HSC Pension Scheme

Proposed changes to member contributions from 1 April 2022

Introduction

The case for change

The Health and Social Care (HSC) Pension Scheme is designed to offer significant value in retirement to people who have chosen to dedicate part, or all, of their careers to serving the public through the HSC system. Backed by the Exchequer, the HSC Pension Scheme offers the security of a guaranteed income in every year of retirement for all its members, on some of the most generous terms available from a pension scheme, in recognition of their service to the HSC system and the country.

In 2008, tiered contribution rates were introduced to reflect that higher earners were likely to receive proportionally more benefits than lower earners over the course of their retirement, due in part to their final salary link.

To ensure the cost of the HSC Pension Scheme was fairly distributed and affordable for all members, these tiered contribution rates asked higher earners to pay proportionally more than lower earners to access the valuable benefits of the scheme.

As the HSC Pension Scheme has moved from final salary linked to a career average revalued earnings (CARE) model, all members will build up CARE benefits from 1 April 2022. This change ensures that the costs and benefits of the scheme are more evenly shared, and will be introduced as part of the McCloud remedy.

As such, now is an appropriate time to seek views from all interested parties to inform changes to member contributions, with a view to preserving participation in the Scheme while protecting its substantial value for members in retirement.

This consultation document sets out the changes proposed to the contributions that members pay towards the HSC Pension Scheme, and the rationale for these changes. We welcome responses from all those affected by, and interested in, the proposals.

Summary of the proposals

Following consultation with the Scheme Advisory Board to inform positive policy development on members' pension contributions (summarised in Section 2), the proposals presented for consideration in this document include:

1. Members' contribution rates would change to be based on actual pensionable pay instead of members' notional whole-time equivalent pay.

As a reflection of the increasing number of scheme members with no active final salary link, this change would mean that many part-time members will see their contribution amounts reduce. Members who work part-time would benefit from their contributions more accurately reflecting the amount of pension they are building. You can read the full rationale for this change in Section 3.2.

2. The structure for member contributions would change.

Informed by stakeholder collaboration, Section 3.3 sets out the proposed member contribution tiers, including a reduction in the number of tiers to 'flatten' the contribution model. These have been designed around the required yield of 9.8% average member contribution while protecting the affordability of the scheme for the whole HSC workforce.

3. The thresholds for the member contribution tiers would be increased in line with annual Agenda for Change pay awards.

This change will benefit members who, under the current structure, find that small salary increases due to centrally agreed annual pay awards can lead to moving up a contribution tier, and a net reduction in take-home pay. You can read the full rationale for this change in Section 3.4.

4. The proposed member contribution structure would be phased over 2 years.

As the proposals mean that some members will see an increase in their pension contributions, the changes would be communicated clearly and phased in over 2 years starting 1 April 2022, with the final changes made from 1 April 2023. This approach is designed to minimise the impact on take-home pay while giving members time to adjust to the changes. The full rationale for phasing is in Section 3.5.

1. Consultation process

The Department welcomes views on the proposals set out in this document and the draft legislation to amend HSC Pension Scheme regulations.

1.1 Consultation questions

Respondents are invited to consider the following questions:

Q1. Do you agree or disagree that the maintenance of pension parity (in terms of contribution tiers and rates) with England and Wales is an important principle which should be maintained? Recognising that maintaining parity might not be possible if the 9.8% yield is to be delivered, of the alternatives presented, which do you feel represents the best approach given the principles endorsed by SAB regarding protecting the low paid and minimising drop outs across all members?

Q2. Do you agree or disagree that the member contribution rate should be based on actual annual rates of pay instead of members' notional whole-time equivalent pay? If you disagree or don't know how to answer please explain why.

Q3. Do you agree or disagree with the proposed member contribution structure set out in this consultation document? If you disagree or don't know how to answer please explain why.

Q4. Do you agree or disagree that the thresholds for the member contribution tiers should be increased in line with Agenda for Change pay awards? If you disagree or don't know how to answer please explain why.

Q5. Do you agree or disagree that the proposed member contribution structure should be phased over 2 years? If you disagree or don't know how to answer please explain why.

Q6. Do you agree or disagree that the proposed draft amending regulations deliver the policy objectives of implementing the first phase of changes to the tiered contribution rate structure and the assessment of a tiered rate using actual annual rate of pensionable pay for part-time members rather than notional whole-time equivalent? If you disagree or don't know how to answer please explain why.

Q7. Are there any considerations and evidence that you think the Department should take into account when assessing any equality issues arising as a result of the proposed changes?

1.2 How to respond

Comments on the proposals and draft legislation can be submitted

By email to:
modernisation@health-ni.gov.uk

By post:
HSC Pensions Policy Team
Department of Health
Waterside House
75 Duke Street
Londonderry
BT47 6 FP

Due to the Covid 19 situation please use email if possible as mail will only be monitored periodically.

The consultation will close at 17:00 on **31 January 2022.**

1.3 Confidentiality of information

For this consultation, we may publish all responses except for those where the respondent indicates that they are an individual acting in a private capacity (e.g. a member of the public). All responses from organisations and individuals responding in a professional capacity will be published. We will remove email addresses and telephone numbers from these responses; but apart from this, we will publish them in full. For more information about what we do with personal data please see our consultation privacy notice.

Your response, and all other responses to this consultation, may also be disclosed on request in accordance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR); however all disclosures will be in line with the requirements of the Data Protection Act 2018 (DPA) and the UK Information the Department receives, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information

Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004(EIR); however all disclosures will be in line with the requirements of the Data Protection Act 2018 (DPA) and the UK General Data Protection Regulation (UK GDPR) (EU) 2016/679.

If you want the information that you provide to be treated as confidential it would be helpful if you could explain to us why you regard the information you have provided as confidential, so that this may be considered if the Department should receive a request for the information under the FOIA or EIR

2. Member contributions

2.1 Background and current situation

The HSC Pension Scheme is a valuable and valued part of the reward package for HSC staff, helping employers recruit and retain their workforces. It is one of the best pension schemes available, providing generous retirement and life assurance benefits including a retirement lump sum (optional in some cases), an annual pension that increases yearly in line with price inflation, and pensions for a surviving partner and dependants.

The scheme is contributory. Members and their employer are required to pay towards the cost of benefits they build up in the scheme. An actuarial valuation is conducted every 4 years to ensure the level of contributions made by members and employers meet the full cost of their pension rights as they accrue them.

At present employers contribute 22.5% of each member's pensionable earnings towards the cost of scheme benefits. Members are required collectively to contribute 9.8% across the whole scheme membership. This is known as the member contribution 'yield'.

The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its interim report that reform of public service pension schemes was necessary and that there was a case for a fairer distribution of the cost of public service pensions between employees and other taxpayers. The 2010 Spending Review announced that public service workers would be asked to contribute more towards their pensions as part of wider reforms to put public service pensions on a sustainable footing. The yield rose from 6.6% to the present 9.8%, with the increase phased in over the 3 years from 2012/2013 to 2014/ 2015. This created a fairer balance between what employees pay and what other taxpayers contribute towards a public service pension. The 9.8% yield was factored into the costings and design of reforms to the HSC Pension Scheme implemented in 2015.

