

Title: Increase in employee contributions to the NHS Pension Scheme from 1 April 2013 (Year two of a three year change stemming from the SR 2010) IA No: 8033 Lead department or agency: Department of Health Other departments or agencies: Welsh Assembly Government	Impact Assessment (IA)		
	Date: 15/11/2012		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: NHS Pension Policy Team, 2W09 Quarry House, Quarry Hill, Leeds LS2 7UE			
Summary: Intervention and Options			RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£0m	£0m	£0m	No
			Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?

Deciding how to best to implement the second of three successive years of employee contributions for members of the NHS Pension Scheme for England & Wales with effect from 1 April 2013. This is a requirement to deliver savings by raising employee contributions in 2013-14. In the Spending Review 2010, the Government announced that an additional £2.8 billion would be raised from employee contributions across public service pension schemes by 2014-15. This is to address rising costs of life expectancy, with increases to be staged over three years. The Department is therefore required to develop and implement an approach to applying the second year of increases.

What are the policy objectives and the intended effects?

Each public service pension scheme is required to deliver savings equivalent to an average increase of 3.2% in employee contributions by 2014-15. Active members of the NHS Pension Scheme for England & Wales are therefore affected. The Government established three principles that Departments are expected to follow in designing how to apply the increases to individual schemes - protect the low paid, apply increases progressively, and limit the level of opt-out that higher contribution rates may generate. The second year of increases are to be effective from 1 April 2013. There will be a further year of increases in 2014-15, and these increases will be subject to further discussions with Trade Unions.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

In year 1 (2012-13) an initial DH proposal and an NHS Employers proposal received during consultation was considered against a do-nothing option. The NHS Employers proposal was adopted as it was demonstrated to be more progressive. This was valued for equality reasons and to minimise the risk of affordability driven opt outs from the pension scheme. This year's proposal reflects the same objectives around progressiveness and minimising opt-outs and has been developed in conjunction with the Technical Advisory Group. During this process the presented option was adopted as the preferred option as it extends the option that was evaluated as preferred last year and has in retrospect been considered a success. It is considered appropriately regressive and has not created opt-out concerns (which have been monitoring using Electronic Staff Record and NHS BSA data).

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro No	< 20 No	Small No	Medium No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: 0	Non-traded: 0

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 0

Description: Do Nothing

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

This option is not compliant with central government direction and is therefore not considered any further

Other key non-monetised costs by 'main affected groups'

This option is not compliant with central government direction and is therefore not considered any further

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

This option is not compliant with central government direction and is therefore not considered any further

Other key non-monetised benefits by 'main affected groups'

This option is not compliant with central government direction and is therefore not considered any further

Key assumptions/sensitivities/risks

Discount rate (%) N/A

This option is not compliant with central government direction and is therefore not considered any further

BUSINESS ASSESSMENT (Option 0)

Direct impact on business (Equivalent Annual) £m: 0			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	No	Zero net cost

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

In terms of the cash flows, increased contributions from pension scheme members (cost) will equal the increased revenue that HM Treasury receives (negative cost) by same amount – so the net effect is zero

Other key non-monetised costs by 'main affected groups'

- Changes necessary to administration of contribution collection – this will be minimal
- The effect of pushing pension scheme members into poverty – this should be modest because of the protection for the low paid
- Effects on recruitment and retention – these should be small since NHS pay and reward will remain attractive compared with market competitors
- There may be some effect of members leaving the scheme and consequently an impact on social security; again this is neutral in terms of the cash flow (government pays out, individuals receive) although may result in hardship
- Reduction in cost of additional borrowing by central government to fund pensions – much of this would be matched by the loss of opportunity for UK investors purchasing (e.g. UK gilts)

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

All benefits have been treated as negative costs in the above

Other key non-monetised benefits by 'main affected groups'

- Protection for low earners from an increase – negating impact on lower income households and avoiding further opt-out from scheme amongst this group
- Assurance from HM Treasury that pension benefits built up in existing pension schemes will be honoured

Key assumptions/sensitivities/risks

Discount rate (%)

N/A

The pension benefits accrued by scheme members remain the same. There is no change in accrual rate or normal pension age

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m: 0			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	No	Zero net cost

Approach

The approach to the economic assessment of the options has been guided by HM Treasury's 'Green Book' on Appraisal and Evaluation in Central Government. The following points should be noted:

