



HSC Pension Service

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Business Services Organisation

EMPLOYER TECHNICAL UPDATE

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1. Foreword

This Employer Technical Update (ETU) provides you with an update on the latest HSC Pension Scheme Contribution Tiers which have changed as a result of the [2022/23 Agenda for Change \(AFC\) Pay Award](#). There is also an update on the impact the AFC Pay Award may have on certain groups of staff who moved into a new tiered contribution rate as a result of the AFC Pay Award.

The Department of Health (DoH) has also consulted on the [alignment of the Consumer Price Index \(CPI\) inflation rates](#) used for revaluing pension benefits and the annual allowance tax calculation. Details of the outcome of the consultation and subsequent changes to the calculation of Annual Allowance are covered in the update.

There is also an update provided on the progress made in The McCloud Project which aims to provide redress to the discrimination applied to scheme members as a result of the implementation of Pension Reform in 2015.

2. HSC Pension Scheme Contribution Rates 2022/23

A new tiered member contribution structure was implemented from 01 November 2022. The structure of the Tiered rates changed considerably from recent years and were created on the following principles:

- Members' contribution rates would be based on actual pensionable pay instead of members' notional whole-time equivalent pay
- Rebalancing the contribution structure by narrowing the range of contribution rates.
- Increasing tier boundaries in line with annual AfC pay awards
- Phasing in the new member contribution structure over 2 years

The Contribution structure originally implemented from 01 November 2022 using actual annual rates of earnings instead of a member's whole time equivalent pensionable earnings is detailed below in Table 1, however following the implementation of the 2022/23 Agenda for Change (AFC) Pay Award the pensionable earnings thresholds must be amended to reflect the pay uplift.

The revised Contribution Structure to be backdated and implemented from 01 November 2022 is detailed in Table 2. There are no changes to the actual percentage rates payable but the Pay thresholds move in accordance with the pay uplift.

There will be a second phase, introducing further amendments to the contribution tier structure and rates will take place on a date to be confirmed in 2023. These rates are detailed in Table 3.

2. HSC Pension Scheme Contribution Rates 2022/23 - cont

Table 1 Contribution Structure From 01/11/2022 (pre AFC Pay Award)

Tier	Pensionable Earnings	Contribution rate (before tax re-
1	£0.00 - £13,231.99	5.1%
2	£13,232.00 to £15,431.99	5.7%
3	£15,432.00 to £21,478.99	6.1%
4	£21,479.00 to £22,548.99	6.8%
5	£22,549.00 to £26,823.99	7.7%
6	£26,824.00 to £27,779.99	8.8%
7	£27,780.00 to £42,120.99	9.8%
8	£42,121.00 to £47,845.99	10%
9	£47,846.00 to £54,763.99	11.6%
10	£54,764.00 to £70,630.99	12.5%
11	£70,631.00 and over	13.5%

Table 2 Contribution Structure following 2022/23 AFC Pay Award

Tier	Pensionable earnings (based on actual salary)	Contribution rate (before tax re-
1	Up to £13,246	5.1%
2	£13,247 to £16,831	5.7%
3	£16,832 to £22,878	6.1%
4	£22,879 to £23,948	6.8%
5	£23,949 to £28,223	7.7%
6	£28,224 to £29,179	8.8%
7	£29,180 to £43,805	9.8%
8	£43,806 to £49,245	10.0
9	£49,246 to £56,163	11.6%
10	£56,164 to £72,030	12.5%
11	£72,031 and above	13.5%

2. HSC Pension Scheme Contribution Rates 2022/23 - cont

Table 3 Phase 2 Contribution Structure

Tier	Pensionable Earnings	Contribution rate from introduction of phase 2
1	£0.00 - £13,246	5.2%
2	£13,247 to £23,948	6.5%
3	£23,949 to £29,179	8.3%
4	£29,180 to £43,805	9.8%
5	£43,806 to £56,163	10.7%
6	£56,164 and above	12.5%

3. Impact of 2022/23 Pay Award on Contribution Rates

As a result of the implementation of the 2022/23 Agenda for Change (AFC) Pay Award some members of staff may find that they will move to a higher contribution rate for the period 01 April 2022 to 31 October 2022. In these cases, staff will find that they owe additional contributions on, not only the arrears element of the 2022/23 Pensionable Pay but also the Normal Pensionable Pay received for this period.

