 April and collect any arrears or return any overpaid contributions.

## Overtime/additional hours

2.3.1 The payroll solution must not make any overtime/additional hours worked in excess of whole time equivalent pensionable.

2.3.2 The payroll solution must make additional hours (paid at the normal rate of pay and including any pensionable enhancements) worked by part time staff up to whole time equivalent pensionable, except where the member has taken partial retirement in the previous 12 months. (Once 12 months has passed since their last partial retirement, overtime/additional hours become pensionable again).

2.3.3 Pension contributions must be deducted at the members standard/plain rate of payment and include any pensionable enhancements.

## Carers Leave

2.4.1 The payroll solution must continue to deduct employer contributions based on the member’s pensionable pay immediately before the unpaid carers leave.

2.4.2 The payroll solution must calculate the arrears owed by the member based on their pay and contribution tier immediately before the unpaid carer’s leave and collect them upon their return to work.

# Scenarios

These scenarios relate to the rules to be implemented as part of the second phase of changes only.

**Table 3: Scenarios**

|  |  |
| --- | --- |
| **Scenario one** | **Re-banding following CPI** Annual Pay Award (Members with Unchanged Tier)From the 2024/25 Scheme Year, member contribution thresholds will be automatically uplifted on 1April in line with CPI from the previous September and upon announcement, if the AfC pay award exceeds CPI, the tier thresholds will be further increased to apply the marginal extra retrospectively. For example, thresholds will be uplifted on 1April 2024 in line with the CPI figure from September 2023 (except for the top and bottom of tier one and two, respectively). Annual pay awards for AfC are likely to be implemented mid-way through the scheme year but with backdated effect to the start of the scheme year.This means some members may temporarily drop into a lower contribution tier for the early part of the scheme year before the pay award is introduced. However, if the value of the pay award takes them back into their original higher tier then arrears of contributions will be deducted from the value of the award to correspond with the pay periods in which the award is retrospectively applied to. Some members may not change tiers as a result of the interaction between the threshold uplift and the value of the pay award. * Example: A member is in full-time employment with pensionable earnings of £36,400 (contribution rate of 9.8%). The tier thresholds are uplifted on 1 April 2024 in line with the CPI figure from September 2023 (6.7%). Consequently, the 9.8% contribution rate will have its tier threshold range increased to (£32,692 - £49,078). On 1 July, the member receives a pay award increase of 6.7%, resulting in pensionable earnings of £38,838.80.

As a result, the member will be paid a three-month (April to June) arrears of pay amounting to £609.70. The appropriate contribution rate would be 9.8%.Annual Pay Award (Members with Changed Tier)In instances where thresholds increase from the 1 April and pay awards are implemented from the 1 July (or at any point within the scheme year), certain members may undergo a transition into a lower tier between April and the pay award implementation. Subsequently, upon receiving a pay award equal to or greater than CPI, these members will revert to a higher tier previously occupied.In such a scenario, when the backdated pay award is paid to the member, the required contribution, and any outstanding contribution (pertaining to the period when the member transitioned into a lower tier between April and the implementation of the pay award) will be deducted from the arrears of pay.* Example: A member in full-time employment has pensionable earnings of £31,000 with a contribution rate of 9.8%. The tier thresholds are uplifted on 1 April 2024 in line with the CPI figure from September 2023 (6.7%). Consequently, the 9.8% contribution rate will have its tier threshold range increased to (£32,692 - £49,078), and the 8.3% contribution rate will have its tier threshold range elevated to (£26,832 - £32,691). During this period, the member transitions into a lower tier with a contribution rate of 8.3%. On 1 July, the member receives a pay award increase of 6.7%, resulting in pensionable earnings of £33,077, thereby ascending back to a 9.8% contribution rate.

As a result, the member will be paid a three-month (April to June) arrears of pay amounting to £519.25, with the appropriate contribution rate of 9.8% (£50.89) being deducted. Additionally, the outstanding contribution of £116.25 (incurred during the transition into a lower tier with a contribution rate of 8.3% from 9.8% between April to June) will also be deducted.The document does not include scenarios where the AfC pay award exceeds CPI. However, an updated table and scenario will be issued if necessary. |
| **Scenario two** | **Members with partial retirement**On the 1 April 2024, a full-time member opted for partial retirement, resulting in a contractual agreement to reduce their hours reduced to 33.75 hours per week (a 10% reduction), establishing a new monthly pensionable salary of £4,895.83 (£58,750 annually) and a contribution rate of 10.7%.In the subsequent month, May, the member worked an additional five hours per week, engaged in overtime work, totaling five additional hours per week which were non-pensionable: their monthly salary was increased to £5,621.14 (£67,453.70 annually) however only the pre overtime earnings of £4,895.83 is pensionable. This increase to earnings is non-pensionable so their contribution rate for June remains at 10.7%. If there is an initial contractual agreement to reduce their weekly hours further for example, to 30 hours. In this scenario, their pensionable hours are limited to 30 hours per week, with any overtime exceeding this threshold as non-pensionable. |
| **Scenario three** | **Bank and Locum posts**If you are unable to estimate annualised earnings for new and existing staff in bank or Locum posts, the default rate should be used. This is the Tier two contribution rate of 6.5% from 1 April 2024.To annualise a member’s earnings, you would use the following calculation:A bank member of staff worked 60 hours over a period of 3 months, at rate of £15.00 per hour, equating to pensionable earnings of £900. £900 divided by 3 (months worked) = £300£300 times by 12 (months in a year) = £3,600 This would provide a member contribution tier rate of 5.2% from 1 April 2024. |