- The issue concerns determining how the NHS Pension Scheme would meet an existing requirement to deliver savings by raising employee contributions in 2013-14. The Government had announced in the 2010 Spending Review that savings from increasing employee contributions in each public service pension scheme (except the Armed Forces) would be sought over three years to 2014-15.
- The options considered concern changes to the cash flow between pension scheme members and the Exchequer. There are no goods or services provided, other than the pension benefits which are the same in all options. This therefore falls into the Green Book categories of being 'transfer payments' which 'do not give rise to direct economic costs'. This is why the net present value for all options is zero.
- Showing the increased contributions as a cost and the increased receipts to the Exchequer as a benefit would have required insertion of equal numbers, which subsequently cancelled each other out in the net benefit calculation. This would have been an unnecessary complication so the rule of proportionality has been applied, with the increased receipts being considered as a negative cost.

Evidence Base

Problem under consideration

Context

The Government announced in the 2010 Spending Review that public sector workers would be asked to contribute more towards their pensions. The Spending Review set out plans for savings across all public service pension schemes of £2.8 billion per year (including £1bn planned by previous Government) to be realised by 2014-15. As part of this, the NHS Pension Scheme is required to provide £1.2 billion in savings, given the size of its membership relative to other public service pension schemes.

To achieve these targets, each public service pension scheme is required to deliver savings equivalent to an average increase of 3.2 percentage points in employee contributions staged over three years from 2012-13 to 2014-15.

Issue

Deciding how to achieve the required increases in employee contributions with effect from 1 April 2013.

In year 1 we considered an initial DH proposal and an NHS Employers proposal received during consultation against a do-nothing option. The NHS Employers proposal was adopted as it was demonstrated to be more progressive. This was valued for equity reasons and to minimise the risk of affordability driven opt outs from the pension scheme.

This year's proposal reflects the same objectives around progressiveness and minimising opt-outs and has been developed in conjunction with the Technical Advisory Group. This Group considers in detail the technical aspects of how the scheme operates and the impact on members. During this process the presented option was adopted as the preferred option as it extends the option that was evaluated as preferred last year and has in retrospect been considered a success. It is considered appropriately regressive and has not created opt-out concerns (which have been monitoring using Electronic Staff Record and NHS BSA data). More details of the progressive impact of the proposal and the information considered by the Technical Advisory Group is considered below.

Note, there will be a further year of increases in 2014-15 - and this is subject to further discussions with NHS Employers and Trade Unions.

Rationale for intervention

Expenditure on public service pensions over the last decade has increased by a third to £32bn. The costs of pensions are increasing as people live 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. Pensions are therefore in payment for longer.

These additional costs have generally fallen to the taxpayer to underwrite. The view of the Government is that this is unfair and unaffordable. 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 NHS currently contributes 14% towards pensions, whilst employees contribute an average of 6.5%.

The Government therefore asked the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton to consider the case for delivering savings on public service pensions within the current spending review period. The Commission concluded in its Interim Report (7 October 2010) that it would be more effective to increase member contributions rather than alter the level and range of benefits provided by pension schemes.

The Government therefore announced in the 2010 Spending Review that public sector workers would be asked to contribute more for their pensions. The Spending Review set out plans for savings of £2.8

billion per year (including £1bn planned by the previous Government) to be realised by 2014-15. Each public service pension scheme is required to deliver savings equivalent to an average increase of 3.2 percentage points in employee contributions over the same period.

Within this context, the Department of Health and a representative from the Welsh Government have been discussing the approach to increasing the level of contributions made by members of the NHS Pension Scheme towards their pension in 2013-14.

Policy objective

The Chief Secretary to the Treasury issued a Written Ministerial Statement on 19 July 2011 that confirmed the Government's intention, further to the IPSPC conclusions, to propose and consult on scheme-specific approaches to raising the first year savings of £1.2 billion across all public service pension schemes through increasing employee contributions with effect from 1 April 2012.

This would be led by the respective Departments who have responsibility for individual pension schemes, such as the NHS Pension Scheme. Further increases in 2013-14 and 2014-15 necessary to deliver the remainder of the £2.8 billion savings would be subject to discussion with Trade Unions.

The Government set out a series of parameters for Departments to follow in developing their preferred approach to achieving the required savings by increasing contributions:

- no increases for the lowest paid;
- additional protection for those earning under £21k;
- restricting overall increases to a maximum of 1.5%, and a maximum increase of 6%.

