EXPLANATORY MEMORANDUM TO

The Health and Social Care Pension Scheme (Member Contributions) (Amendment) Regulations (Northern Ireland) 2024

S.R. 2024 No. 116

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 Articles 12(1), (2) and (3), and 14(1) and (2) of, and Schedule 3 to, the Superannuation (Northern Ireland) Order 1972 and 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

2.1. The Statutory Rule will introduce changes to the member contribution structure, for members of the HSC Pension Scheme to uplift the member contribution banding structure in line with the 2023/24 Agenda for Change pay award.

2.2. As the pay award has now finalised, the department is now in the position to implement the required legislation to introduce the changes to increase the thresholds within the member contribution structures retrospectively for the years 2023 to 2024. The Health and Social Care Pension Scheme (Member Contributions) (Amendment) Regulations (Northern Ireland) 2024 will introduce changes retrospectively from 1 April 2023.

3. Policy Background – What is being done and why

3.1. There are two HSC Pension Schemes: the reformed 2015 Scheme and the older, closed scheme which is divided into the 1995 and 2008 Sections.

3.2. Members are required collectively to contribute 9.8% across the whole scheme membership. This is known as the member contribution ‘yield’. The yield is a fixed percentage and the HSC pension scheme share’s out the 9.8% requirement across the workforce by charging a sliding scale of rates to members according to their pensionable earnings. The aggregate amount collected across members adds up to 9.8%. This approach is known as ‘tiered contributions’.

3.3. Pensionable pay amounts are grouped into tiers and a contribution rate is set for each tier. The member pays a contribution rate based on their actual

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([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) pensionable pay. 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.

3.4. From 1 November 2022, the department introduced changes to the member contribution structure, including changing the amount that members pay for their pension benefits. This consultation process resulted in a statutory rule which made a number of changes including that the member contribution tier thresholds could be annually increased in line with Agenda for Change (AfC) pay awards.

3.5. Now that the AfC pay award for 2023/2024 has been announced, the proposed regulations revise the pensionable earnings bands retrospectively from 1 April 2023 to give effect to the policy intention of annually increasing the thresholds.

3.6. The member contribution structure was designed to give a discounted rate of 5.1% to the very lowest earning members who are earning less than £13,247 a year. This was intended to support the affordability of the HSC Pension Scheme for members who are earning less than the threshold at the bottom of tier 2 above. 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. Consequently, this threshold has been frozen and not increased in line with the AfC pay award.

3.7. The remaining pensionable earnings bands thresholds have all been uplifted by 5% in line with the AfC pay award for scheme year 2023 to 2024.

4. Consultation

4.1. The changes were consulted on as part of a previous consultation which sought views on amending scheme regulations so that member contribution tier thresholds could be annually increased in line with AfC pay awards. This was agreed and has been implemented from 1 November 2022.

5. Equality Impact

5.1. An Equality Screening/Impact Assessment (EQIA) and Rural Needs Impact Assessment were previously carried out by the Department, and have been published on the Departments website.

6. Regulatory Impact

6.1. It is not anticipated that there will be any adverse impact on business, charities social economy or voluntary bodies.

7. Financial Implications

7.1. There are no financial implications directly to the department as the changes are to employee contributions which are paid directly to the scheme.

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 and Scotland.

11. Additional Information

11.1. Not applicable.