Whilst the yield is a fixed percentage, there are a range of approaches that could be taken to ensure that 9.8% is collected from across the whole scheme membership.

The simplest method is to ask each member to contribute a flat rate of 9.8%. An alternative is to share out the 9.8% requirement across the workforce by charging a sliding scale of rates to members according to their pensionable earnings so the aggregate amount collected across members adds up to 9.8%. This approach is known as 'tiered contributions' and is the method adopted across all public service pension schemes with the exception of the non-contributory Armed Forces Pension Scheme.

Tiering has allowed the HSC Pension Scheme to reduce potential financial barriers and encourage all staff to participate in the generous pension scheme that is a major component of the HSC reward package and not miss the opportunity to make good quality provision for their retirement. It is intended as a mutual scheme for the whole HSC sector. The HSC workforce encompasses a broad range of professions and occupations with a wide difference in earnings - from porters and healthcare assistants to senior nurses and doctors. Tiering has also allowed the scheme to recognise through higher contribution rates the beneficial effect of income tax relief on contributions and the additional value that higher earners tend to achieve from pension benefits built up under the 'final salary' accrual method that is a feature of the older legacy scheme.

Tiering has helped deliver the following shared priorities that underpin the current approach to member contributions:

- include protections for the lower paid
- minimise the risk of opt-outs from the scheme across the whole membership
- ensure that the scheme remains sustainable and a valuable part of the reward package and affordable to all members

Both the Department and the Scheme Advisory Board, comprising trade union and employer representatives, remain committed to these principles.

Current rates

In common with other public service pension schemes the HSC Pension Scheme applies a tiered contribution approach. Pensionable pay amounts are grouped into tiers and a contribution rate is set for each tier. The member pays the contribution rate on their actual pensionable earnings that corresponds to their notional whole-time equivalent (WTE) pensionable earnings rounded down to the nearest pound. The following table shows the member contribution structure that has been in place since 1 April 2015.

Table 1: Member Contribution Structure since 1 April 2015

Tier	Pensionable Earnings (WTE)	Contribution rate
1	Up to £15,431	5.0%
2	£15,432 to £21,477	5.6%
3	£21,478 to £26,823	7.1%
4	£26,824 to £47,845	9.3%
5	£47,846 to £70,630	12.5%
6	£70,631 to £111,376	13.5%
7	£111,377 and over	14.5%

Participation rates for the HSC Pension Scheme, as well as other health schemes across the UK, compare favourably with private sector pension scheme participation. The Department for Work and Pensions published a report in June 2019 comparing the participation rates and savings trends between public and private sector pension schemes in the UK. The report studied pension scheme data between 2008 and 2018. Although private sector pension scheme participation has risen since the introduction of auto-enrolment, participation in private sector schemes (85%) is still lower than the public sector (93%). The report also shows that scheme participation for lower earners in public sector schemes is higher than that of lower earners in private sector schemes.

The success of the government's policy to boost pension saving by requiring automatic enrolment of employees into occupational pension schemes has seen a marked increase in participation amongst lower paid HSC staff. However some staff do opt-out from scheme membership, and it is assumed that opt-outs amongst lower earners are more likely to be for reasons of affordability or other financial priorities. Data from the Business Services Organisation (BSO) shows that over 50% of members who opted-out in 2019 to 2020 said they did so due to personal financial reasons.

For some higher earning staff, exhausting their allowances for tax-free pension saving may change the perceived value of building up further pension benefits, but it should not affect affordability. A tax charge is levied on the value of pension benefits that exceed the tax-free allowance. However the charge can be deducted from the pension pot at retirement rather than requiring the individual to pay cash up front.

2.2 Review of member contributions

The current member contribution rates and earnings tiers are unchanged since 1 April 2015. The Department has been working with the Scheme Advisory Board (SAB) to review the member contribution structure. The SAB is a statutory board comprising trade union and employer representatives that advises the Department of Health on the merits of making changes to the HSC Pension Scheme. The review considered a number of design aspects, including the range and number of tiers, whether the rate payable should be determined using whole-time equivalent or actual earnings, and providing for the earnings ranges in each tier to be revalorised to avoid pay awards placing individuals in higher contribution tiers.

In its deliberations the SAB has been mindful of the following principles:

- including protection for the low paid;
- that the risk of opt-outs should be minimised across the whole membership;
- that work should be done to ensure the Scheme remains a sustainable and valuable part of the HSC reward offer.

Building on these principles, the tiers have been assessed having regard to the following broad objectives:

- being progressive before and after allowing for tax relief on contributions;

- preserving lower contribution rates for the lower paid to make the scheme more affordable to them given the yield required;

- recognising that under a final salary design, those with high pay increases would pay less per £ of pension than those with a flat salary;

- avoiding cliff edges where a member who receives even minimal increase in gross pay can see their take-home pay reduced due to the effect of the tiers.

Following extensive consideration by SAB during 2021, they submitted a report that indicated the areas on which SAB held a consensus view, and those on which the majority of the SAB agreed.

There is a consensus amongst the SAB that the new contribution structure should:

- use actual annual pensionable pay rather than WTE to determine the contribution rate payable by an individual;

- reduce the number of contribution tiers, compared to the current member contribution structure;

- increase the contribution tier boundaries, in line with the annual AfC pay award;

- minimise the number of opt-outs across the full scheme membership.

The majority view of SAB was that significant changes should not be made to the member contribution structure at this time given the uncertainties arising from issues such as McCloud and COVID-19. All members of SAB acknowledged the difficulties that the pensions taxation system is causing for higher earners, although a consensus view on addressing this in the contribution structure was not reached. It was however felt that the new structure should reduce the highest contribution levels. It was also the majority view that a significant tranche of the membership should pay the 9.8% contribution rate required by the Department of Finance (DoF) and that the contribution structure could act as a staging post to a flatter structure in the longer term which better matches a CARE benefit structure.

While submitting a number of possible options for tiering, SAB representatives were not able to express a preference between the options. Trade union representatives expressed concern that a minimal change to contributions is not appropriate as they feel historically the contribution structure did not take into account pension taxation or the move to a CARE scheme; they also support some mutuality in the scheme but only in a contribution structure which takes into account all applicable taxes.

Separately, the British Medical Association has argued that retaining a tiered contribution model, particularly one with steep difference between the highest and lowest rates, is inappropriate where members are building up pension on a career average basis and therefore getting the same proportional benefit. Concerns were also expressed around the yield and called for a further flattening of the tiered contribution structure so that more members were paying closer to the 9.8% required.

Parity

Since 2015 the member contribution tiers have been in parity with those in the NHS in England and Wales. This parity has value in terms of equality, fairness and staff mobility.