The intention of this is to reduce the likelihood of staff opting out of the NHS Pension Scheme. Staff who opt out are predominantly lower paid. The progressive rate of contributions also reflects the fact that higher rate taxpayers get 40% tax relief on contributions not 20% and that Lord Hutton found that the highest earners in final salary schemes often get twice as much pension for every pound of contributions, than the lowest paid.

Within these parameters, the Department have flexibility to propose how the increases should be distributed across NHS Pension Scheme members relative to their income levels.

Main affected group

The group affected by this policy are members of the NHS Pension Scheme, earning more than £15,278 full-time equivalent per annum from 1 April 2013. The increases for 2013/14 range from nothing for those earning up to just over £15k, 0.3% for those earning under £26.5k, 1% for those up to £48k and the maximum of 2.4% for those earning over £48k. This will mean that gross contribution rates will range from 5% for the lowest paid, 9% for middle earners and 13.3% for the highest paid. However, after tax relief, net contribution rates range from 4% for the lowest paid, 7.5% for middle earners and 8% for the highest earners.

The NHS Pension Scheme is a statutory, occupational scheme; both members and their NHS employers are generally required to pay a contribution to cover the cost of paying benefits.

Membership of the Scheme is not compulsory. Persons who are eligible to join the scheme are:

- Staff directly employed by the NHS,
- Self employed General, Dental and Ophthalmic Practitioners,
- General Medical Practice Staff, and
- Staff of organisations that are granted access to the NHS Pension Scheme via a Direction by the Secretary of State, for example, staff working in hospices, social enterprises and other third sector organisations providing health care.

The Scheme currently has approximately 1.3 million active members who already pay a range of contributions to the pension scheme according to the level of their full-time equivalent pensionable pay.

Description of options considered

As part of Government spending plans (Spending Review 2010), HM Treasury announced the requirement to raise £2.8 billion (including £1bn planned by the previous Government) from increasing employee contributions across public service pension schemes by 2014-15. This means that the 'do nothing' option is unavailable.

The design parameters described in the policy objectives section above reflect the Government's commitment to protect the lower paid. This means that increases should be applied progressively, so that the higher paid contribute at a higher rate.

The Independent Public Service Pensions Commission concluded in its interim report (7 October 2010) that in final salary schemes, which still dominate the public service pension landscape, high flyers tend to do better from schemes:

"Final salary schemes are often criticised on the basis that high flyers (those people who receive late promotions or large increases in salaries) receive far higher effective pension benefits than those who have few or no salary increases. Final salary schemes can reinforce lifetime income inequality between members, since in addition to higher salaries during working life, they can receive a pension that is a higher proportion of pension contributions than low flyers. High flyers can receive almost twice as much in pension payments per pound of employee contribution than do low flyers. In addition, evidence on life expectancy suggests that high flyers can expect to live for longer and therefore receive pension payments over a longer period."

It is for this reason that the NHS Pension Scheme introduced tiered contributions from April 2008. This based contribution rates on the full-time equivalent (FTE) pensionable income of a member. When moving to the year one of increased employee pension contributions, the Department considered that increasing the number of tiers from four to seven allows for better mitigation of the effect of 'cliff edges' as members move between paybands as a result of pay progression. It also allows a starting band of 'up to £15,278 to be created in order to achieve the Government design parameter for protection of low paid staff.

As such, the process with the Technical Advisory Group adopted the presented option as the preferred option as it extends the option that was evaluated as preferred last year and has in retrospect been considered a success. It is considered appropriately regressive and has not created opt-out concerns.

Option 1

The following Table A presents estimates from the Government Actuary's Department as to the number of NHS Pension Scheme members in each of the contribution rate tiers. This is based on active membership data as at 31 March 2008.

Table A: Estimated number of scheme members in each pay band

Full Time Equivalent pensionable pay	Estimated number of scheme members by '000
Up to £15,278	110
£15,279 to £21,175	320
£21,176 to £26,557	200
£26,558 to £48,982	540
£48,983 to £69,931	55
£69,932 to £110,273	60
Over £110,273	35

The following Table B illustrates the effect of tax relief on the level of contributions individuals would actually pay based on the proposal.

