

NHS Employers' response to the
Department of Health's 'NHS Pension
Scheme consultation on proposed
increases to employee contribution
rates effective from April 2012'

October 2011

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Introduction

The NHS Employers organisation welcomes this opportunity to provide its views on the DH's preferred approach to delivering savings by increasing employee contributions to the NHS Pension Scheme and other ways of delivering savings.

As an overriding observation the NHS Employers organisation remain concerned about the piecemeal manner in which major changes to public service pensions in general are being consulted on. It is difficult to imagine a scenario in the private sector where an employer, or the trustees of the employer's defined benefit pension scheme, would consider the discount rate (February 2011), contributions (now) and benefit levels (later) as mutually exclusive issues. This appears to be what the Government is doing and the NHS Employers organisation believes it is difficult for employers' representatives to have a meaningful discussion about any of the three issues independently of one another, as Government appears to require. In forming a robust pensions strategy that will stand the test of time, the NHS Employers organisation believes that all the issues needed to be considered in the round.

The NHS Employers organisation wishes to propose an alternative distribution of employee pension contribution increases to those set out in the DH consultation paper as its preferred approach for 2012/13.

Proposed re-distribution of DH proposed employee pension contribution increases for 2012/13

The case for increasing employee contributions is acknowledged as reflecting the Government plans in delivering the 2010 Spending Review (ie placing a requirement on each pension scheme to find savings equivalent to a 3.2 percentage point increase by 2014/15) and is not the outcome of an actuarial valuation of the NHS Pension Scheme (2008 Valuation work suspended in October 2010).

Tables 1 and 2 below (note some rounding) reflect proposed increases to contribution rates (gross and net of tax) and are reproduced from the DH consultation paper. Tables 3 and 4 (note no rounding) reflect the NHS Employers organisation preferred approach to achieving the required savings through increasing employee contributions for 2012/13.

Table 1. DH proposed increases to contribution rates

Full Time Equivalent Pensionable Pay	Contribution rate (before tax relief) 2011/12	2012/13	
		Contribution rate (before tax relief)	Contribution rate increase (before tax relief)
Up to £15,000	5.0%	5.0%	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%

Table 2. DH proposed contribution rates net of tax relief

Full-time 2010/11 pay	2011/12	2012/13		
	Contribution rate net of tax relief	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

The NHS Employers organisation has consulted with Management-side representatives of the NHS Pension Scheme Governance Group; has undertaken a survey of NHS organisations (summary results at Annex A); has met with Human Resource Directors at regional meetings; has received feedback from the Association of UK University Hospitals (AUKUH) and has consulted with the NHS Pension Scheme Chairs Reference Group. This consultation has confirmed support for a re-distribution of the proposed increases which favour the lower/some middle earners and targets fully progressive contribution rates net of tax relief.

Table 2 shows that full-time employees receiving £60,000 pensionable pay for 2010/11 are (in 2011/12) paying the lowest contribution rate net of tax relief at 3.9% and those receiving £80,000 and £130,000 pensionable pay for 2010/11 are (in 2011/12) paying a lower contribution rate net of tax relief than employees receiving £25,000, £30,000 and £40,000 respectively. Several anomalies in progressive contribution rates net of tax relief were introduced with the changeover from flat rate to tiered employee contribution rates operating from April 2008.

The NHS Employers organisation, whilst accepting that the DH proposals for 2012/13 partly address this issue, believes that more needs to be done. We note employees receiving £60,000 pensionable pay for 2011/12 would still pay a lower contribution rate net of tax relief (at 5.1%) for 2012/13 than employees receiving £25,000, £30,000 and £40,000 respectively. Additionally, those receiving £80,000 pensionable pay for 2011/12 would still pay a lower contribution net of tax relief (at 5.9%) than employees receiving £30,000 and £40,000 respectively.

Tables 3 and 4 illustrate the NHS Employers organisation recommended changes to the DH proposals for increases in employee contribution rates for 2012/13. This recommended re-distribution of contribution rates still delivers the 2012/13 financial target set for the NHS Pension Scheme as part of the Government plans for savings outlined in its 2010 Spending Review. From the recent survey that was conducted the results show that 57% of respondents agree that the current DH proposal sets progressive contributions for the higher paid but when asked if the contributions should be redistributed to address the position net of tax relief 61% of respondents supported this approach.

The NHS Employers organisation proposals are significantly closer to fully progressive employee contribution rates after tax relief and are more favourable to low earners than those proposed by DH.

Table 3. The NHS Employers proposed increases to employee contribution rates

Full-time equivalent pensionable pay	Contribution rate (before tax relief) 2011/12	2012/13	
		Contribution rate (before tax relief)	Contribution rate increase (before tax relief)
Up to £15,000	5.0%	5.0%	0.0%
£15,001 to £21,175	5.0%	5.0%	0.0%
£21,176 to £26,557	6.5%	6.5%	0.0%
£26,558 to £48,982	6.5%	8.0%	1.5%
£48,983 to £69,931	6.5%	8.9%	2.4%
£69,932 to £110,273	7.5%	9.9%	2.4%
Over £110,273	8.5%	10.9%	2.4%