The Department for Health and Social Care (DHSC) in England has also been taking forward a review of contributions in conjunction with their Scheme Advisory Board. The general conclusions of both SABs have been markedly similar in terms of their objectives and their proposals in terms of: a move to the use of actual annual pensionable pay rather than WTE; a reduction in the number of tiers; indexation of the tiers to the annual AfC pay award; a move to minimise the number of opt-outs across the full scheme membership. The NHS SAB was also unable to reach consensus on a preferred structure.

Given this agreement in terms of aims and objectives, and given the value of parity as stated above, it is proposed that contributions tiers in Northern Ireland are adjusted in line with the proposals currently under consultation in England and Wales.

The workforce breakdown in Northern Ireland is of course slightly different from England and, as a result, it is predicted that using exactly the same contribution tiers would result in a yield position of approximately 9.6% i.e. 0.2% below the expected yield of 9.8%.

The consequence of maintaining parity and proceeding on the basis of the proposed contribution tiering, mirroring those in operation in England & Wales, would be an expected annual shortfall in the required yield of the scheme of some £5m per annum. HMT will require that this shortfall is recovered; in the medium term this will be achieved by the employer contribution being adjusted at the next valuation to absorb the shortfall, in the meantime, there are a number of alternative approaches that might be taken. One option would be for the Department to provide the necessary assurances that it would meet any shortfall that might emerge. However, given the very challenging financial outlook facing the Department of Health any increase in Departmental or employer contributions will almost certainly divert resources away from essential service provision. The proposed alternative would be to move away from parity with the equivalent scheme in England & Wales and amend member contributions to ensure the necessary yield is delivered. This could be achieved in a number of ways, either by increasing all contribution bands by 0.2% or selectively increasing the rate for certain bands for instance higher earners. Adjustments could also be made to the salary banding however this would reintroduce the issue of cliff edges for some members.

Q1. Do you agree or disagree that the maintenance of pension parity (in terms of contribution tiers and rates) with England and Wales is an important principle which should be maintained? Recognising that maintaining parity might not be possible if the 9.8% yield is to be delivered, of the alternatives presented, which do you feel represents the best approach given the principles endorsed by SAB regarding protecting the low paid and minimising drop outs across all members?

3. Proposed changes to member contributions

This section sets out a proposed new member contribution structure for implementation from 1 April 2022. This is summarised below, with detailed explanation of the design features of the new structure set out in later sections.

3.1 Summary

The 2015 reforms introduced a new scheme where pension is built on a CARE basis. The McCloud remedy will close further final salary accrual in the 1995/2008 scheme from 1 April 2022 and move all members into the 2015 career average scheme for future service from that point. Accordingly, it is now appropriate to review the current member contributions.

In a CARE scheme, members accrue the same proportional benefit and there is an argument that everyone should pay the same rate - that is the 9.8% yield. However, the Department proposes to retain a tiered contribution approach recognising the mutual intention of the scheme and the continuing desirability of facilitating participation across the whole HSC workforce having regard to potential affordability concerns for lower earners. In addition, many members will have a 'final salary link' applied to their accrued 1995/2008 scheme service, meaning that higher earners will continue to derive more value from that service than members who experience steadier pay progression through their career.

The earnings ranges for each tier would be increased annually, in line with uplifts that are applied to AfC pay bands. This will mitigate the cliff edge issue that sees some members charged a higher contribution rate because a pay uplift has put them into a different tier.

It is also an appropriate point to start assessing contributions based on a member's actual pensionable pay rather than their notional whole-time equivalent. This is fairer for members who work less than full-time and accrue pension in a CARE scheme. It will mean that part-time members pay lower contributions from 1 April 2022.

Whilst retaining tiering remains the Department's preferred approach, we accept there is a need to reduce the number and steepness of the tiers, moving over time towards more members paying closer to the 9.8% yield. This is more appropriate in view of the CARE scheme accrual method and means that high earners would pay lower contribution rates. Rebalancing the rates will mean that lower earners will be asked to contribute more than they currently do. The Department therefore proposes that adjustments to contribution tiers are done gradually to dampen the impact on take home pay for staff and mitigate the risk of staff leaving the scheme on grounds of affordability.

The Department believes that the structure set out in the following table strikes the right balance and will be phased in over 2 years. For the purpose of determining a member's contribution tier, their pensionable earnings are rounded down to the nearest whole pound. In practice, the tier thresholds will be increased annually in line with AfC pay awards and therefore the figures will be slightly different for future scheme years.

In this table and the following examples the different options of meeting or not meeting the yield are illustrated. For the remainder of the document the figures will be based on the yield being met.

Table 2: Proposed Changes to the Current Member Contribution Structure

Current tiers	Pensionable earnings (rounded down to nearest pound)	Current rate	Rate from 1 Apr 2022 (Underyield/ yield)	Rate from 1 April 2023 (Underyield/ yield)	Proposed tiers
		(WTE pay)	(Actual pay)	(Actual pay)	
Tier 1	Up to £13,231	5.0%	5.1%/5.3%	5.2%/5.4%	Tier 1
Tier 1	£13,232 to £15,431	5.0%	5.7%/5.9%	6.5%/6.7%	Tier 2
Tier 2	£15,432 to £21,478	5.6%	6.1%/6.3%	6.5%6.7%	Tier 2
Tier 3	£21,479 to £22,548	7.1%	6.8%/6.8%	6.5%/6.7%	Tier 2
Tier 3	£22,549 to £26,823	7.1%	7.7%/7.9%	8.3%/8.5%	Tier 3
Tier 4	£26,824 to £27,779	9.3%	8.8%/8.8%	8.3%/8.5%	Tier 3
Tier 4	£27,780 to £42,120	9.3%	9.8%/10.0%	9.8%/10.0%	Tier 4
Tier 4	£42,121 to £47,845	9.3%	10.0%/10.2%	10.7%/10.9%	Tier 5
Tier 5	£47,846 to £54,763	12.5%	11.6%/11.6%	10.7%/10.9%	Tier 5
Tier 5	£54,764 to £70,630	12.5%	12.5%/12.5%	12.5%/12.7%	Tier 6
Tier 6	£70,631 to £111,376	13.5%	13.5%/13.5%	12.5%/12.7%	Tier 6
Tier 7	£111,377 and above	14.5%	13.5%/13.5%	12.5%/12.7%	Tier 6

The Department believes a cautious pace is appropriate for any future changes to contribution rates. It may be prudent to align future adjustments to valuation cycles and the outcome of cost cap mechanism assessments. The SAB will be asked to keep the contribution rates under review, monitoring membership and participation data to inform the timing and nature of future adjustments**.**

Examples

Here are examples showing the impact on members once the new rates have been phased in from April 2023 (based on the expected AFC and consultant rates of pay)**.**

The first three examples are based on the proposed contribution structure required for the yield to be met:

- a healthcare assistant working full-time earning £19,918 (top of AfC band 2) would pay an additional £18 a month after tax relief but still pay £43 a month less than if on the average 9.8% contribution rate. The same healthcare assistant working 60% of full-time hours would pay the same contributions after tax relief and £46 per month less than if on the 9.8% rate

- a nurse working full-time earning £31,534 (top of AfC band 5) and therefore paying the average 9.8% contribution would pay an additional £23 a month after tax relief and an additional £4 per month than if on the average 9.8% contribution rate. The same nurse working 60% of full-time hours would pay an £29 less a month after tax relief and £41 per month less than if on the 9.8% rate

- a consultant earning £114,003 would pay £73 less a month, after tax relief but still be paying £172 a month more than on the average 9.8% rate. The same consultant working 60% of full-time would pay £44 a month less but still £103 more than if on the average 9.8% rate

The next three examples are based on the proposed contribution structure being the same as that under consultation for the NHS Pension Scheme in England and Wales:

- a healthcare assistant working full-time earning £19,918 (top of AfC band 2) would pay an additional £15 a month after tax relief but still pay £46 a month less than if on the average 9.8% contribution rate. The same healthcare assistant working 60% of full-time hours would pay £2 less and £48 per month less than if on the 9.8% rate

- a nurse working full-time earning £31,534 (top of AfC band 5) and therefore paying the average 9.8% contribution would pay an additional £19 a month after tax relief. The same nurse working 60% of full-time hours would pay £32 a month less and £43 per month less than if on the 9.8% rate

- a consultant earning £114,003 would pay £85 less a month, after tax relief but still be paying £160 a month more than on the average 9.8% rate. The same consultant working 60% of full-time would pay £51 a month less but still £96 more than if on the average 9.8% rate

3.2 Design feature: contribution rate is based on actual annual pensionable pay

The HSC Pension Scheme currently calculates contribution rates for employed members based on their notional WTE earnings, and self-employed members based on their actual earnings.

Notional WTE is applied to members who work less than full-time, where the member is assigned a contribution rate based on the full-time earnings for the role but pays a percentage of their actual earnings. In a final salary scheme, this allows for equity of treatment between full and part-time members doing the same role, as both pay the same rate but get pension proportionate to their length of service.

The same is not true in a CARE scheme, as pension accrual is based entirely on actual earnings in any given scheme year. However, a large proportion of the current scheme membership are subject to transitional arrangements, so their pensionable pay applies to both their accrued final salary benefits and the accrual of future CARE benefits. This is the valuable ‘final salary link’ of transitional protection, and all members with accrued final salary service have these benefits calculated using their pensionable pay at retirement or leaving the new scheme, rather than the date of leaving the old scheme.

At the point of transfer on 1 April 2015, the vast majority of scheme members had substantial final salary benefits with an active final salary link. The cost of this link and its value to the member will continue to rise over time due to pay progression and is therefore a cost to the scheme. Accordingly, WTE had been retained as an appropriate basis for contributions, to match the prevalence of active final salary benefits in the initial years of the new scheme. Although the McCloud remedy presents members with accrued final salary benefits with the option to return to their old scheme during the remedy period, the increasing number of scheme members with no final salary link means the rationale for retaining WTE diminishes over time and active accrual in the legacy scheme will cease for all relevant members from 1 April 2022. Consequently, 1 April 2022 is proposed to be the appropriate date to remove WTE as the basis for determining contribution tiers and instead to use actual annual salaries to calculate the relevant member contribution rate.

Moving to using actual annual rates of pensionable pay (instead of WTE) would benefit members of the HSC Pension Scheme who work part-time, as the member contribution will be lower for many and better reflective of the amount of pension that they are building. Around 40% of the Pension Scheme membership work part-time, and it is estimated that 30% of the whole Scheme membership would pay less contributions as a result of moving to actual annual rates of pay.

In practice, moving from WTE to actual annual rates of pay will result in very little change for practitioner members - GPs and self-employed dentists. This is because the current scheme architecture for practitioners does not use WTE. Officer members are staff who are employed and have access to the HSC Pension Scheme. These members will have their member contributions based on their previous years' pensionable pay to allow members to have their pension contributions deducted regularly through their payroll, in anticipation of the full year earnings. This is similar to the mechanics of the WTE approach.

For members who join the HSC Pension Scheme part-way through the year or who change employment terms during a year (for example due to a promotion or increasing or decreasing their contracted hours), it is either impossible or inappropriate to calculate their contribution rate on their previous year's pensionable earnings. In these circumstances, contributions should be assessed based on their current pay, suitably extrapolated to anticipate a full year earnings level. Members who are on zero-hours contracts (for example, bank staff) will have their contribution rate based on their previous year's pensionable pay in order to avoid the administrative burden of constant reassessment due to the flexible nature of these contracts.

Consequently, scheme rules (regulations) will need to set out 2 contribution rate tables: one based on the previous year’s pay, and one based on pay effective in the current scheme year. The regulations will be updated annually to include a revised table which reflects the AfC pay increases as soon as possible after any such pay increase has been announced. It is proposed that the regulatory changes required to bring in the additional table will be subject to a short consultation period in order to update the contribution table in regulations in a timely manner.

The amendments to the regulations that are set out in this consultation document will allow members' contribution rates to be based on their actual annual rates of pay, instead of their WTE, and will mean that many part-time members will see a reduction in their member contributions.

For members who are building up pension benefits in multiple concurrent employments, the Department believes that these members should have their contribution rate based on the aggregate of their annual rates of pay. This means that a part-time member with multiple roles would build up pension at the same price as a full-time member earning the same overall amount and means that there is no unfair advantage in dividing up a role into multiple part-time roles.

It is intended that members who are earning the same amount and building up the same pension benefits should pay the same amount of member contributions. If members only pension one HSC post, then their contribution rate can be based on their salary for that post.

Practically, there may be some difficulties in aggregating multiple pension records for part-time staff for 1 April 2022, particularly for a relatively small number of members who have multiple employers for their part-time roles. We will be working in partnership with employer and member representatives, as well as the Business Services Organisation, who administer the scheme, to develop a transition period where members' rates are set on their annual salary for each post for the short-term, with a view to moving to aggregation in the future. While aggregation is key to ensuring that members pay the correct rates and that there is parity across the membership between members earning the same annual rates of pay, it is important that the administration involved in aggregation does not delay the move to actual annual rates of pay instead of WTE. This is set out in further detail in section 3.6.

In the current scheme architecture, officer members may only pension benefits up to whole-time hours. Any salary that is earned as a result of working in excess of whole-time (for example, a member has multiple employments which combine to more hours than whole-time) will continue not to be pensionable in the HSC Pension Scheme. This is separate to the issue of moving to actual annual rate of pay instead of WTE and not considered as part of this consultation.

Q2. Do you agree or disagree that the member contribution rate should be based on actual annual rates of pay instead of members' notional whole-time equivalent pay? If you disagree or don't know how to answer, please explain why.