Table B: Proposed increases in contribution rates (net of tax relief)

Full-time pay	2012/13 contribution net of tax relief	2013/14 contribution net of tax relief	Contribution increase (percentage points) net of tax relief
£15,000	4%	4%	0
£20,000	4%	4.24%	0.24%
£25,000	5.2%	5.44%	0.24%
£30,000	6.4%	7.20%	0.80%
£40,000	6.4%	7.20%	0.80%
£60,000	5.34%	6.78%	1.44%
£80,000	5.94%	7.38%	1.44%
£130,000	6.54%	7.98%	1.44%

The Table C below shows the impact of the year 2 increase in terms of the increased monthly cost to members based on their full-time salary.

Table C : Additional cost to members

Full-time pay	Additional cost (£ per month)
£15,000	0
£20,000	4
£25,000	5
£30,000	20
£40,000	27
£60,000	72
£80,000	96
£130,000	156

A detailed Equality Analysis has been prepared examining the impact of both these options (available via the Department's website – www.dh.gov.uk). That evidence is based on analysis of the active membership data provided for NHS Pension Scheme valuation as at 31 March 2008 which has been uprated in the same way as for valuation purposes to take account of incomplete data. In addition, the Technical Advisory Group including DH, TUs, NHS Employers and HMT have been reviewing the available opt-out data from ESR and BSA. A full copy of the opt-out reports for data up to October 2012, are attached at Annex A and B. The Governance Group and Technical Advisory Group will continue to monitor the opt-out data as it becomes available. The Equality monitoring covers gender, part-time/whole time, age, Race, Disability, Sexual Orientation, Religion or Belief, Gender reassignment (including transgender). The analysis concludes that the proposals to increase member contributions for year 2, do not give rise to equality issues.

WORKFORCE DATA ANALYSIS TEAM - NHS PENSION SCHEME OPT-OUT REPORT

OCTOBER 2012 (JULY DATA)

1. Introduction

This paper summarises the latest opt out information provided by the DH's Workforce Data Analysis Team (WDAT). The information is presented in the manner previously shared at TAG / Scheme Specific Discussion meetings and builds on the previous opt out data previously shared. It does so by providing the **July 2012 data** and comparing this data with both the June 2012 and the initial October 2011 results. The caveats previously detailed surrounding the accuracy of this information remain and its value appears to be in highlighting trends rather than providing accurate quantifications of scheme opt outs.

2. Findings from Updated Information

The tables that follow each of the Headcount and FTE analyses aim to illustrate the changes to potential scheme opt outs. There remains a potential reduction of 0.1% to scheme membership levels since the last (June data) report with an overall estimated reduction in scheme membership of around 0.3% across the whole workforce since the analysis commenced in October.

Estimated Percentage of Staff with Pension: FTEs by Staff Group and Agenda for Change Band

	Staff with pension FTEs by Agenda for Change Band (October 2011)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	93%	93%
Qualified nursing	-	-	-	-	85%	90%	94%	95%	96%	97%	-	-	55%	88%
Unqualified Nursing, HCA and Support	66%	77%	82%	86%	82%	-	-	-	-	-	-	-	59%	77%
ST&Ts	-	78%	81%	84%	87%	92%	94%	95%	97%	96%	97%	-	65%	89%
Admin & Clerical	56%	75%	80%	83%	84%	88%	90%	93%	95%	-	-	-	58%	81%
Maintenance & works	-	80%	89%	92%	93%	-	-	-	-	-	-	-	-	89%
Ambulance Staff	-	-	92%	95%	96%	98%	98%	-	-	-	-	-	-	95%
Managers	-	-	-	-	-	88%	91%	94%	96%	96%	98%	97%	90%	94%
All Non-Medical	65%	77%	81%	85%	86%	90%	93%	95%	96%	96%	97%	97%	67%	85%
All	65%	77%	81%	85%	86%	90%	93%	95%	96%	96%	97%	97%	89%	86%

October 2011		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	93%
85%	92%	55%
77%	86%	59%
84%	93%	65%
80%	89%	58%
89%	94%	-
95%	98%	-
86%	94%	90%
81%	92%	67%
81%	92%	89%

