

**HUMAN RESOURCES DIRECTORATE  
PAY, EMPLOYMENT AND PENSIONS UNIT**



Department of  
**Health, Social Services  
and Public Safety**  
[www.dhsspsni.gov.uk](http://www.dhsspsni.gov.uk)

**Chief Executive of each HSC Body  
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Directional Bodies**

**Staff Representative Bodies**

**Waterside House  
Room G33  
75 Duke Street  
Londonderry  
BT 47 6HE**

**Tel: 028 71 319141**

**24 October 2011**

Dear Colleague

**HSC Pension Scheme Consultation – Employee contribution increases**

Attached is a copy of the consultation document on proposed increases to employee contribution rates effective from April 2012 for the HSC Pension Scheme. Responses or enquiries should be sent by email to:

[hscpensioncontributes@dhsspsni.gov.uk](mailto:hscpensioncontributes@dhsspsni.gov.uk) or sent to the following address no later than 21 January 2012:

**DHSSPS Pension Policy Team  
Room G33  
Waterside House  
75 Duke Street  
Londonderry BT47 6FP**

A copy of the consultation documentation and additional information is available on the Department's website at: -

[http://www.dhsspsni.gov.uk/index/consultations/current\\_consultations.htm](http://www.dhsspsni.gov.uk/index/consultations/current_consultations.htm)

Yours faithfully

**Diane Taylor  
Director of Human Resources**

## **HSC Pension Scheme**

Consultation on proposed increases to employee contribution rates effective from April 2012

<b>Document Purpose</b>	Consultation
<b>Title</b>	HSC Pension Scheme: Consultation on proposed increases to employee contribution rates effective from April 2012
<b>Author</b>	The Department of Health, Social Services and Public Safety (DHSSPS) – Pension Policy Team
<b>Publication Date</b>	<b>24 October 2011</b>
<b>Target Audience</b>	Staff Side Representatives, Pension Scheme members, Chief Executives of HSC Trusts, HSC Board, BSO, PCC, PHA and each Special Agency and Directors of Finance, Directors of Human Resources, GPs and OOH providers.
<b>Description</b>	This document sets out for consultation the preferred approach of the DHSSPS to delivering savings announced in the 2010 UK Government Spending Review by increasing employee contributions to the HSC Pension Scheme in 2012-13.
<b>Cross Ref</b>	Independent Public Service Pensions Commission: Interim Report
<b>Action Required</b>	Respond to: <a href="mailto:hspensioncontribs@dhsspsni.gov.uk">hspensioncontribs@dhsspsni.gov.uk</a>
<b>Timing</b>	<b>Consultation ends on 21 January 2012</b>
<b>Contact Details</b>	DHSSPS Pension Policy Team Room G33 Waterside House 75 Duke Street Londonderry BT47 6FP

## Introduction

1. This is a consultation by the Department of Health, Social Services and Public Safety (DHSSPS) on proposals for increases in the level of contributions scheme members will be required to make to the Health and Social Care (HSC) Pension Scheme in Northern Ireland from 1 April 2012. The consultation will run for **12 weeks from 24 October 2011 to 21 January 2012**. The proposals set out in this document are those which are currently being consulted upon for the NHS Pension Schemes in England & Wales and Scotland.
2. The UK Government, which has responsibility for occupational pensions policy, has given a commitment to review the long-term affordability and sustainability of public service pensions, including the HSC Pension Scheme. The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its report 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. These discussions are continuing. The Government has signalled a clear intention to introduce changes to public sector pension arrangements based on Lord Hutton's recommendations. These changes would be introduced in 2015. The Government has made a clear commitment that all pension benefits earned up to that point will be protected.
3. 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. The UK Government announced plans in the 2010 Spending Review to produce £2.8bn savings per year by 2014-15 through increasing public service employee pension contributions, (except those in the Armed Forces)
4. The UK Government remains committed to securing the full Spending Review savings of £2.3bn in 2013-14 and £2.8bn in 2014-15, requiring each scheme, including the HSC Pension Scheme, to find savings equivalent to an average 3.2 percentage point increase to employee contributions. Separate discussions will take place with key stakeholders relating to increasing contribution rates in 2013-14 and 2014-15 and longer-term reforms to public sector pension schemes.