Table 4. Contribution rates net of tax relief

Full-time 2010/11 pay	2011/12	2012/13		
	Contribution rate net of tax relief	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.00%	4.00%	0.00%	0
£15,000	4.00%	4.00%	0.00%	0
£20,000	4.00%	4.00%	0.00%	0
£25,000	5.20%	5.20%	0.00%	0
£30,000	5.20%	6.40%	1.20%	30
£40,000	5.20%	6.40%	1.20%	40
£60,000	3.90%	5.34%	1.44%	72
£80,000	4.50%	5.94%	1.44%	96
£130,000	5.10%	6.54%	1.44%	156

Table 3 illustrates the NHS Employers organisation preferred approach to the Government requirement for increases in employee pension contribution rates; this re-distribution of the DH consultation proposals has the following impact:

- Employees with pensionable pay up to £26,557 on a full-time equivalent basis in 2010/11 will pay nothing extra in pension contributions for 2012/13 (assuming that their pay remains below £26,557 in 2011/12).
- The Government Actuary's Department (GAD) estimates that the number of employees (pensionable pay up to £26,557 in 2010/11) who will pay nothing extra in 2012/13 will be 630,000; this represents approximately 48% of the total NHS Pension Scheme membership. This compares favourably with the DH consultation proposal of 100,000 employees (7.5% of membership) who will pay nothing extra.
- Using GAD estimates the re-distribution will result in 540,000 employees (41% of membership) in the pensionable pay band £26,558 to £48,982 paying between £4.43 and £8.16 more per month than the DH consultation proposal.
- Using GAD estimates the re-distribution will result in 55,000 employees (4% of membership) in the pensionable pay band £48,983 to £69,931 paying between £9.80 and £13.98 more per month than the DH consultation proposal.
- Using GAD estimates the re-distribution will result in 60,000 employees (4.5% of membership) in the pensionable pay band £69,932 to £110,273 paying between £2.33 and £3.67 more per month than the DH consultation proposal.
- The NHS Employers organisation is in agreement with the DH consultation proposal for 35,000 employees (2.6% of membership) in the pensionable pay band above £110,273.

Table 4 illustrates the NHS Employers organisation preferred approach to increases in employee pension contribution rates net of tax; the NHS Employers organisation believes the following specific and general issues are noteworthy:

- The net of tax scale is still not fully progressive, although it does illustrate that employees receiving £60,000 pensionable pay in 2010/11 will from 2012/13 no longer be paying a lower rate after tax relief than those receiving £25,000 pensionable pay in 2010/11.
- Fully progressive employee contribution rates net of tax relief are not achievable for 2012/13 within the parameters set by the Government that employees will pay no more than 2.4% extra in 2012/13. The NHS Employers organisation recognises that this consultation response concerns proposed increases to contribution rates for

2012/13 only, however, increases adopted in the first year will to some extent limit the flexibility in the later years. It is for this reason that the NHS Employers organisation has chosen to include as Annex B to this letter a table which illustrates how (assuming the NHS Employers organisation proposals for 2012/13 are accepted) fully progressive employee contribution rates net of tax relief could be achieved by the 3rd year of the proposed increases whilst still ensuring that 100,000 employees on pensionable pay up to £15,000 will pay nothing extra and 530,000 employees will only pay between £6.07 and £10.75 more per month by 2014/15. If the DH consultation proposals are implemented without change the NHS Employers organisation believes that there is still the potential (Annex C) to deliver fully progressive contribution rates net of tax relief by 2014/15, however, it would mean that increases required in year 3 are not themselves progressive. (ie there would be an increase in the rate for employees in the pensionable pay band of £48,983 to £69,931 which is more than the increase in the rates for the two higher pensionable pay bands. The consultation that the NHS Employers organisation has undertaken with the AUKUH has been limited to proposed increases to employee contributions in respect of year 1 only.

- The NHS Employers organisation recognises that employees who work part-time have their contributions based on their full-time equivalent pensionable pay; there is a further adverse impact for some of these employees resulting from increases in their contribution rates, the impact of the NHS Employers organisation proposals is marginally worse for these employees than the DH consultation proposals. GAD has advised that there are approximately 10,000 (0.75% of total NHS Pension Scheme members) part-time employees in the full-time equivalent pensionable pay band from £48,983 to £69,931 who have actual pensionable pay below £48,000 and therefore may not receive the full 40% tax relief. Of those between 1,000 and 2,000 would be likely to get tax relief at a mix of 20% and 40% rates with the remainder only qualifying for 20% relief. Additionally, around 7,000 (0.5% of total NHS Pension Scheme members) part-time employees in the full-time equivalent pensionable pay band above £69,931 have actual earnings below £48,000 and therefore may not receive full 40% tax relief. Of those in the region of 1,000 would be likely to get tax relief at a mix of 20% and 40% rates with the remainder only qualifying for 20% relief. The NHS Employers organisation believes this is an issue for further appraisal in the DH's Equality Impact Assessment.
- The NHS Employers organisation supports the DH assertion that NHS Pensions will still represent an excellent investment. GAD has examined the ratio of the level of members' pensions to the total contributions they will have paid over the course of a career. There are only marginal differences between the DH consultation proposals and those submitted by the NHS Employers organisation and for every £1 each member contributes to their pension members will generally get in the range of £3 to £9 of pension payments in retirement.