	Staff with pension FTEs by Agenda for Change Band (June 2012)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	92%	92%
Qualified nursing	-	-	-	-	85%	90%	94%	96%	97%	98%	-	-	61%	88%
Unqualified Nursing, HCA and Support	65%	77%	82%	86%	85%	-	-	-	-	-	-	-	61%	77%
ST&Ts	-	78%	81%	83%	87%	91%	94%	96%	97%	97%	98%	-	68%	89%
Admin & Clerical	54%	75%	79%	84%	84%	87%	90%	92%	95%	-	-	-	60%	81%
Maintenance & works	-	82%	89%	92%	90%	-	-	-	-	-	-	-	-	89%
Ambulance Staff	-	-	92%	95%	96%	99%	97%	-	-	-	-	-	-	95%
Managers	-	-	-	-	-	89%	91%	94%	95%	96%	97%	96%	90%	93%
All Non-Medical	65%	76%	81%	85%	85%	90%	93%	95%	96%	96%	97%	96%	68%	85%
All	65%	76%	81%	85%	85%	90%	93%	95%	96%	96%	97%	96%	89%	86%

June 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	92%
85%	92%	61%
77%	89%	61%
83%	93%	68%
80%	89%	60%
89%	94%	-
95%	98%	-
83%	94%	90%
81%	92%	68%
81%	92%	89%

	Staff with pension FTEs by Agenda for Change Band (July 2012)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	91%	91%
Qualified nursing	-	-	-	-	85%	90%	94%	95%	96%	98%	-	-	61%	88%
Unqualified Nursing, HCA and Support	65%	77%	82%	85%	86%	-	-	-	-	-	-	-	58%	77%
ST&Ts	-	77%	81%	83%	87%	91%	94%	96%	97%	97%	97%	-	66%	89%
Admin & Clerical	54%	75%	79%	84%	84%	88%	89%	92%	95%	-	-	-	59%	81%
Maintenance & works	-	79%	88%	91%	92%	-	-	-	-	-	-	-	-	89%
Ambulance Staff	-	-	92%	96%	96%	96%	98%	-	-	-	-	-	-	95%
Managers	-	-	-	-	-	88%	91%	94%	95%	97%	97%	95%	89%	93%
All Non-Medical	65%	76%	81%	85%	86%	90%	93%	95%	96%	97%	97%	95%	67%	85%
All	65%	76%	81%	85%	86%	90%	93%	95%	96%	97%	97%	95%	88%	86%

July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	91%
85%	92%	61%
77%	89%	58%
83%	93%	66%
80%	89%	59%
88%	93%	-
95%	97%	-
84%	94%	89%
81%	92%	67%
81%	92%	88%

Note: '-' indicates groups with fewer than 500 staff.

Note: numbers highlighted in grey background indicates groups with fewer than 5,000 staff.

	FTE points increase between June 2012 and July 2012													Non AfC	Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9			
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.6%	-0.6%
Qualified nursing	-	-	-	-	0.2%	-0.1%	-0.0%	-0.2%	-0.8%	-0.3%	-	-	-	0.2%	0.0%
Unqualified Nursing, HCA and Support	0.1%	0.1%	0.4%	-0.7%	0.5%	-	-	-	-	-	-	-	-	-2.6%	0.1%
ST&Ts	-	-0.4%	-0.1%	-0.2%	0.2%	0.0%	-0.2%	-0.2%	0.2%	0.6%	-0.8%	-	-	-2.0%	-0.1%
Admin & Clerical	-0.0%	-0.0%	0.1%	0.0%	-0.2%	0.1%	-0.6%	-0.6%	-0.0%	-	-	-	-	-1.1%	-0.1%
Maintenance & works	-	-2.8%	-0.4%	-0.9%	1.3%	-	-	-	-	-	-	-	-	-	-0.7%
Ambulance Staff	-	-	0.5%	1.3%	0.2%	-2.4%	0.4%	-	-	-	-	-	-	-	0.0%
Managers	-	-	-	-	-	-1.1%	0.0%	0.1%	-0.5%	0.9%	0.4%	-0.6%	-0.4%	0.0%	
All Non-Medical	0.1%	-0.0%	0.2%	-0.1%	0.2%	-0.1%	-0.1%	-0.2%	-0.3%	0.5%	-0.1%	-0.8%	-1.1%	-0.0%	
All	0.1%	-0.0%	0.2%	-0.1%	0.1%	-0.1%	-0.1%	-0.1%	-0.3%	0.5%	-0.0%	-0.8%	-0.7%	-0.1%	