This consultation concerns proposed increases relating to 2012-13 only

## The Case for Increasing Contributions

5. Expenditure on public service pensions across the UK over the last decade has increased by a third to £32bn.

6. Lord Hutton outlined in his report a strong case for changing public sector pensions. In particular, people are living much longer than previous generations – the average 60 year old is living ten years longer now than they did in the 1970s. More of people's lives are now being spent in retirement – between 40 to 45% of adult life compared with around 30% for pensioners in the 1950s.
7. This means pensions are costing more and as Lord Hutton said in his report, "these costs have generally fallen to the taxpayer". But taxpayers can't be expected to bear all the cost of increased longevity. It is unfair to expect the private sector to work longer and pay higher taxes so that the public sector can retire earlier and receive disproportionately better pensions.
8. There needs to be a fairer balance between what employees pay and what other taxpayers contribute towards a public service pension. As an employer, the HSC currently contributes 13.3% towards pension, whilst employees contribute an average of 6.5%.
9. In Chapter 8 of the interim report, Lord Hutton considered different options for delivering savings, including reducing the level of benefits being paid out and/or increasing the contributions being paid by active scheme members. The Commission reached the conclusion that, "*If the Government wishes to make savings in the short-term it will be more effective to increase member contributions rather than alter the benefit structure*".
10. The UK Government's proposal to increase contributions is based on this analysis and the clear rationale set out by Lord Hutton in his interim report published in October 2010. A copy is available via the HM Treasury website:  
[http://www.hm-treasury.gov.uk/indreview\\_johnhutton\\_pensions.htm](http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm)
11. The Government therefore announced in the 2010 Spending Review that public sector workers would be asked to contribute more for their pensions. In particular, the Spending Review set out plans for savings of £2.8bn per year to be realised by 2014-15. To deliver these savings the HSC Pension Scheme, like other public service schemes, should deliver savings equivalent to an average increase of 3.2 percentage points in employee contributions.
12. The Northern Ireland element of the savings is likely to be in the region of £140m per annum across all the public service schemes. Within this, the amount attributable to the HSC Pension Scheme is likely to be in the region of £50m. HM Treasury has made clear that where the targeted level of savings is not generated, the Northern Ireland Block Grant will be reduced commensurately. Chief Secretary to the Treasury has also stated that in the event of any overrun on its timescales, HM Treasury will reduce the Northern Ireland Executive budget by a proportionate amount of the projected savings figure for every month of the delay.

## HSC Pensions will still represent an Excellent Investment

13. Although this will mean that most staff will pay more into the HSC Pension Scheme, most can also expect to live longer in retirement than previous generations.
14. The Government Actuary's Department have calculated that on average, in the current HSC Pension Scheme, members will draw their HSC pension for between 24 and 27 years. Under these changes, for every £1 each member contributes to their pension, she/he will generally expect to get at least £3 in pension payments once they retire. This is still an excellent return on their investment.
15. The HSC Pension Scheme therefore remains very attractive and amongst the best schemes available.

## Delivery of Savings by 2014-15

16. Following the commitments made in the UK Government's Spending Review, individual pension schemes will now design and consult on proposals for delivering their portion of the £2.8bn savings required by 2014-15.
17. Separate consultations will be held with Trade Unions relating to increasing contribution rates in 2013-14 and 2014-15. **This consultation concerns proposed increases relating to 2012-13 only.**
18. The Government set out in its Ministerial Statement, its preferred parameters for scheme design to achieve these savings as:
  - Those earning less than £15,000 on a Full Time Equivalent basis will pay nothing extra;
  - Those earning up to £21,000 will pay no more than 0.6% extra in 2012-13 and no more than 1.5% extra in total by 2014-15;
  - Higher earners will pay no more than 2.4% extra in 2012-13 and no more than 6% extra in total by 2014-15.
19. These principles reflect the Government's wish to protect the lower paid; apply the increases progressively; and limit opt out from pension schemes.
20. A copy of the Written Ministerial Statement can be downloaded from: [http://www.hm-treasury.gov.uk/d/wms\\_pensions\\_190711.pdf](http://www.hm-treasury.gov.uk/d/wms_pensions_190711.pdf)

## Department of Health, Social Services and Public Safety's (DHSSPS) preferred approach

21. At a meeting on 22 September 2011 the Northern Ireland Executive agreed to –
- commit to the principle of delivering the targeted level of savings to the cost of public sector pension schemes in Northern Ireland, subject to the details of how those savings will be delivered being worked through over time;
  - agree to adopt this approach consistently for each of the different public sector pension schemes; and
  - authorise engagement with the unions to discuss a graduated approach which protects lower paid public sector workers.
22. The DHSSPS's preferred approach to achieving savings through increasing employee contribution rates for 2012-2013 is set out in Table 1 below.
23. Separate consultations with Trade Unions will be held at a later date relating to increasing contribution rates in 2013-14 and 2014-15 and longer-term reforms to public sector pension schemes. This consultation concerns proposed increases relating to 2012-13 only.