- The NHS Employers organisation recommend that the full-time equivalent pensionable pay bands should be reviewed and updated annually to reflect any pay award increases and changes in the Government tax regime thus maintaining the principle of progressivity of contribution rates net of tax relief.
- The NHS Employers organisation believes that by maintaining employee contribution levels at 5% and 6.5% (4% and 5.2% net of tax relief) respectively for low and some middle earners the risk of those members opting out of the NHS Pension Scheme will be reduced. It also believes that implementing the DH proposed contribution increases for employees with full-time equivalent pensionable pay from £15,001 to £26,557 by comparison carries with it a greater risk of members opting out of the NHS Pension Scheme. The current level of opt out from the NHS Pension Scheme is 15% with a clear relationship between earnings and opt out behaviour with much lower participation rates at the lowest earnings band. Work undertaken by First Actuarial on behalf of the NHS Pension Scheme Governance Group considering actual experience of pension scheme opt outs suggested that factors other than contribution increases may be more influential but affordability remains a significant issue, particularly for low earners. As part of the Spending Review the Treasury's document "Behavioural Assumptions" made an allowance for opt out that individuals representing 1% of the total public sector pensionable pay bill opt out as a result of an increase in employee contribution rates of 3 percentage points. This represents 6% of all those earning below £25,000 (assuming opt-outs were concentrated below those earning levels). The NHS Employers organisation believes its proposal for re-distribution of employee contribution rate increases with nothing extra to pay by all 630,000 members with pensionable earnings below £26,557 will mitigate opt outs by the low earners in 2012/13.

In summary, the NHS Employers organisation response with its own proposals for re-distribution of the DH preferred approach to employee pension contribution increases for 2012/13 demonstrates full compliance with the parameters set by Government. It protects the low paid; it applies the increases progressively; and limits opt outs from the NHS Pension Scheme. It is believed that the NHS Employers organisation response will immediately find favour with almost half of the NHS workforce.

Other ways of delivering savings through increased employee contributions for 2012/13

The NHS Employers organisation believes that the short timescale before the cash savings are required mitigates against delivery of alternatives for 2012/13, however, areas that may be worthwhile exploring and may yield future increases in Treasury income from employee contributions include:

- Potential for widening the scope of pensionable pay linked to personal defined benefits to generate additional employee only contributions. If employers are willing, additional employer contributions could also be applied.
- Triennial auto enrolment into the NHS Pension Scheme – there is a potential here for delivering reductions in the current 15% opt out levels. NHS trusts may wish to assess the cost/benefits of this action linked to their recruitment and retention strategies and financial planning.
- Opt out rates may be below the Treasury assumptions resulting from no increase to 2012/13 employee contribution rates for nearly half of the NHS Pension Scheme membership.

Annex A. Results of the NHS Employers Pension Reforms Questionnaire

Introduction

The NHS Employers organisation ran a questionnaire from the 12th September to the 7th October to collect the views of employers on the proposed pension reforms. The questionnaire was constructed in consultation with employers to ensure this covered the areas of the Department of Health's proposals they wished to respond to.

The questionnaire received 98 responses, of which 67 were credible respondents from the employers side, i.e. not a Trade Union Representative or staff member. Even after the removal of the non-credible responses this is a significant level of employer input to the questionnaire which can provide a reasonable assumption in the validity of the results.

Of the 7 questions 90% of respondents gave an answer to each question and 48% of respondents provided extra qualitative comments. This has resulted in a substantial amount of information in which to produce the following information presented in this report.

The following report will take each of the 7 questions in turn and summarise the views expressed by employers.

Findings

Question 1: About you

This question summarises the respondents who completed the questionnaire, of the 98 respondents 67 were employer representatives. This allows us to draw conclusions from the information that it is a reasonable reflection of the views of employers.

Question 2: Do the proposed tiered employee contributions from April 2012 meet the following principles:

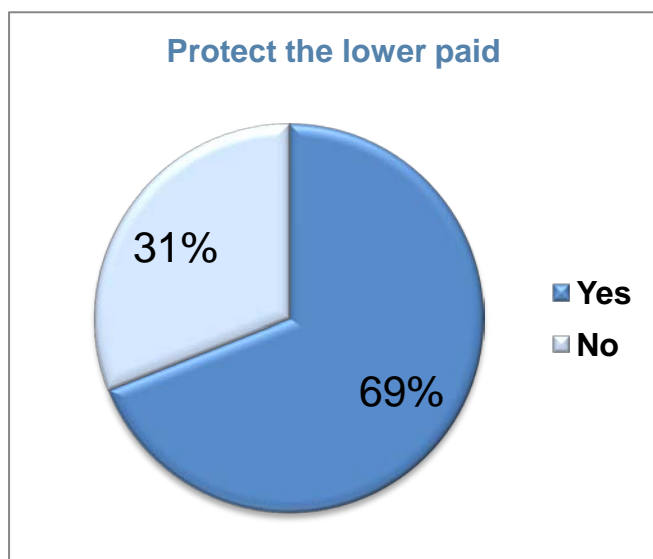
- Protect the lower paid
- Minimise potential opt out from the scheme
- Set progressive contributions for the higher paid

Protect the lower paid

Employers say 'Yes'	Employers say 'No'	No Answer
47	20	0

The chart shown in *figure 1.0* shows the majority of respondents said that the proposed pension reforms do protect the lower paid earners.

From the qualitative responses employers have raised their concerns around the part time workers who they feel will be disproportionately impacted by the increased contributions. As part time workers are predominantly female, this employers have stated may result in discrimination claims.



