

# Cost and Contributions Factsheet 2012/2013

## NHS Pension Scheme members

(Excluding: Practitioners and Non-GP Providers)

### Introduction

By way of general background information, the Government has given a commitment to review the long-term affordability and sustainability of public service pensions. In a recent review of Public Service Pension Schemes, The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded that reform is needed. The Government accepted Lord Hutton's recommendations as a basis for consultation in due course with public sector workers and trade unions on long-term reform of pension arrangements. The Government has signaled a clear intention to introduce changes to public sector pension arrangements based on Lord Hutton's recommendations. These changes are expected in 2015. Once further information becomes available about potential changes to the NHS Pension Scheme, a further communication will be issued.

Ahead of this longer-term reform, the Commission made clear that there is a rationale for increasing pension scheme member contributions to ensure a fairer distribution of costs between taxpayers and members. As you will see from this factsheet from 1 April 2012 it is proposed that there will be seven tiers for contribution rates.

**Please note that the 2012/2013 tiered contribution rates will be subject to normal Parliamentary processes.**

All members of the NHS Pension Scheme (other than Practitioners and non-GP Providers) will have their 2012/2013 contribution rate based on previous years' earnings (2011/2012).

The following table shows the new-tiered contribution rates that should be applied for 2012/13. This table must be used until further notice.

**Important** – The contribution rates shown in this factsheet are the latest rates provided by the Department of Health and may be subject to change following further consultation. Should the rates change details will be shown on the NHS Pension website at: [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)

## 2012/2013 Contribution Rates before tax relief (gross)

Tier	Pensionable Pay in 2011/12	Contribution Rate in 2012/13
1	Up to £15,000.99	5.0%
2	£15,001.00 to £21,175.99	5.0%
3	£21,176.00 to £26,557.99	6.5%
4	£26,558.00 to £48,982.99	8.0%
5	£48,983.00 to £69,931.99	8.9%
6	£69,932.00 to £110,273.99	9.9%
7	£110,274.00 and over	10.9%

(The contribution rate paid by employers remains at 14%).

## Contributions and tax relief

NHS Pensions Scheme employee contributions are deducted from gross pay before income tax. Therefore, they normally benefit from significant tax relief so the real cost to a member is less than the headline figures.

## 2012/2013 Contributions after tax relief (net)

Full-time 2010/11 pay	2011/12	2012/13		
	Contribution rate after tax relief (net)	Contribution rate net of tax relief (net)	Net rise in contribution rate (percentage points)	Additional cost (£ per month)
£10,000	4.00%	4.00%	0.00	0
£15,000	4.00%	4.00%	0.00	0
£20,000	4.00%	4.00%	0.00	0
£25,000	5.20%	5.20%	0.00	0
£30,000	5.20%	6.40%	1.20	30
£40,000	5.20%	6.40%	1.20	40
£60,000	3.90%	5.34%	1.44	72
£80,000	4.50%	5.94%	1.44	96
£130,000	5.10%	6.54%	1.44	156

## Key Points for members

- Your contribution rate at the start of 2012/13 will be based on your (whole-time equivalent (WTE) rate) of pensionable pay received during the 20011/12 Scheme year unless your circumstances have changed.
- If you only started to contribute to the Scheme part way through 2011/12, the pensionable pay used to set your rate in 2012/13 will be based upon the pensionable pay you received in 2011/12 scaled to an annual WTE equivalent length. Please remember this only affects people who started a new pensionable employment/re-employment, who joined the Scheme for the first time, or re-joined the Scheme after a break in membership, part way through 2011/12.
- If you change employers, receive a promotion etc on or after 1 April 2012; your contribution rate will be reassessed based on the remainder of your 2012/13 annualised WTE pensionable pay.
- Once your rate is set for 2012/13 it is generally 'fixed' unless you are promoted, take on extra duties, or are permanently moving from night to day duty. Fluctuations in part time hours will not change your contribution rate as the rate is always set on a full year, full time equivalent pay basis.
- It is important to remember that if you work part-time then the full time equivalent pay for your job will be used to assign you to the correct contribution rate. For example, if you earn £18,000 working half the standard time then the full time equivalent 'pensionable pay' would be £36,000. You will pay 8.0% contributions on your actual pensionable pay of £18,000.
- The pensionable pay that your rate is based upon will include all pensionable allowances. If you work part-time both your pensionable allowances and your basic pensionable pay will be scaled to the full time equivalent.
- The contribution rate is applied to all of your pay. For example, if you are a consultant earning £130,000.00 you will pay 10.9% on the full £130,000.00.
- If you have multiple employment contracts a separate contribution rate will be set for each contract based on the full time equivalent pensionable pay for each job.

**Right to Appeal:** If you think you are paying the wrong rate of contribution, for example because a change in unsocial hours is temporary rather than permanent, please write stating your reasons, to your employer's payroll department who will then consider your position and correct the rate where this is appropriate.

## **Future Years**

There will be further consultation on employee contribution rises for 2013/14 and 2014/15. However, it is too early to say at this stage what changes will be made.