3.3 Design feature: fewer contribution tiers

In the consultation on the 2015 Scheme, the Department recognised that the argument for tiers is strongest in relation to final salary schemes because higher earners tend to derive more value from their ultimate pension benefits relative to the amount contributed over their career. As more members join, or move into, the 2015 CARE scheme, it is appropriate to keep the member contribution tiering under review.

Members who have transferred to the 2015 CARE scheme from the old scheme will still have their final salary scheme benefits calculated using their pay at retirement (or upon leaving the new scheme) and it is not calculated on the date that they leave the old scheme. This is a valuable benefit to those members who were in the old scheme and will increase the value of a member's final salary benefits even though no further rights are accrued under the old scheme.

The proposed changes to the member contribution structure would come into effect on 1 April 2022. The new structure would use annual rates of pay and be uplifted in line with any AfC annual pay award (see section 3.4). These design features alone would require a rebalancing of the contribution rates because they would lead to a shortfall against the required yield if the current member contribution structure remained in place. For example, if actual annual rates are implemented instead of WTE, many part-time HSC Pension Scheme members would pay lower contribution rates and the average yield from member contributions would reduce. Consequently, the member contribution structure needs to be adjusted to accommodate these changes and we have acted on stakeholder feedback to propose a member contribution structure with fewer contribution tiers.

The table below sets out the proposed contribution structure. Implementation of the new rates would be phased over 2 years, beginning 1 April 2022 (see section 3.5). The table below therefore shows the rates that would apply from 1 April 2023, as the final step of the phasing. The tier boundaries reflect the 2021/22 AfC pay points as uplifted for the pay increase announced for this year. In practice, the tier thresholds will be increased annually in line with AfC pay awards and therefore the figures will be slightly different for future scheme years.

Table 3: Proposed Member Contribution Structure from 1 April 2023

Tier	Pensionable earnings (rounded down)	Contribution Rate	Number of Members in tier	Proportion of Members in tier
1	Up to £13,231	5.4%	12953	18%
2	£13,232 to £22,548	6.7%	19579	28%
3	£22,549 to £27,779	8.5%	10737	15%
4	£27,780 to £42,120	10.0%	18397	26%
5	£42,121 to £54,763	10.9%	5832	8%
6	£54,764 and above	12.7%	3234	5%
		Totals	70732	100%

There are a number of features of the above proposal. First, the highest contribution tier would be 12.7%, leading to a reduction in contribution rates for many high earning members. This is because a high level of cross-subsidy between higher and lower earning HSC Pension Scheme members is no longer appropriate in a CARE scheme, where all members get the same proportional benefit. Compared to the current member contribution structure, this proposal increases the value of the HSC Pension Scheme for higher earners. Linked to this, the cost of moving to actual annual rates of pay to determine contribution rates does not increase the highest member contribution rate of 12.7% but is instead spread across the other contribution tiers. The proposed threshold for the 12.7% rate has been increased to £54,764 compared to the current threshold of £47,846, to better align with the point at which members may start to benefit from the availability of higher rate tax relief on contributions.

The proposal also includes a discounted rate of 5.4% for members earning less than £13,232 a year in order to retain the affordability of the HSC Pension Scheme for members who are earning less than this amount. These members will all work less than full-time hours and are unlikely to receive income tax relief on their pension contributions, if their HSC role is their only source of income, which may reduce the affordability of the HSC Pension Scheme for the very lowest earners. Additionally, many part-time members will see their contribution rate decrease as they move down the tiers, due to using actual annual rates of pay to set the contribution tier, instead of notional WTE.

Q3. Do you agree or disagree with the proposed member contribution structure set out in this consultation document? If you disagree or don't know how to answer, please explain why.

3.4 Design feature: tier boundaries increase in line with annual AfC pay awards

The current contribution tiers have been frozen since 2015 and have not risen in line with inflation or general pay awards. This has occasionally led to small increases in pay causing a net reduction in take-home pay as the increase in contributions from moving into a higher tier outweighs the pay increase. Increasing the contribution tier boundaries in line with annual AfC pay awards would maintain the yield and reduces the possibility for a small number of members to have a take-home pay reduction as a result of crossing tiers due solely to an increase to the AfC pay bands. The Scheme Advisory Board view is that this should be done in line with the annual AfC pay award.

The intention behind increasing the tier boundaries in line with the annual AfC pay award is to ensure that centrally agreed annual pay awards do not move individual members into the next tier. At the moment, the effect of this means that a member might move into a higher contribution tier as a result of an annual pay award. This has been raised as a concern by the NHS Pay Review Body. Whilst this might be less of an issue in a flatter contribution structure, it is still thought to be a significant issue in the proposed member contribution structure for 1 April 2022 onwards.

Whilst there are different processes for determining the pay award for different parts of the HSC workforce, it is important that the tiers are kept consistent for all members of the workforce. Consequently, it is proposed that the earnings ranges in the contribution tiers will be increased each year in line with the AfC pay award because this is the pay award that applies to the highest number of HSC Pension Scheme members. This means that the contribution tiers would remain consistent across all areas of the HSC workforce.

In order to give effect to this intention, the HSC Pension Scheme Regulations 2015 would need amending every year in order to apply the increase to contribution tier thresholds.

Most members would have their contribution rate based on their previous year's pensionable pay. However, for some members who join the scheme mid-year or receive a promotion it will be either impossible or inappropriate to use their previous year's pensionable pay to calculate their contribution rate. Consequently, an updated table which increases the thresholds in line with the AfC pay award terms will be brought forward for consultation and included in regulations.

The proposed permanent thresholds (once the phasing in is complete) for the new member contribution tiers are aligned with AfC pay scales and it is therefore proposed that they will increase at the same rate as AfC pay awards, to keep in line with them. The exception to this is the bottom tier, which only part-time workers will fall within because it is below the AfC pay scales. For this tier it is proposed that this will also be increased in line with the AfC pay award terms.

Depending on the timing of the pay review process and the announcement of any pay award, this may create a short-term gap in the regulations. However, this is necessary to allow the thresholds to be uplifted and a short consultation period would help minimise any resultant gap.

Q4. Do you agree or disagree that the thresholds for the member contribution tiers should be increased in line with annual Agenda for Change pay awards? If you disagree or don’t know how to answer, please explain why.

3.5 Implementing the proposals: phasing in the new rates

From 1 April 2022, all members will be moved to the 2015 CARE scheme for future accrual. As set out in section 3.2, the Department considers this to be an appropriate point for moving to using actual annual rates of pensionable pay rather than WTE when assessing a member's contribution rate.

Phasing the new member contribution in slowly would protect scheme affordability for some scheme members and minimise the risks to take home pay of large increases to member contribution rates. However, this should be balanced against certainty and stability for members and gradual phasing over a long period of time might not be desirable.