June 2012 and July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	-0.6%
0.2%	-0.1%	0.2%
0.1%	0.2%	-2.6%
-0.0%	-0.1%	-2.0%
-0.0%	-0.2%	-1.1%
-0.7%	-0.9%	-
0.4%	-1.8%	-
1.1%	0.0%	-0.4%
0.1%	-0.1%	-1.1%
0.1%	-0.1%	-0.7%

	FTE points increase between October 2011 and July 2012													Non AfC	Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9			
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	-	-1.5%	-1.5%
Qualified nursing	-	-	-	-	0.2%	-0.3%	0.0%	0.1%	-0.4%	0.5%	-	-	-	5.8%	0.0%
Unqualified Nursing, HCA and Support	-0.3%	-0.3%	0.3%	-1.3%	3.2%	-	-	-	-	-	-	-	-	-1.0%	-0.2%
ST&Ts	-	-0.5%	-0.4%	-0.5%	-0.3%	-0.3%	-0.1%	0.0%	0.5%	1.0%	-0.3%	-	-	0.7%	-0.2%
Admin & Clerical	-1.4%	-0.3%	-0.3%	0.2%	-0.7%	-0.1%	-1.1%	-1.2%	0.6%	-	-	-	-	0.7%	-0.2%
Maintenance & works	-	-1.5%	-1.0%	-0.7%	-0.8%	-	-	-	-	-	-	-	-	-	-0.8%
Ambulance Staff	-	-	0.1%	1.7%	0.1%	-1.2%	-0.4%	-	-	-	-	-	-	-	0.0%
Managers	-	-	-	-	-	-0.6%	0.3%	-0.3%	-0.9%	0.2%	-0.4%	-2.3%	-1.3%	-0.4%	
All Non-Medical	-0.3%	-0.3%	-0.0%	-0.0%	0.0%	-0.3%	-0.1%	-0.2%	-0.3%	0.3%	-0.5%	-2.1%	0.6%	-0.1%	
All	-0.3%	-0.3%	-0.0%	-0.0%	0.0%	-0.3%	-0.1%	-0.1%	-0.3%	0.3%	-0.5%	-2.1%	-1.3%	-0.3%	

October 2011 and July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	-1.5%
0.2%	-0.2%	5.8%
-0.1%	3.0%	-1.0%
-0.4%	-0.1%	0.7%
-0.2%	-0.5%	0.7%
-0.9%	-0.5%	-
0.3%	-1.0%	-
-1.3%	-0.2%	-1.3%
-0.1%	-0.2%	0.6%
-0.1%	-0.2%	-1.3%

Estimated Percentage of Staff with Pension: Headcounts by Staff Group and Agenda for Change Band

	Staff with pension Headcounts by Agenda for Change Band (October 2011)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	91%	91%
Qualified nursing	-	-	-	-	84%	89%	93%	94%	96%	97%	-	-	57%	87%
Unqualified Nursing, HCA and Support	63%	76%	81%	86%	82%	83%	-	-	-	-	-	-	58%	75%
ST&Ts	-	77%	81%	83%	87%	91%	93%	95%	96%	94%	95%	-	66%	88%
Admin & Clerical	56%	74%	79%	83%	84%	87%	90%	93%	94%	-	-	-	58%	80%
Maintenance & works	-	78%	89%	91%	92%	-	-	-	-	-	-	-	-	88%
Ambulance Staff	-	-	91%	94%	95%	97%	97%	-	-	-	-	-	-	94%
Managers	-	-	-	-	-	88%	90%	93%	95%	96%	97%	97%	89%	93%
All Non-Medical	63%	75%	80%	84%	85%	89%	93%	94%	95%	95%	97%	96%	66%	84%
All	63%	75%	80%	84%	85%	89%	93%	94%	95%	95%	97%	96%	88%	85%

October 2011		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	91%
84%	91%	57%
75%	85%	58%
83%	93%	66%
79%	89%	58%
87%	93%	-
94%	97%	-
85%	94%	89%
80%	91%	66%
80%	91%	88%