**Table 1: Proposed increases to contribution rates**

Full Time Equivalent pensionable pay	Contribution rate (before tax relief) 2011/12	Contribution rate (before tax relief) 2012/13	Contribution rate increase in 2012/13 (before tax relief)
Up to £15,000	5.0%	5.0%	0%
£15,001 to £21,175	5.0%	5.6%	0.6%
£21,176 to £26,557	6.5%	7.1%	0.6%
£26,558 to £48,982	6.5%	7.7%	1.2%
£48,983 to £69,931	6.5%	8.5%	2.0%
£69,932 to £110,273	7.5%	9.8%	2.3%
Over £110,273	8.5%	10.9%	2.4%

24. HSC Pension Scheme employee contributions are deducted from gross pay before income tax. They normally benefit from significant tax relief.
25. The following table (Table 2) illustrates the effect of tax relief on the level of contributions individuals would actually pay if this preferred approach were adopted.

**Table 2: Contribution rates net of tax relief**

Full-time 2010/11 pay	2011/12	2012/13		
	Contribution rate net of tax relief <sup>1</sup>	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.00%	4.0%	0.0%	0
£15,000	4.00%	4.0%	0.0%	0
£20,000	4.00%	4.5%	0.5%	8
£25,000	5.20%	5.7%	0.5%	10
£30,000	5.20%	6.2%	1.0%	25
£40,000	5.20%	6.2%	1.0%	33
£60,000	3.90%	5.1%	1.2%	60
£80,000	4.50%	5.9%	1.4%	93
£130,000	5.10%	6.5%	1.4%	152

26. In applying the increases in this way, we have sought to ensure that almost all newly qualified healthcare professionals will only pay 0.6% more (before tax relief) in 2012-13.

27. Within the context of the UK Government's preferred scheme design parameters and time table, the DHSSPS invite views on:

- (a) their preferred approach to delivering the required savings by increasing employee contributions to the HSC Pension Scheme by the amounts set out in Table 1; and
- (b) other ways of delivering those savings through increased employee contributions within the preferred scheme design parameters.

### Examples of what this could mean for individuals

The following are examples of how the proposed increases for 2012-13 set out above could affect individual members. As an HSC employee:

#### **(A) Working full-time and with pensionable pay of £15,000 a year,**

- You would pay no extra for your pension.
- In 2012-13 you will continue to contribute 5% compared to the current employer contribution of 13.3%.
- This means that for every £1 you contribute, the employer

<sup>1</sup> Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower as a result of the pension contributions. This shows the beneficial effect of tax relief on your contributions.

contributes £2.66. For your overall yearly contribution of £750, your employer pays £1995.00.

- Moreover, because your contributions are tax free your effective contribution rate is 4% which is equivalent to £600 per annum
- If you are in the 1995 section of the pension scheme then for this contribution you would receive after you retire a pension of £188 per year and a tax free lump sum of £563 payable at age 60
- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £251 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

**(B) Working part-time 3 days per week, and with pensionable pay of £24,000 (full time equivalent pay of £40,000),**

- In 2012-13 you will contribute 7.7%, compared to the current employer contribution of 13.3%
- This means that for every £1 you contribute, the employer contributes £1.73. For your overall yearly contribution of £1,848, your employer will pay £3,192.
- But because contributions are tax free your effective contribution rate will be 6.2%, equivalent to £1,488 per annum. This represents an increased personal contribution in 2012-13 of £20 per month after tax relief.
- If you are in the 1995 section of the pension scheme then for this, after you retire, you will receive a pension of £300 per year and a tax free lump sum of £900 payable at age 60
- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £400 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

**(C) Working full-time and with pensionable pay of £25,000 a year,**

- In 2012-13 you will contribute 7.1%, compared to the current employer contribution of 13.3%.
- This means that for every £1 you contribute, the employer contributes £1.85. For your overall yearly contribution of £1,775, your employer will pay £3,325.
- But because contributions are tax free your effective contribution rate will be 5.7%, equivalent to £1,425 per annum. This represents an increased personal contribution in 2012-13 of £10 per month

after tax relief.

