

Private and Confidential

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The amount members pay for the NHS Pension Scheme is changing

Dear member,

In October 2021, the Department of Health and Social Care (DHSC) launched a public consultation proposing changes to the amount members pay towards their NHS pension. In February, DHSC announced these changes will go ahead on **1 October 2022**. In this letter, we've explained what this means for you. Please take some time to read it and if you have any questions, follow the directions to more support.

The key changes to your pension contributions

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.

- The rate you pay will be based on your actual annual rate of pensionable pay, instead of your whole-time equivalent pay. 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 supplements, up to full time hours - 37.5 hours for Agenda for Change and 40 hours for medical and dental contracts. 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 DHSC has updated the pensionable pay ranges used to decide how much you contribute to your pension, and the percentage of your pay you'll pay to be a member of the pension scheme – these are explained in the '*Understanding how much you'll pay*' section later on in this letter.
- The changes mean that some members will pay less, and some members will pay more each month, and to give members time to adjust the DHSC is phasing in the new contribution rates in two stages, starting on 1 October 2022 with further changes planned in 2023. The consultation for the further change, and outcome from it, will be published on www.gov.uk and we'll write to you before the second phase comes into effect.

- The salary ranges used to decide how much all members contribute will change in line with any annual increase to the Agenda for Change pay scales. 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. The new salary ranges have been consulted on and will be published shortly on www.gov.uk

You can read about these changes in full, and find answers to common questions, at nhsbsa.nhs.uk/nhs-pensions

Changes for practitioners or non-GP providers

If you're a practitioner, you already pay contributions based on your total annual practitioner pensionable pay. This won't change, but now all members are members of the 2015 Scheme your practitioner pay may be annualised and the updated salary ranges set out in this letter will apply to you. If you also work in an officer post, for example as a salaried hospital doctor, your contribution rates will be calculated separately and may be different for your officer and practitioner pensionable pay.

If you're a non-GP provider, you already pay contributions on your profits from one contract. This won't change, but as a member of the 2015 Scheme your profits may be annualised and the updated salary ranges set out in this letter will apply to you. You can find out more about annualising pay in '*Information for practitioners and non-GP providers*' at nhsbsa.nhs.uk/nhs-pensions

Understanding how much you'll pay

Members of the Scheme will pay different contribution rates depending on their actual pay, but the changes reduce the gap between these rates. The new contribution rates are designed to help make the benefits of the Scheme fair and affordable for everyone, and it remains one of the best ways to save towards retirement for all members. The table below explains the new contribution rates for each salary range.

Pensionable salary range – The new salary ranges from 1 October 2022 have been consulted on and will be published shortly on www.gov.uk	Contribution rates from 1 October 2022 , based on actual annual pensionable pay:	Future planned contribution rates based on actual annual pensionable pay:
Up to £13,231	5.1%	5.2%
£13,232 to £16,831	5.7%	6.5%
£16,832 to £22,878	6.1%	6.5%
£22,879 to £23,948	6.8%	6.5%
£23,949 to £28,223	7.7%	8.3%
£28,224 to £29,179	8.8%	8.3%
£29,180 to £43,805	9.8%	9.8%
£43,806 to £49,245	10%	10.7%
£49,246 to £56,163	11.6%	10.7%
£56,164 to £72,030	12.5%	12.5%
£72,031 and above	13.5%	12.5%

Included with this letter, you'll find examples in pounds and pence to help you see how these rates affect you. If you want to check exactly how much you'll pay each month, please ask your employer.

Benefits of being in the Scheme

Because you're a member of the NHS Pension Scheme, you pay reduced income tax - so your actual contribution will cost less than the percentage shown in the table. If you opt out of the

pension scheme, you'll lose this tax relief, and you'll need to make alternative plans for when you retire. You'll also lose enhanced ill health retirement, life assurance and family benefits cover. You can find more about all of the benefits on your annual Total Reward Statement or Annual Benefit Statement which is available via ESR or online at nhsbsa.nhs.uk/employee-section If you'd like to find out more about the benefits of the NHS Pension Scheme, visit nhsbsa.nhs.uk/member-hub/understanding-your-benefits-2015-scheme

Where to find out more

You can see a full summary of what's changing at nhsbsa.nhs.uk/nhs-pensions along with helpful information and answers to common questions. If you'd like to know more about how much you'll pay, please ask your employer. For more general support, call our automated phoneline on **0300 330 2081** and follow the prompts – it's available 24 hours a day.