Therefore, it is proposed that the new member contribution structure be phased in over 2 scheme years - 2022 to 2023 and 2023 to 2024. This phasing will help to minimise opt-outs and reduce the impact on take-home pay for members who will be paying higher contribution rates under the new structure, whilst ensuring that the new member contribution structure is implemented in a timely manner.

It is proposed that the new member contribution structure would be phased in, in the steps set out in the following table.

Table 4: Proposed Phasing of Member Contribution Structure

Current tiers	Pensionable earnings (rounded down to nearest pound)	Current rate	Rate from 1 Apr 2022	Rate from 1 April 2023	Proposed tiers
		(WTE pay)	(Actual pay)	(Actual pay)	
Tier 1	Up to £13,231	5.0%	5.3%	5.4%	Tier 1
Tier 1	£13,232 to £15,431	5.0%	5.9%	6.7%	Tier 2
Tier 2	£15,432 to £21,478	5.6%	6.3%	6.7%	Tier 2
Tier 3	£21,479 to £22,548	7.1%	6.8%	6.7%	Tier 2
Tier 3	£22,549 to £26,823	7.1%	7.9%	8.5%	Tier 3
Tier 4	£26,824 to £27,779	9.3%	8.8%	8.5%	Tier 3
Tier 4	£27,780 to £42,120	9.3%	10.0%	10.0%	Tier 4
Tier 4	£42,121 to £47,845	9.3%	10.2%	10.9%	Tier 5
Tier 5	£47,846 to £54,763	12.5%	11.6%	10.9%	Tier 5
Tier 5	£54,764 to £70,630	12.5%	12.5%	12.7%	Tier 6
Tier 6	£70,631 to £111,376	13.5%	13.5%	12.7%	Tier 6
Tier 7	£111,377 and above	14.5%	13.5%	12.7%	Tier 6

For the purpose of determining a member's contribution tier, their pensionable pay will be rounded down to the nearest whole pound. In practice, the tier thresholds will be increased annually in line with AfC pay awards and therefore the figures will be slightly different for future scheme years. Under the phasing proposal, the 14.5% tier reduces to 13.5% in the first year (and 12.7% the following year), but the 13.5% tier remains unchanged for 2022/23.

The largest increase for year 1 (2022/23) is +0.9% from the current rates and then +0.8% for year 2 (2023/24).

Q5. Do you agree or disagree that the proposed member contribution structure should be phased over 2 years? If you disagree or don't know how to answer, please explain why.

3.6 Concurrent part-time employments

The Department proposes that where members have multiple concurrent roles which they build up pension benefits for, their contribution rate should be based on the aggregate of these different employments. The Department believes that it is important that members who have multiple part-time roles will pay the same contribution rate as members earning the same amount through one, single employment and ensures consistency across different types of working arrangements.

Through discussion with stakeholders, including the Business Services Organisation who administers the pension scheme, we understand that aggregating multiple roles will be administratively difficult, particularly where members hold different contracts of employment with more than one employer.

Therefore, it is proposed that the HSC Pension Scheme will move to aggregation of multiple posts over a longer period of time. If it is administratively possible by 1 April 2022, it is proposed that the regulations will be amended so that members who hold multiple posts with the same employer will be aggregated. Members who hold multiple posts with different employers will not be aggregated for 1 April 2022.

Instead, the Department intends to bring forward further proposals for consultation during 2022 on approaches to aggregating posts with different employers with the aim of making regulatory amendments for 1 April 2023.

4. Proposed draft amending regulations

To apply the proposed changes, the Department will need to amend scheme rules. The rules of the HSC Pension Schemes are set out in regulations, which is a form of secondary legislation. Those rules can be amended or replaced by new regulations drawn up in accordance with the powers and requirements of the Public Service Pensions Act (Northern Ireland) 2014 and the Superannuation Order (Northern Ireland) 1972 as relevant.

4.1 Scheme rules for the HSC Pension Schemes

There are 2 HSC Pension Schemes: the reformed 2015 HSC Pension Scheme (the reformed scheme) and the older 1995/2008 HSC Pension Scheme (the legacy scheme), which is divided into the 1995 and 2008 Sections. Accordingly, there are 3 sets of regulations under which entitlement to pension and other benefits are calculated:

- The Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 (as amended) (S.R. 1995/95) (the 1995 regulations)

- The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 (as amended) (S.R. 2008/256) (the 2008 regulations)

- The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (as amended) (S.R. 2015/120) (the 2015 regulations)

The Health and Social Care Pension Scheme (Transitional and Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015/122) (the transitional regulations) put in place transitional arrangements for members of the reformed scheme who have pension rights accrued in the legacy scheme. These regulations make provision for the treatment and payment of legacy scheme benefits during or following a period of membership of the reformed scheme.

The scheme regulations have been amended over time to implement changes and clarifications to rules.

4.2 Explanatory notes for the draft amending regulations

The Department presents for consultation the draft Health and Social Care Pension Scheme (Member Contributions) (Amendment) Regulations (Northern Ireland) 2022. These regulations would amend the 2015 regulations only, to implement:

- the new tiered contribution rates from 1 April 2022 that correspond to the first year of the proposed phased introduction

- the assessment of a tiered contribution rate for part-time employed members based on their actual annual rate of pay rather than the notional whole-time equivalent

- a mechanism in regulations that uses 2 contribution rate tables to allow:

    - members who have their contribution rate based on their previous year's pensionable earnings to use the contribution rates before any increase to tier boundaries is applied; and

    - members who have their contribution rate based on current pensionable earnings to use contributions rates that have increased in line with the AfC pay award for that scheme year (which will be updated by amendment regulations following the AfC award announcement)

This section describes how the draft regulations amend the scheme regulations to deliver those objectives. It should be read in conjunction with the draft regulations which are published alongside this consultation. Please note that these are draft regulations and the drafting approach and other technical aspects may change following the consultation and before the final rule is laid.

Q6: Do you agree or disagree that the proposed draft amending regulations deliver the policy objectives of implementing the first phase of changes to the tiered contribution rate structure and the assessment of a tiered rate using actual annual rate of pensionable pay for part-time members rather than notional whole-time equivalent? If you disagree or don't know how to answer, please explain why.

A further set of regulations would be required to implement the contribution rates from 1 April 2023 that correspond to the second year of phasing, together with applying any increase to the 2022/23 contribution tier boundaries in line with the general AfC pay award for that year. The Department would publish those draft regulations for consultation in 2022.

Assessment of a tiered contribution rate for employed members (Regulation 30 and Schedule 9)

Regulation 30 (members' contributions: employees) requires employed members to make scheme contributions at the rate that applies to the member for a scheme year. A scheme year runs from 1 April to 31 March each year. The contribution rates for each scheme year from the 2015/16 scheme year are currently set out in a single table in regulation 30 (the contribution table). The contribution table shows the percentage contribution rates that apply to a member's pensionable earnings depending where those earnings fall within 7 pensionable earnings bands.

Schedule 9 (determination of pensionable earnings: setting contribution rates) sets out how a member's pensionable earnings are determined for the purpose of establishing which band and therefore which contribution percentage rate applies to the member.