Employers have also commented that in order to protect the lower paid staff the tier must be raised. As the majority of NHS Staff earn above £15,000 consideration should be taken into whether or not this tier should be raised.

Figure 1.0

Minimise potential opt out from the scheme

Employers say 'Yes'	Employers say 'No'	No Answer
20	45	2

The responses to this question show that a majority of employers have said that the proposals will *not* minimise potential opt out from the scheme as shown in *figure 2.0*.

The qualitative responses summarise that lower earners in particular will focus on their 'take home salary' every month. Increasing contributions will lower their disposable income each month and may mean that they choose to take the extra money as apposed to remain in the pension scheme.

Some employers have suggested that there may be a high number of staff leaving the scheme before April 2012 when the reforms come into place due to their concerns about having less money every month. Alongside this staff may look to private pension providers to see if they can get a cheaper deal elsewhere.

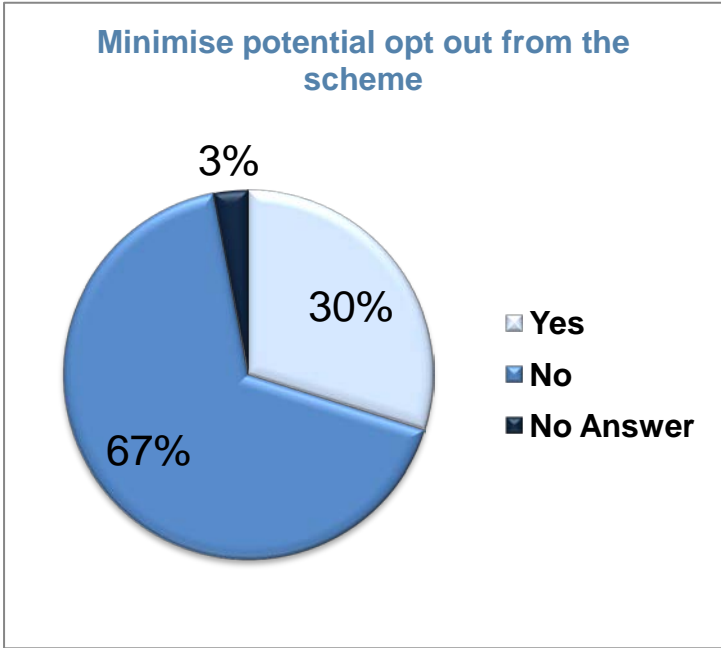


Figure 2.0

A further suggestion has been that potentially those who are close to retirement age may choose to retire early to prevent losing out on their pension benefits and reducing the value of their pension.

There is a particular concern that this will impact on highly skilled staff such as consultants who may leave their trust before their planned retirement age. This may result in employers losing highly skilled staff and struggling to retain talented senior staff.

Overall employers believe the impact of no pay rise and increasing contributions will ultimately result in staff either leaving the pension scheme as they can no longer afford it, or this will encourage high earners to retire early or seek employment with more attractive benefits.

Set progressive contributions for the higher paid

Employers say 'Yes'	Employers say 'No'	No Answer
38	28	1

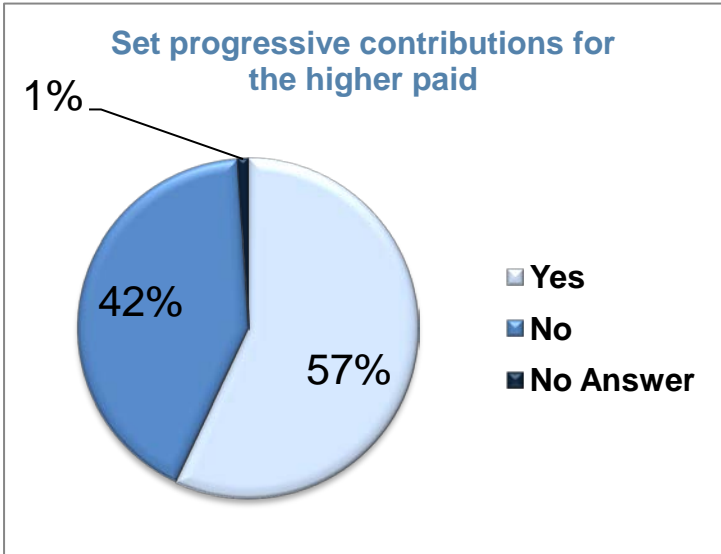


Figure 3.0

The majority of respondents agreed with this statement that the proposals do set progressive contributions for the higher paid. However, this agreement is 57% and is therefore not as strong as the previous question about protecting the lower paid.

The qualitative information discusses the view that increasing contributions for higher earners may impact on an individual's desires for career progression. This may then impact on succession plans and

reward strategies to attract and retain staff into more senior roles.

The alternative view, which reflects the close results in this question, suggests that higher earners should pay a higher percentage to protect the lower paid.

Others have suggested that the same percentage should be applied to all to make the scheme fairer for all staff. Views were also expressed that middle earners will be impacted disproportionately as the proposal suggests they pay more relative to the higher earners.

Question 3: Will the consequences of the proposed contribution rates impact on service delivery?

Employers say 'Yes'	Employers say 'No'	No Answer
45	21	1

Figure 4.0 below shows that the majority of employers believe there will be an impact on service delivery as a direct result of the proposed increase in pension contributions.