- If you are in the 1995 section of the pension scheme then for this, after you retire, you will receive a pension of £313 per year and a tax free lump sum of £938 payable at age 60
- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £417 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

#### **(D) Working full-time and with pensionable pay of £30,000,**

- In 2012-13 you will contribute 7.7%, compared to the current employer contribution of 13.3%.
- This means that for every £1 you contribute, the employer contributes £1.73. For your overall yearly contribution of £2,310, your employer will pay £3,990.
- But because your contributions are tax free your effective contribution rate will be 6.2%, equivalent to £1,860 per annum. This represents an increased contribution in 2012-13 of £25 per month after tax relief.
- If you are in the 1995 section of the pension scheme then for this, after you retire, you will receive a pension of £375 per year and a tax free lump sum of £1,125 payable at age 60
- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £500 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

#### **(E) Working full-time and with pensionable pay of £60,000,**

- In 2012-13 you will contribute 8.5%, compared to the current employer contribution of 13.3%
- This means that for every £1 you contribute, the employer contributes £1.56. For your overall yearly contribution of £5,100, your employer will pay £7,980.
- But because contributions are tax free your effective contribution rate will be 5.1%, equivalent to £3,060 per annum. This represents an increased personal contribution in 2012-13 of £60 per month after tax relief.
- If you are in the 1995 section of the pension scheme then for this, after you retire, you will receive a pension of £750 per year and a tax free lump sum of £2,250 payable at age 60

- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £1,000 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

**(F) Working full time and with pensionable pay of £130,000,**

- In 2012-13 you will contribute 10.9%, compared to the current employer contribution of 13.3%
- This means that for every £1 you contribute, the employer contributes £1.22. For your overall yearly contribution of £14,170, your employer will pay £17,290.
- But because contributions are tax free, your effective contribution rate will be 6.5%, equivalent to £8,450 per annum. This represents an increased personal contribution in 2012-13 of £152 per month after tax relief.
- If you are in the 1995 section of the pension scheme then for this, after you retire, you will receive a pension of £1,625 per year and a tax free lump sum of £4,875 payable at age 60
- If you are in the 2008 section of the pension scheme then for this, after you retire, you will receive a pension of £2,167 per year, with the option to exchange some of this for a tax free lump sum, payable at age 65.

## Consultation Questions and How to Respond

28. The DHSSPS invite views on –

- (a) their preferred approach to delivering the required savings by increasing employee contributions to the HSC Pension Scheme by the amounts set out in Table 1; and
- (b) other ways of delivering those savings through increased employee contributions within the Government's preferred scheme design parameters.

Section 75 of the Northern Ireland Act 1998 requires departments 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 DHSSPS is now screening this policy and the preliminary assessment suggests there will be no adverse impact in terms of equality of opportunity, however the Department is inviting responses to the following questions:-

1. Are the actions which are set out in this document likely to have an adverse impact on any of the 9 equality groups specified under Section 75 of the NI Act 1998?
  2. Are you aware of any indication or evidence – qualitative or quantitative – that the actions in this document may have an adverse impact on equality of opportunity or good relations?
  3. Does the proposed action plan afford an opportunity to promote equality of opportunity and/or good relations?
  4. Are there any aspects of this action plan where potential human rights violation may occur?
29. This consultation does not invite comments on the contribution rates for 2013-14 and 2014-15 as these will be the subject of further consultation with Trade Unions. **This consultation concerns proposed increases relating to 2012-13 only.**
30. The consultation document along with additional information and a contribution calculator which will allow members to see the effect of the proposed contribution increases on take home pay can be found at: [http://www.dhsspsni.gov.uk/index/consultations/current\\_consultations.htm](http://www.dhsspsni.gov.uk/index/consultations/current_consultations.htm)
31. **The consultation is open until 21st January 2012** and responses can be submitted to [hscpensioncontribs@dhsspsni.gov.uk](mailto:hscpensioncontribs@dhsspsni.gov.uk) or in hard copy to:-

DHSSPS - Pension Policy Team  
Room G33, Waterside House  
75 Duke Street  
Londonderry BT47 6FP

A copy of the consultation response form is attached at **Annex A**

### **Next steps after the consultation ends**

32. Whilst it may not be possible to reply individually to responses, a summary of the responses to this consultation will be made available before or alongside any further action, such as laying legislation before the Assembly.
33. There will be further consultation forthcoming on the design of a future, long-term pension scheme for the HSC, in line with the Government's intention to reform public service pension arrangements.