This will result in staff in the affected grades receiving less arrears of pay than expected when the pay award is implemented in March 2023.

The AFC groups whom we have identified as being affected are as follows:

- Band 3 Pay point 1 moving from 5.6% to 7.1%
- Band 5 Pay point 1 moving from 7.1% to 9.3%
- Band 8A Pay point 1 moving from 9.3% to 12.5%

As a result of the regulatory changes relating to the setting of the pay thresholds being increased in accordance with an AFC Pay Award such issues should not arise in the future for staff on AFC Terms and Conditions.

There will also be an impact on a number of scheme members on the Medical and Dental pay scales including Specialty Doctors (points 2 and 8), Specialty Registrars (point 20) and Consultants (Point 7). These members will see an increase in their contributions for the period 01/04/2022 to 31/10/2022.

HSC Pension Service **have** worked with Regional HR and Payroll colleagues to formulate a FAQ document which will be issued to staff providing information on the pay award and what impact pension contributions will have on the calculation of arrears owing. This document is expected to be shared in advance of the payable date in March.



4. Alignment of the Consumer Price Index (CPI) Inflation Rates (Annual Allowance)

The Department of Health (DoH) consulted on making technical amendments in relation to the alignment of the Consumer Price Index (CPI) inflation rates used for revaluing pension benefits and the annual allowance tax calculation.

The considerable increase in Consumer Price Index (CPI) inflation has shown there to be a timing mismatch between the CPI rate that is used to revalue accrued benefits in the HSC Pension Scheme and the CPI rate that is allowed for in annual allowance (AA) tax calculations. Aligning these timings will ensure that the AA calculations measures only the pension growth that occurs above inflation.

Following the outcome of the consultation, the DoH has requested that the Department of Finance make changes to the Public Service Pensions Revaluation Order (Northern Ireland) 2023 to accommodate the move of the revaluation date for the HSC Pension Scheme. Changing the revaluation date by 5 days, from 1 April to 6 April, aligns the rate of CPI used and ensures that the AA operates as intended in relation to HSC pension growth.

The Public Service Pensions Revaluation Order (Northern Ireland) comes into force on 1 April each year since the introduction of the 2015 Scheme, meaning the 2015 Scheme earned pension up to 31 March was revalued on 1 April. In contrast, the opening value of the 2015 Scheme pension on 5 April is increased by an earlier September's CPI percentage rate.

In applying this change, the one-year CPI disparity is eliminated meaning that the recent high inflation environment does not create larger tax charges on pension earned.

5. McCloud Project Update

Following final approval for the HSC Pension Service (HSCPS) Business Case for the project to address the legislative changes to be implemented as a result of the McCloud/Sargeant case, HSCPS has engaged in a comprehensive exercise to recruit staff to assist in the administration of the project. HSCPS can confirm the following:

- Band 3 22 applicants have been offered Posts and are awaiting final checks
- Band 4 5 applicants have been offered Posts and are awaiting final checks
- Band 5 In Process expected completion March/April 2022
- Band 6 In Process expected completion March/April 2022
- Band 8a In Process expected completion March/April 2022

HSCPS continues to engage with a range of stakeholders including but not limited to, the Northern Ireland Public Sector Pensions Group (NIPSPG), Government Actuaries Department (GAD), Department of Health (DoH), Heywood (Pension Software Supplier) and HMRC to ensure the project is on course and will be deliverable in accordance with all legislative requirements.



6. Contact Us

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If you have any suggestions for the newsletter or would like a particular topic covered in future publications please do not hesitate in contacting us by emailing: hscpensions@hscni.net