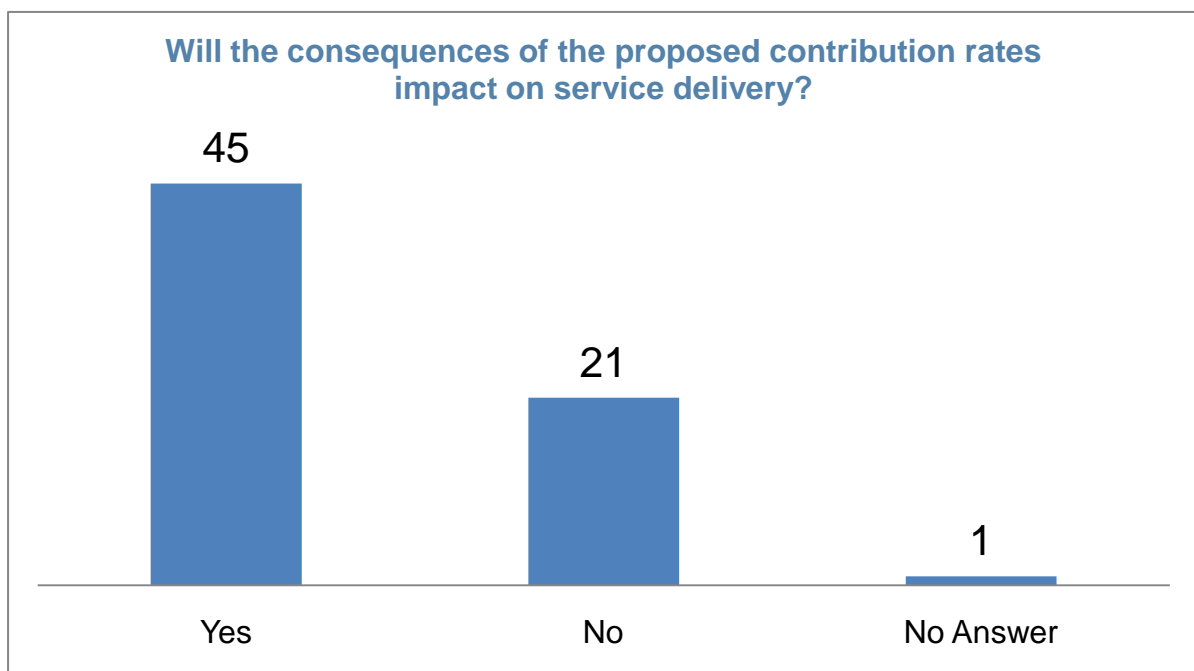


Figure 4.0

The qualitative data shows a number of recurrent concerns including the impact this may have on attracting new employees. The NHS Pension Scheme has traditionally been seen as an attractive benefit which counteracts offers of higher pay outside the NHS and has helped trusts to attract talent. By reducing the benefits of the scheme employers fear this will directly impact on their ability to attract and retain talented staff.

A further common response from employers has been that the proposals will further demoralise staff and reduce their effectiveness at work. Increasing contributions job insecurities, rising inflation and a pay freeze combined together will potentially impact on staff motivation and commitment to their role. Related to this employers have highlighted their concerns around the potential impact this may have on employee health and well-being in respect of staff suffering increasing financial difficulties and feeling they need to work longer in order to compensate for their loss in income.

Another concern across a number of employers is the potential impact on long serving highly skilled members of staff who are close to retirement age. There is an anxiety that these staff will choose to retire early leaving gaps in skills, knowledge and experience in the workforce which would not be easy to replace. These staff will also take with them strong leadership qualities which employers say is essential at a time of such uncertainty and change.

The threat of industrial action is also an issue expressed by employers, the proposals have already caused unions to ballot their members for a strike and employers fear this may be long lasting and could potentially result in a detrimental impact on the service delivery.

Some employers have indicated through the questionnaire that it is still too early to tell what the impact could be, and comparatively the pension is still a good scheme.

Question 4: Do you consider that there are any equality issues that will result in any individual groups being disproportionately affected by the proposed contribution tiering?

Employers say 'Yes'	Employers say 'No'	No Answer
37	28	1

Out of the 67 employers 1 did not answer this question, with 29 providing further qualitative data on their views. The graph depicted in *figure 5.0* below shows the majority of employers believe that the proposals raise equality issues that will result in different individual groups being disproportionately affected. However this majority is not as strong as previous question with 56% of employers believing this will raise equality issues.

A number of employers indicated their concern that part time workers will be disproportionately affected by the proposals. As the majority of part time workers are female, this may result in women being disproportionately affected by the proposed increases in contributions.

