

EXPLANATORY MEMORANDUM TO

The Health and Social Care Pension Scheme (Member Contributions) (Amendment) Regulations (Northern Ireland) 2022

2022 No. 244

1. Introduction

- 1.1. This Explanatory Memorandum has been prepared by the Department of Health (DoH) to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under sections 1(1) and (2)(e), 2(1) and 3(1) to (3) of, and paragraph 5 of Schedule 2 and Schedule 3 to, to (4) of, and paragraph 5 of Schedule 2 and Schedule 3 to, the Public Service Pensions Act (Northern Ireland) 2014⁽¹⁾ and is subject to the negative resolution procedures.

2. Purpose

- 3.1. The Statutory Rule will introduce new contribution bands for members of the HSC Pension Scheme in line with those introduced for the NHS Pension Scheme in England & Wales, provide for the contribution rate of part time staff to be set based on their actual pensionable pay rather than whole time equivalent pay, and provide for increasing contribution tier boundaries in line with the annual Agenda for Change pay awards.

3. Policy Background – What is being done and why

- 3.1. Tiered member contribution rates were introduced in to the HSC Pension Scheme in 2008. Those tiered contribution rates mirrored those that were introduced to the NHS Pension Scheme in England & Wales. The tiered rates ensured that higher earners paid a higher contribution than lower earners, reflecting the fact that higher earners were likely to receive proportionately more than lower earners over the course of their retirements. This also ensured that the cost of the HSC Pension Scheme was fairly distributed among all members. At that time member benefits were calculated based on a member's length of membership and final pensionable pay. For part time members their benefits were based on their whole time equivalent pensionable membership and whole time equivalent pensionable pay. To reflect this, contribution rates for part time members were based on their whole time equivalent pensionable earnings.
- 3.2. The HSC Pension Scheme introduced a new career average revalued earnings (CARE) model in 2015 and since 1 April 2022 all members have been building up CARE benefits. The introduction of CARE ensured that the costs and benefits of the Scheme are more evenly shared. Under the CARE model

⁽¹⁾ 2014 c.2 (N.I.) section 3 was amended by section 94(11) to (14) of the Public Service Pensions and Judicial Offices Act 2022 (c. 7)

member's benefits are based on actual pensionable pay (including those for part time members), therefore the rationale for using whole time equivalent pensionable earnings for setting contribution rates for part time members diminishes.

- 3.3. Following on from this the Department asked the HSC Pension Scheme Advisory Board to (which consists of equal number of member and employer representatives) to consider the member contribution structure. SAB proposed that member contributions should be based on actual pensionable pay instead of their whole time equivalent pay and that contribution tiers should be increased in line with Agenda for Change (AfC) pay awards. SAB did not reach a consensus on a contribution structure.
- 3.4. The Department for Health and Social Care had asked the Scheme Advisory Board for the NHS Pension Scheme (England & Wales) to carry out a similar review. The England & Wales SAB made similar proposals as those made for the HSC Scheme. DHSC subsequently launched a consultation on a proposed new member contribution structure and, following that consultation, has confirmed that the new contribution structure will be put in place from the beginning of October 2022. Given the historical parity on this issue the Department has proposed the introduction of the same contribution structure for the HSC Pension Scheme.
- 3.5. The Department is required to achieve a yield of 9.8% of the HSC pensionable payroll overall from member contributions. However the workforce breakdown in Northern Ireland is slightly different to England & Wales and, as a result, it is predicted that using the same contribution tiers as England & Wales would result in a yield of approximately 9.6% (0.2% below the expected yield of 9.8%).
- 3.6. Funding to cover the 0.2% shortfall in the contribution yield from 2022/23 will be required until this is absorbed in to the revised employer rate following the latest scheme valuation.

4. Consultation

- 4.1. The changes introduced by this statutory rule have been subject to statutory consultation which commenced on the 6 December 2021 and ended on the 31 January 2022.
- 4.2. Among those consulted were HSC Trade Unions representatives; All HSC Employers; HSC Pension Service (Scheme Administrators); Scheme Advisory Board; Pension Board; DoF and the Government Actuary Department.
- 4.3. 18 responses were received, 9 from individuals and 9 from a member representative organisations.
- 4.4. Respondents were supportive of maintaining parity with the majority arguing that any shortfall in the yield should be picked up by the Department. Respondents were also supportive of the proposals to use actual annual rates of pensionable pay to determine a member's contribution tier, and to increase

contribution tier boundaries in line with the annual Agenda for Change pay awards.

The consultation response document is available on the Department of Health website at [Consultation on Member Contributions Structure - HSC Pension Scheme | Department of Health \(health-ni.gov.uk\)](https://www.health-ni.gov.uk/consultation-on-member-contributions-structure-hsc-pension-scheme)

5. Equality Impact

5.1. An Equality Screening/Impact Assessment (EQIA) was carried out by the Department, and this has been published on the Departments website.

6. Regulatory Impact

6.1. A regulatory impact assessment has not been produced for this rule as it is not anticipated that there will be any adverse impact on business, charities social economy or voluntary bodies.

7. Financial Implications

7.1. Funding will be required to cover the 0.2% shortfall in the contribution yield from 2022/23 until this is absorbed in to the revised employer rate following the latest valuation.

8. Section 24 of the Northern Ireland Act 1998

8.1. Consideration has been given to the human rights implications of these regulations. They are considered compatible with section 24 of the Northern Ireland Act 1998.

9. EU Implications

9.1. None

10. Parity or Replicatory Measure

10.1. Similar legislation has been introduced for the NHS Pension Schemes in England & Wales.

11. Additional Information

11.1. Not applicable.