## Confidentiality of information

34. The Information we receive, 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).
35. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
36. The DHSSPS will process your personal data in accordance with the DPA and in most circumstances this will mean that your personal data will not be disclosed to third parties.

## Comments on the consultation process itself

37. If you have concerns or comments which you would like to make relating specifically to the consultation process itself please contact:

DHSSPS Pension Policy Team  
Room G33 Waterside House  
75 Duke Street  
Londonderry BT47 6FP, or

**e-mail:** [hspensioncontribs@dhsspsni.gov.uk](mailto:hspensioncontribs@dhsspsni.gov.uk)

**CONSULTATION RESPONSE FORM: HSC PENSION SCHEME.  
CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE  
CONTRIBUTION RATES EFFECTIVE FROM 1 APRIL 2012**

Please Note this form should be returned with your response to ensure that we handle your response appropriately.

**1. Name/Organisation**

Organisation Name

Title

Surname

Forename

Occupation

**2. Postal Address**

Postcode

Phone

Email

**3. I am responding as:-**

As an Individual

On behalf of an Organisation

Please specify organisation:-

**4. Confidentiality of Responses**

Paragraphs 34 to 37 of the consultation document details the Department's approach and obligations in relation to confidentiality of responses and Freedom of Information

**CONSULTATION QUESTIONS – Please give reasons for your answers.**

Within the context of the principles set out in the consultation document, your comments are invited on the preferred approach to delivering the required savings by increasing employee contributions to the HSC Pension Scheme by the amounts set out in Table 1 below.

**Table 1**

<b>Proposed increases to contribution rates (before tax relief)</b>			
<b>Full Time Equivalent pensionable pay</b>	<b>Contribution rate (before tax relief) 2011/12</b>	<b>Contribution rate (before tax relief) 2012/13</b>	<b>Contribution rate increase in 2012/13 (before tax relief)</b>
Up to £15,000	5.0%	5.0%	0%
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£69,932 to £110,273	7.5%	9.8%	2.3%
Over £110,273	8.5%	10.9%	2.4%

**The DHSSPS invite views on:-**

- (a) their preferred approach to delivering the required savings by increasing employee contributions to the HSC Pension Scheme by the amounts set out in Table 1**

**(b) other ways of delivering those savings through increased employee contributions within the Government's preferred scheme design parameters.**

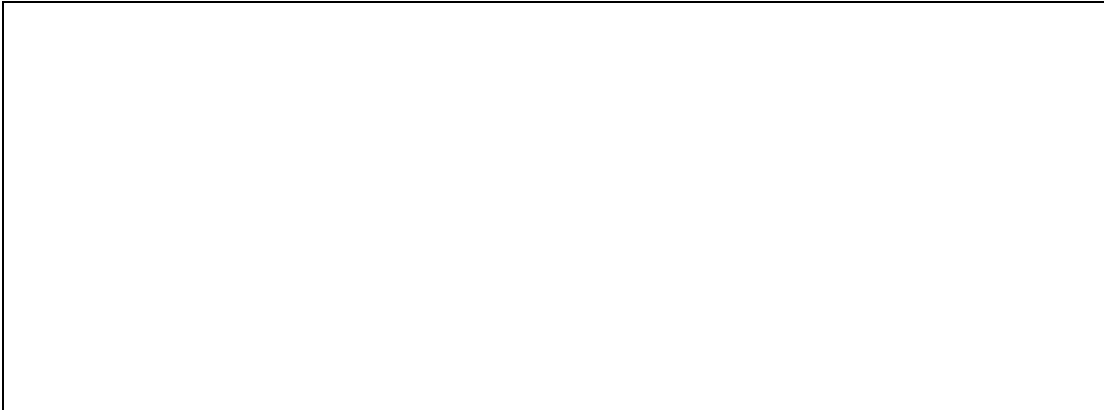


**The DHSSPS is now screening this policy and the preliminary assessment suggests there will be no adverse impact in terms of equality of opportunity, however the Department is inviting responses to the following questions:-**

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3. Does the proposed action plan afford an opportunity to promote equality of opportunity and/or good relations?



4. Are there any aspects of this proposed action where potential human rights violation may occur?



Please e-mail your response to [hscpensioncontribs@dhsspsni.gov.uk](mailto:hscpensioncontribs@dhsspsni.gov.uk)  
or send to:

DHSSPS – Pension Policy Team  
Room G33, Waterside House  
75 Duke Street  
Londonderry  
BT47 6FP

Closing date for receipt of comments is 21 January 2012