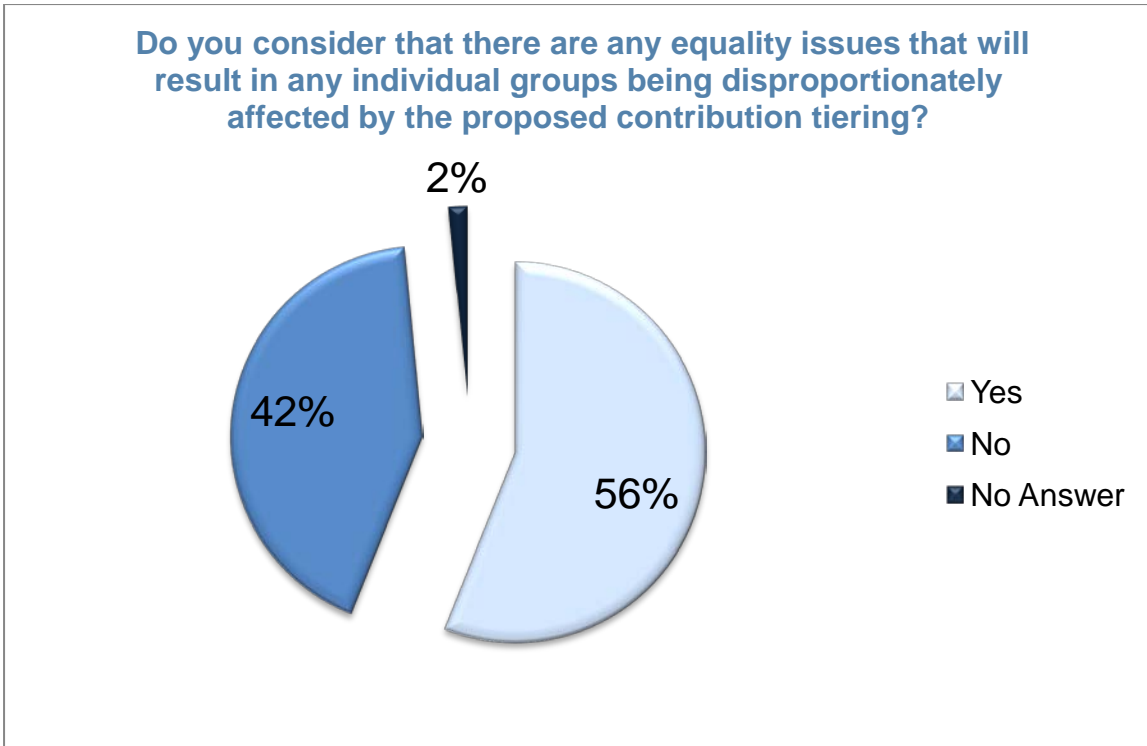


Figure 5.0

Employers also detailed how they believe that the middle earners will be impacted upon disproportionately to higher earners i.e. those with a salary of £60,000 or more.

Staff with long service who are close to retirement age are a further group of individuals employers feel would be disproportionately impacted. Employers believe these staff may retire early as a result and this would have a negative impact on the skills and experience retained by their individual trusts.

Question 5: From an administrative perspective, do you consider the increases in number of tiers are appropriate?

Employers say 'Yes'	Employers say 'No'	No Answer
36	27	4

This question was answered by 63 of the 67 employers with 4 providing no answer. The quantitative data is displayed in the graph below (*figure 6.0*) showing an almost equal split between those who believe the proposals to increase tiers would ultimately increase administration, and those who feel it would not. A strong view therefore was not generally expressed by employers either way.

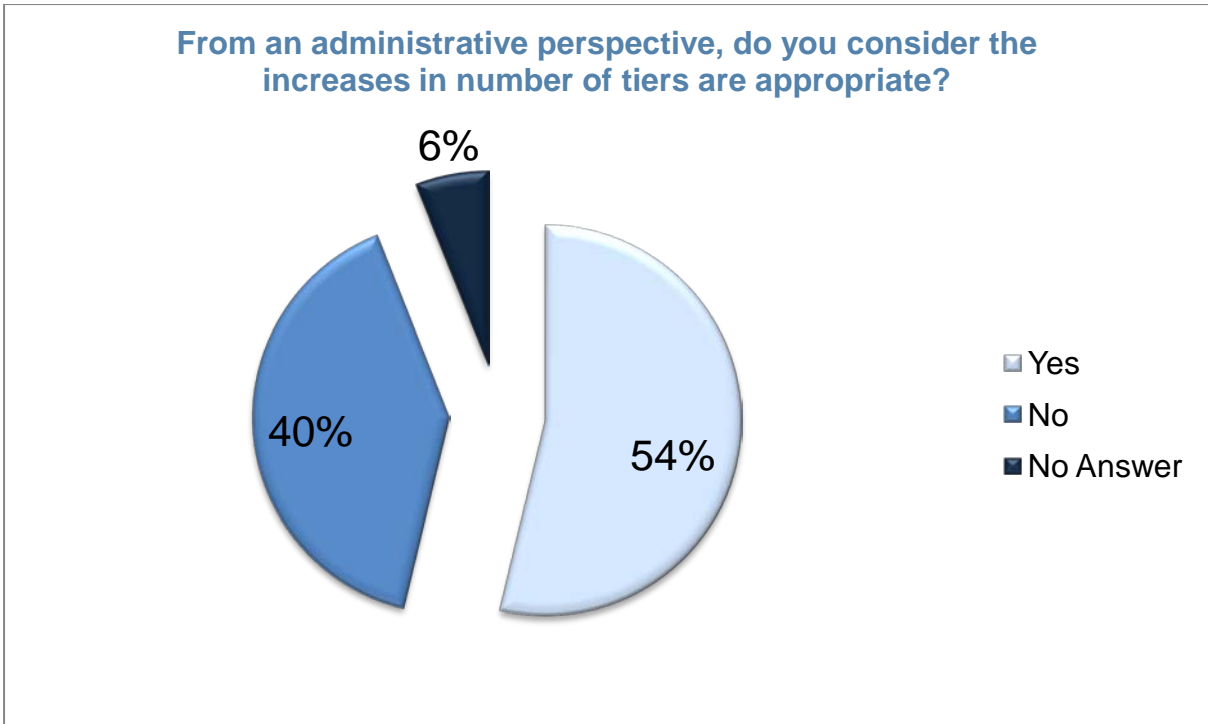


Figure 6.0

Employers were asked as part of this question to provide alternatives should they feel the administration of increasing tiers be inappropriate. The alternative suggestions provided were to standardise the percentage for all staff to pay the same or to increase the lower pay protection to £25,000 from £15,000.