Employed members active in the scheme before the beginning of a scheme year generally have their contribution rate assessed using pensionable earnings received during that preceding year. If a member started a new job or their contribution rate changed during that preceding year, pensionable earnings from the date of change are used to determine the member's band. Such earnings are increased so they are representative of a full year. Likewise, if a member changes jobs or has a pay increase during a current scheme year their contribution rate is reassessed. New earnings increased to represent a full year are used to see if those earnings fall into a different band and therefore a different percentage rate should apply from the date of change to the end of the scheme year.

Currently, each employment is assessed separately in this way and the applicable whole-time rate of pay is used to assess contribution rates for a part-time member. A part-time member’s contribution rate is only reassessed in a current scheme year if the whole-time rate of pay for their job changes.

The draft Statutory Rule (S.R.) makes changes to both regulation 30 and Schedule 9 in order to:

- implement the proposed contributions tiers corresponding to the first year of phasing

- provide the necessary structure in regulations to allow for the tiered contribution rates for members being assessed or re-assessed for a contribution rate using earnings in a current scheme year to be assessed against a contribution table in which the tier thresholds have been increased in line with any AfC pay award for that year

- begin the transition from assessment of contributions for part-time members from whole-time equivalent pay to aggregated actual pay

These changes, as implemented by the amending regulations in the draft SR, are described in detail below.

Amending regulation 1 and 2 provide for the Health and Social Care Pension Scheme (Member Contributions) (Amendment) (Northern Ireland) Regulations 2022 to come into operation on 1 April 2022 and for the 2015 Regulations to be amended in accordance with the S.R.

Amending regulation 3 amends regulation 30 (members’ contributions: employees) by replacing the existing contribution table with 2 new tables that will be used to assess members’ contribution rates for the scheme year 1 April 2022 to 31 March 2023.

The first contribution table for the scheme year 2022/23 replaces the existing table in paragraph (3) of regulation 30. This table will be used to set a contribution rate in respect of members who are in pensionable employment on the last day of the previous scheme year and the first day of the current scheme year and who fit the description in one of the revised cases in Schedule 9 at paragraph (2). Earnings from the previous scheme year are used to determine the contribution rate for members in this group (see the changes described below for amending regulation 7).

The second contribution table inserted at new paragraph (3A) of regulation 30 also applies to the scheme year 2022/23. This table will apply to any member who cannot be matched to a case description in Schedule 9, or who starts a new job or whose annual rate of pay changes during the course of the current scheme year. Earnings for the current scheme year increased to represent a full year are used to determine the contribution rate or the revised contribution rate for members in this group (see again the changes described below for amending regulation 7).

The second table is, for now, the same as the first table but will be updated to take account of any AfC pay uplift that may apply from the beginning of the 2022/23 scheme year as soon as reasonably practicable (see section 3.4). Providing the necessary structure in regulations to facilitate this in advance of any such changes has 2 purposes. Firstly, it is hoped that it may aid understanding of how contribution assessment will work in future and, secondly, it will assist with the timely implementation in regulations of any newly updated contribution table.

Amending regulation 7 amends Schedule 9 (determination of pensionable earnings: setting contribution rates) to implement changes to contribution assessment in respect of part-time members and to ensure that Schedule 9 works correctly with the 2 new tables inserted into regulation 30.

Schedule 9 paragraph 1 (introduction) is amended by amending regulation 7(2) so that part-time concurrent pensionable employments will only be assessed separately for a contribution rate if the employments are held with different employing authorities. Where the concurrent employments are held with the same employing authority, pensionable earnings from all employments with that authority are added together for the purposes of determining the pensionable earnings as set out in the cases descriptions in paragraph 2 of Schedule 9.

Schedule 9 paragraph 2 (continuous employment spanning 2 years) is amended by amending regulation 7(3). The twelve case descriptions in paragraph 2 that currently set out how a member's pensionable earnings should be determined in order to set a tiered contribution rate are replaced by 5 new case descriptions. Cases that covered part-time employment and combinations of part-time and whole-time employment are no longer necessary. However, one bespoke case description for part-time members is retained at new case 5 to assist with transition to the new assessment method for the first year of implementation (see the description for that case below).

All 5 of the new cases apply to actual pensionable earnings, not notional whole-time equivalent for part-time members. This is a result of changes made to paragraph 1 of Schedule 9, which would allow part-time pensionable earnings for concurrent employment with the same employing authority to be aggregated for the purposes of establishing the pensionable earnings for assessing a contribution rate. The 5 new cases used to determine pensionable earnings are explained in detail below.

Case 1 applies to members who were employed continuously throughout the previous scheme year with an employing authority and who paid the same contribution rate throughout that year.

If the case 1 description fits a member, pensionable earnings assessed for a contribution rate for the next scheme year will be pensionable earnings received in that previous scheme year.

Case 2 applies to members who were employed continuously throughout the previous scheme year with an employing authority and who did not pay the same contribution rate throughout that year. This will be because a new job was started, or a member's annual rate of pay changed during that year.

If the case 2 description fits a member, pensionable earnings assessed for a contribution rate for the next scheme year will be determined by taking the member's pensionable earnings for the period starting when their contribution rate last changed to the end of the previous scheme year, dividing that amount by the number of days in that period and multiplying the result by 365 so that the final amount represents a full year of pensionable earnings.

Case 3 applies to members who started pensionable employment with an employing authority during the previous scheme year and who paid the same contribution rate through to the end of that year.

If the case 3 description fits a member, pensionable earnings assessed for a contribution rate for the next scheme year will be determined by taking the member's pensionable earnings for the period starting when their pensionable employment started to the end of the previous scheme year, dividing that amount by the number of days in that period and multiplying the result by 365 so that the final amount represents a full year of pensionable earnings.

Case 4 applies to members who started pensionable employment with an employing authority during the previous scheme year and who did not pay the same contribution rate through to the end of that year.

If the case 4 description fits a member, pensionable earnings assessed for a contribution rate for the next scheme year will be determined by taking the member's pensionable earnings for the period starting when their contribution rate last changed to the end of the previous scheme year, dividing that amount by the number of days in that period and multiplying the result by 365 so that the final amount represents a full year of pensionable earnings.

Case 5 applies to part-time members who were employed throughout the previous scheme year with an employing authority and who paid the same contribution rate throughout that year but whose annual rate of pensionable earnings changed during that year (this change to pensionable earnings could be because they reduced or increased the number of part-time hours worked).

If the case 5 description fits a member, pensionable earnings assessed for a contribution rate for the next scheme year will be determined by taking the member's pensionable earnings for the period starting when their pensionable earnings changed to the end of the previous scheme year, dividing that amount by the number of days in that period and multiplying the result by 365 so that the final amount represents a full year of pensionable earnings.