Yours sincerely

NHS Pensions Team

What the changes to pension contributions mean for you

Examples to help you see how the changes will apply to you

The examples below show how the changes could affect the amount you pay. So you can check the value you're getting for your contributions, we've also included the income tax relief you get as a member of the Scheme, and the amount employers contribute towards your pension - all the figures used in these examples are based on some assumptions, that are explained over the page.

You'll be able to see your new contribution rate and amount on your **first payslip after 1 October 2022**. If you access your payslips online using the Electronic Staff Record (ESR), you can view them by logging in at my.esr.nhs.uk/dashboard/web/esrweb

Examples for full-time pensionable salaries

Example 1: Annual full-time salary of £20,000

Today, a member working full-time with an annual pensionable pay of £20,000 will pay a contribution of £1,120 each year for their pension – that's £93.33 each month.

From 1 October 2022, this will go up by **£8.34** a month to £101.67. Once the further planned change happens, it will change to £108.33 a month – which works out as £1,300 a year. You'll get tax relief for being a member of the Scheme, which means, you'd pay £260 less income tax a year than if you weren't in the Scheme.

For your contribution of £1,300 a year, you'll pay £260 less in income tax than if you're not a member and your employer will pay another £4,120 towards your pension.

Example 2: Annual full-time salary of £40,000

Today, a member working full-time with an annual pensionable pay of £40,000 will pay a contribution of £3,720 each year for their pension – that's £310.00 each month.

From 1 October 2022, this will go up by **£16.67** a month to £326.67. Once the further planned change happens, it will stay the same – which works out as £3,920 a year. You'll get tax relief for being a member of the Scheme, which means you'd pay £784 less income tax a year than if you weren't in the Scheme.

For your contribution of £3,920 a year, you'll pay £784 less in income tax than if you're not a member and your employer will pay another £8,240 towards your pension.

Example 3: Annual full-time salary of £80,000

Today, a member working full-time with an annual pensionable pay of £80,000 will pay a contribution of £10,800 each year for their pension – that's **£900.00** each month.

From 1 October 2022, this amount will stay the same. Once the further planned change happens, it will go down to £833.33 a month – which works out as £10,000 a year. You'll get tax relief for being a member of the Scheme, which means you'd pay £4,000 less income tax a year than if you weren't in the Scheme.

For your contribution of £10,000 a year, you'll pay £4,000 less in income tax than if you're not a member and your employer will pay another £16,480 towards your pension.

Example for a part-time pensionable salary

A part-time member working 22.5 hours on an annual full-time equivalent salary of £30,000

Today, members working part-time have their contribution calculated based on the full-time equivalent of their annual pensionable pay. So, a member working 22.5 hours on a full-time equivalent pay of £30,000 pays a contribution of £1,674.00 each year for their pension – that's £139.50 a month.

From 1 October 2022, their contribution rate will be calculated based on actual pensionable pay each year – which is £18,000. It will go down by **£48** a month to £91.50, which works out as £1,098 a year. Once the further change happens, this will change to £1,170.00 a year, or £97.50 a month. You'll get tax relief for being a member of the Scheme, which means you'd pay £234 less income tax a year than if you weren't in the Scheme.

For your contribution of £1,170 a year, you'll pay £234 less in income tax than if you're not a member and your employer will pay another £3,708 towards your pension.

All the figures used in these examples are based on the following assumptions:

- The numbers used are based on 2022/2023 pay figures and tax rates.
- The contribution examples we've shown are the amounts you pay before income tax relief available to members of the NHS Pension Scheme is taken into account.
- We've also included the amount of income tax relief your contributions entitle you to.
- The figures do not take into account National Insurance contributions, because these aren't related to the amount you pay for your NHS Pension Scheme membership.
- The figures are based on pensionable pay and we've assumed that members have no other sources of taxable income, and that they pay the standard income tax rates in England and Wales.
- The figures are based on the uplifted salary ranges which reflect the AfC pay award. This has been the subject of a recent consultation and the outcome can be found on www.gov.uk once it is available. As a result of this, these salary ranges may be subject to change.