Question 6: Table 2 of the DH consultation document shows the contribution rates net of tax relief and highlights that members with full time pay of £60k, £80k and £130k will pay a lower net contribution than those members earning £25k, £30k and £40k. Should the proposed increases in contribution be redistributed to address this?

Employers say 'Yes'	Employers say 'No'	No Answer
41	23	3

Of the 67 employer responses only 3 did not provide and answer to this question and 26 provided further comments.

As can be seen in the diagram below (*figure 7.0*) a vast majority of employers answered yes to this question, highlighting their view that the increases in contribution rates should be redistributed to ensure middle earners are not paying a higher percentage than higher earners over £60,000.

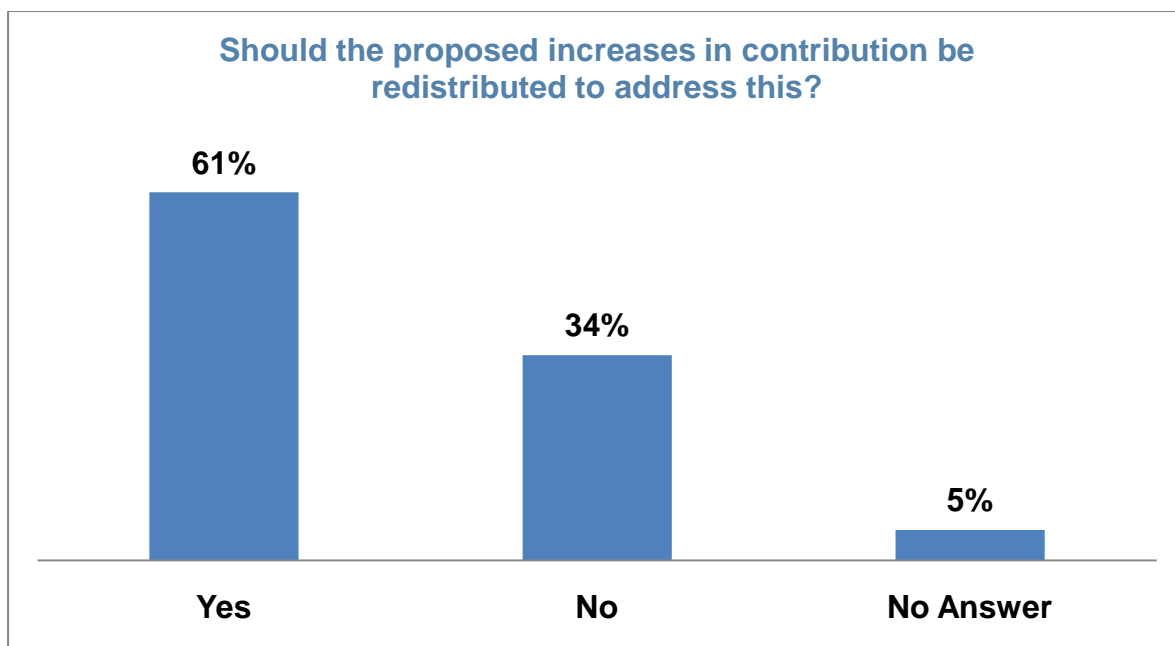


Figure 7.0

There is an understanding within the responses received that the distribution of increase is in part due to the impact of tax relief changes. However, some employers have stipulated that this should be altered, even if this would need to be addressed every time tax rates or relief arrangements were revised.

Question 7: Do you have any alternative suggestions for increasing employee contributions within the parameters outlined in questions 1 and 2 above, or views on widening the qualification of pensionable earnings?

Of the 67 employers who responded to the questionnaire, 31 answered this question. Below is a summary of the relevant alternative suggestions made:

- Pensionable pay should be based on actual earnings and not full time equivalent earnings to make it fairer for part time workers
- Negotiate increasing pension contribution with the national pay award to avoid industrial action
- Give members the option to opt out of the current arrangements for an alternative agreement whereby pension benefits are paid in full for 15 years after retirement, after which this will be reduced to half pay
- Cap pensionable pay, i.e. £120,000
- Ensure only basic salary and contracted hours are pensionable to reduce the cost for employers

Annex B. Illustration of fully progressive contribution rates net of tax relief by 2014/15