Case 5 is needed for the first year that changes are implemented for part-time members because, under the current method of assessment, their contribution rate only changes during a current scheme year if the whole-time rate of pay for their job changes. This means that without case 5, no account would be taken of an increase or decrease to actual pensionable earnings during the scheme year 2021/22 when using earnings from that year to set a contribution rate for scheme year 2022/23. This could mean that pensionable earnings used to set a contribution rate are overstated or understated in relation to the members likely pensionable earnings for the coming scheme year.

Cases that do not fall into any of the cases described above

To better distinguish between circumstances when the table at paragraph (3A) of regulation 30 applies instead of the table at paragraph (3) of that regulation, amending regulation 7(3) also removes existing sub-paragraphs (3) and (4) of paragraph 2 of Schedule 9. Sub-paragraphs (3) and (4) cover circumstances where the member does not fit any of the case descriptions in sub-paragraph 2 of Schedule 9.

Amending regulation 7(4) then re-inserts those sub-paragraphs into a new paragraph 2A entitled 'Members who do not fall within any of the cases in paragraph 2'. This is a technical change only, and, as now, in those circumstances new paragraph 2A requires the scheme manager to determine the member's pensionable earnings having taken advice of the scheme actuary, and having taken account of pensionable earnings attributable to earnings for service comparable to the members, prevailing pay scales and prevailing rates of allowances. The table that applies when pensionable earnings for a current scheme year are used to assess a contribution rate (at paragraph (3A) of regulation 30) is then used to determine the contribution rate for the member. Sub-paragraphs (4), (5) and (6) of new paragraph 2A replicate the current provision made at as sub-paragraphs (5), (6) and (7) of paragraph 2. They make the same provision in respect of unpaid absences, pensionable earnings the member is deemed to have received and the rounding up of earnings to the nearest number of whole pounds.

Paragraph 3 of Schedule 9 (change to employment or rate of pensionable earnings or allowances) provides for a contribution rate to be assessed or re-assessed in circumstance where a member starts a new job or a change is made to a member's annual rate of pay or allowances during the current scheme year. Paragraph 3 is amended by amending regulation 7(5) as follows. The requirement that a contribution rate is only re-assessed for a part-time member if the whole-time rate of pay changes is removed.

The table to be used for the assessment or re-assessment of a contribution rate during the current scheme year is changed to the table at paragraph (3A) of regulation 30 (the table that will be updated to take account of any AfC pay uplifts). Finally, the formula for determining the pensionable earnings to be assessed against that table is also changed so that elements that required WTE pay to be used for part-time members are removed. Pensionable earnings for both part-time and whole-time members who start a new job or have a pay change during a current scheme year will be determined by dividing the pensionable earnings the employing authority estimates will be payable to the member from the start of the new employment to the end of the current scheme year by the days in that period and multiplying the result by 365 so that the final amount represents a full year of pensionable earnings. (For members who have a pay change, a new employment is deemed to have started from the first day of the next pay period immediately following the period in which the change is made).

Assessment of a tiered contribution rate for practitioners and non-GP providers (Regulations 31, 37, 38 and Schedule 10)

Regulation 31 (members' contributions: practitioners and non-GP providers) requires practitioners and non-GP providers to make scheme contributions at the percentage contribution rate that applies to a member's pensionable earnings depending where those earnings fall within 7 pensionable earnings bands. The contribution rates and pensionable earnings bands for this group of members in respect of each scheme year from the 2015/16 scheme year are currently set out in a single contribution table in regulation 31.

Regulations 37 (members' contributions: supplementary: medical practitioners and non-GP providers) and regulation 38 (members' contributions: supplementary: dental practitioners) provide a bespoke process for the estimation of pensionable earnings and the setting of a temporary contribution rate for this group of members pending the confirmation of their final earnings for each scheme year. Once final pensionable earnings are confirmed for a scheme year, members in this group pay contributions at the rate set out in the table that applies to that scheme year and the temporary rates and contributions paid based on estimated pay are adjusted. The temporary contribution rate is set by reference to the latest available table, the confirmed rate is set by the table that applies to each scheme year.

The draft S.R. makes changes to regulation 31, 37 and 38 in order to:

- retain the existing contribution table for the scheme year 2021/2022 so that the final contribution rate that applies to a member can be confirmed once earnings for that scheme year have been finalised

- insert the latest table containing the revised contributions tiers for the purpose of setting a temporary contribution rate based on estimated pensionable earnings for the scheme year 2022/2023

- provide the necessary structure in regulations to allow for the potential insertion of a new contribution table for each scheme year, starting with the

2022/23 scheme year, so that a final contribution rate can be confirmed once earnings for that scheme year have been finalised

These changes, as implemented by the amending regulations in the draft S.R., are described in detail below.

Amending regulation 4 amends regulation 31 (members' contributions: practitioners and non-GP providers) so that references to 'the scheme year from 2015/16' are amended to 'the scheme year in question'. References to the single table are changed to the 'relevant table'. The 'relevant table' is then newly defined as being 'Table 1 Scheme Years from 2015/16 to 2021/22' and 'Table 2 Scheme Year 2022/23'. Table 1 is the existing table currently in regulation 31 that applies to current scheme year (2021/22). Table 2 is the table with the new rates and bandings that will apply for the purposes of estimating a contribution rate for practitioners and non-GP providers for the scheme year 2022/23. This table will be updated to take account of any AfC pay uplift that may apply from the beginning of the 2022/23 scheme year as soon as reasonably practicable. It will provide the tiered rates that apply for the purposes of setting the final contribution rate for the scheme year 2022/23 once the member's earnings for that scheme year have been finalised and documented.

Amending regulation 5 amends regulation 37 (members' contributions: supplementary: medical practitioners and non-GP providers) and **Amending regulation 6** amends regulation 38 (members' contributions: supplementary: dental practitioners) so that references to the current single table in regulation 31, are amended to references to the 'relevant table in regulation 31'.

Amending regulation 8 amends schedule 10 (practitioner contribution payments) by inserting new paragraph 4(5) to provide that where particular practices and contractors do not provide a statement of the annual estimated pension contributions of some of its practitioners in accordance with the requirements in the Regulations, those particular practitioners will pay contributions at the highest level, based on estimated pensionable pay as determined by the RHSCB.

5. Equality Impact Screening

Section 75 of the Northern Ireland Act 1998 requires the Department, in carrying out its functions, powers and duties, to have due regard to the need to promote equality of opportunity: between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation; between men and women generally; between persons with a disability and persons without; and between persons with dependants and persons without.

The Department's Equality Screening Exercise initial conclusion has determined that the proposed changes do not differentially impact on any of the Section 75 groups. However, the Department would like to take this opportunity to ask stakeholders the following question in relation to equality:-
Are there any considerations and evidence that you think the Department should take into account when assessing any equality issues arising as a result of the proposed changes?

Q7: Are there any considerations and evidence that you think the Department should take into account when assessing any equality issues arising as a result of the proposed changes?

The equality screening analysis will be reviewed based on responses received during the consultation.