Full-time equivalent pensionable pay	% of pensionable pay in the band	Est. no. of members in band '000	Contribution rate (before tax relief) 2011/12	2012/13		2013/14		2014/15		Contribution rate increase by 2014/15
				Contribution rate (before tax relief)	Contribution rate increase	Contribution rate	Contribution rate increase	Contribution rate	Contribution rate increase	
Up to £15,000	3%	100	5.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	0.0%
£15,001 to £21,175	13%	330	5.0%	5.0%	0.0%	5.3%	0.3%	5.6%	0.3%	0.6%
£21,176 to £26,557	11%	200	6.5%	6.5%	0.0%	6.8%	0.3%	7.1%	0.3%	0.6%
£26,558 to £48,982	43%	540	6.5%	8.0%	1.5%	9.0%	1.0%	9.3%	0.3%	2.8%
£48,983 to £69,931	7%	55	6.5%	8.9%	2.4%	11.3%	2.4%	12.5%	1.2%	6.0%
£69,932 to £110,273	13%	60	7.5%	9.9%	2.4%	12.3%	2.4%	13.5%	1.2%	6.0%
Over £110,273	11%	35	8.5%	10.9%	2.4%	13.3%	2.4%	14.5%	1.2%	6.0%
Contributions as % payroll:			6.6%	8.0%		9.2%		9.8%		3.2%
Additional yield £bn:				0.55		1.08		1.35		

Full-time 2010/11 pay	2011/12	2012/13			2013/14			2014/15		
	Contribution rate net of tax relief	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.00%	4.00%	0.00%	0	4.00%	0.00%	0	4.00%	0.00%	0
£15,000	4.00%	4.00%	0.00%	0	4.00%	0.00%	0	4.00%	0.00%	0
£20,000	4.00%	4.00%	0.00%	0	4.24%	0.24%	4	4.48%	0.24%	4
£25,000	5.20%	5.20%	0.00%	0	5.44%	0.24%	5	5.68%	0.24%	5
£30,000	5.20%	6.40%	1.20%	30	7.20%	0.80%	20	7.44%	0.24%	6
£40,000	5.20%	6.40%	1.20%	40	7.20%	0.80%	27	7.44%	0.24%	8
£60,000	3.90%	5.34%	1.44%	72	6.78%	1.44%	72	7.50%	0.72%	36
£80,000	4.50%	5.94%	1.44%	96	7.38%	1.44%	96	8.10%	0.72%	48
£130,000	5.10%	6.54%	1.44%	156	7.98%	1.44%	156	8.70%	0.72%	78

Annex C. Illustration of fully progressive contribution rates net of tax relief by 2014/15 assuming DH proposals for 2012/13 implemented

Full-time equivalent pensionable pay	% of pensionable pay in the band	Est. no. of members in band '000	Contribution rate (before tax relief) 2011/12	2012/13		2013/14		2014/15		Contribution rate increase by 2014/15
				Contribution rate (before tax relief)	DH proposed contribution rate increase	Contribution rate	Contribution rate increase	Contribution rate	Contribution rate increase	
Up to £15,000	3%	100	5.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	0.0%
£15,001 to £21,175	13%	330	5.0%	5.6%	0.6%	5.6%	0.0%	5.6%	0.0%	0.6%
£21,176 to £26,557	11%	200	6.5%	7.1%	0.6%	7.1%	0.0%	7.1%	0.0%	0.6%
£26,558 to £48,982	43%	540	6.5%	7.7%	1.2%	8.9%	1.2%	9.3%	0.4%	2.8%
£48,983 to £69,931	7%	55	6.5%	8.5%	2.0%	10.9%	2.4%	12.5%	1.6%	6.0%
£69,932 to £110,273	13%	60	7.5%	9.8%	2.3%	12.2%	2.4%	13.5%	1.3%	6.0%
Over £110,273	11%	35	8.5%	10.9%	2.4%	13.3%	2.4%	14.5%	1.2%	6.0%
Contributions as % payroll:			6.6%	8.0%		9.2%		9.8%		3.2%
Additional yield £bn:				0.54		1.07		1.35		

Full-time 2010/11 pay	2011/12		2012/13		2013/14			2014/15		
	Contribution rate net of tax relief	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.00%	4.00%	0.00%	0	4.00%	0.00%	0	4.00%	0.00%	0
£15,000	4.00%	4.00%	0.00%	0	4.00%	0.00%	0	4.00%	0.00%	0
£20,000	4.00%	4.48%	0.48%	8	4.48%	0.00%	0	4.48%	0.00%	0
£25,000	5.20%	5.68%	0.48%	10	5.68%	0.00%	0	5.68%	0.00%	0
£30,000	5.20%	6.16%	0.96%	24	7.12%	0.96%	24	7.44%	0.32%	8
£40,000	5.20%	6.16%	0.96%	32	7.12%	0.96%	32	7.44%	0.32%	11
£60,000	3.90%	5.10%	1.20%	60	6.54%	1.44%	72	7.50%	0.96%	48
£80,000	4.50%	5.88%	1.38%	92	7.32%	1.44%	96	8.10%	0.78%	52
£130,000	5.10%	6.54%	1.44%	156	7.98%	1.44%	156	8.70%	0.72%	78

NHS Employers

The NHS Employers organisation is the voice of employers in the NHS, supporting them to put patients first. Our vision is to be the authoritative voice of workforce leaders, experts in HR, negotiating fairly to get the best deal for patients.

We help employers make sense of current and emerging healthcare issues to ensure that their voice is front and centre of health policy and practice. We keep them up to date with the latest workforce thinking and expert opinion, providing practical advice and information, and generating opportunities to network and share knowledge and best practice.

We work with employers in the NHS to reflect their views and act on their behalf in four priority areas:

- pay and negotiations
- recruitment and planning the workforce
- healthy and productive workplaces
- employment policy and practice.

The NHS Employers organisation is part of the NHS Confederation.

Contact us

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