	Staff with pension Headcounts by Agenda for Change Band (June 2012)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	91%	91%
Qualified nursing	-	-	-	-	84%	89%	93%	94%	95%	96%	-	-	63%	87%
Unqualified Nursing, HCA and Support	62%	75%	80%	85%	83%	83%	-	-	-	-	-	-	60%	75%
ST&Ts	-	77%	80%	83%	86%	91%	93%	95%	95%	95%	95%	-	68%	88%
Admin & Clerical	55%	74%	79%	83%	83%	87%	90%	92%	95%	-	-	-	60%	80%
Maintenance & works	-	79%	88%	90%	92%	-	-	-	-	-	-	-	-	87%
Ambulance Staff	-	80%	90%	94%	95%	97%	97%	-	-	-	-	-	-	94%
Managers	-	-	-	-	84%	87%	90%	93%	94%	96%	97%	96%	88%	93%
All Non-Medical	62%	75%	80%	84%	85%	89%	93%	94%	95%	95%	96%	95%	68%	84%
All	62%	75%	80%	84%	85%	89%	93%	94%	95%	95%	96%	95%	88%	84%

June 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	91%
84%	90%	63%
75%	85%	60%
82%	93%	68%
79%	89%	60%
87%	92%	-
93%	97%	-
83%	93%	88%
80%	91%	68%
80%	91%	88%

	Staff with pension Headcounts by Agenda for Change Band (July 2012)													Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9	Non AfC	
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	91%	91%
Qualified nursing	-	-	-	-	84%	89%	93%	94%	95%	96%	-	-	63%	87%
Unqualified Nursing, HCA and Support	62%	75%	80%	85%	84%	84%	-	-	-	-	-	-	59%	75%
ST&Ts	-	76%	80%	83%	86%	91%	93%	95%	96%	95%	95%	-	68%	88%
Admin & Clerical	55%	74%	79%	83%	83%	87%	89%	92%	95%	-	-	-	59%	80%
Maintenance & works	-	79%	88%	90%	92%	-	-	-	-	-	-	-	-	87%
Ambulance Staff	-	80%	90%	94%	95%	97%	97%	-	-	-	-	-	-	94%
Managers	-	-	-	-	84%	87%	90%	93%	94%	96%	97%	96%	87%	92%
All Non-Medical	62%	75%	80%	84%	85%	89%	92%	94%	95%	95%	96%	95%	67%	84%
All	62%	75%	80%	84%	85%	89%	92%	94%	95%	95%	96%	95%	87%	84%

July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	91%
84%	90%	63%
75%	86%	59%
82%	92%	68%
79%	89%	59%
87%	92%	-
93%	97%	-
83%	93%	87%
80%	91%	67%
80%	91%	87%

Note: '-' indicates groups with fewer than 500 staff.

Note: numbers highlighted in grey background indicates groups with fewer than 5,000 staff.

	Headcount points increase between June 2012 and July 2012													Non AfC	Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9			
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1%	-0.1%
Qualified nursing	-	-	-	-	-0.1%	-0.1%	-0.0%	-0.1%	0.0%	-0.4%	-	-	-	-0.2%	-0.1%
Unqualified Nursing, HCA and Support	-0.1%	0.0%	-0.0%	-0.1%	0.3%	1.1%	-	-	-	-	-	-	-	-0.4%	-0.0%
ST&Ts	-	-0.1%	0.0%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	0.1%	-0.0%	-0.1%	-	-	-0.1%	-0.1%
Admin & Clerical	0.0%	-0.0%	0.1%	-0.0%	-0.0%	-0.0%	-0.1%	-0.2%	0.1%	-	-	-	-	-0.3%	-0.0%
Maintenance & works	-	-0.2%	-0.6%	-0.2%	-0.2%	-	-	-	-	-	-	-	-	-	-0.1%
Ambulance Staff	-	-0.5%	-0.2%	-0.1%	0.0%	-0.1%	-0.1%	-	-	-	-	-	-	-	-0.1%
Managers	-	-	-	-	0.2%	-0.3%	-0.0%	0.0%	-0.2%	0.0%	-0.1%	-0.2%	-0.2%	-0.2%	-0.1%
All Non-Medical	-0.1%	-0.0%	0.0%	-0.0%	-0.1%	-0.1%	-0.0%	-0.1%	-0.0%	-0.0%	-0.0%	-0.2%	-0.2%	-0.2%	-0.0%
All	-0.1%	-0.0%	0.0%	-0.0%	-0.1%	-0.1%	-0.0%	-0.1%	-0.0%	-0.0%	0.0%	-0.2%	-0.1%	-0.1%	

June 2012 and July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	-0.1%
-0.1%	-0.1%	-0.2%
-0.0%	0.6%	-0.4%
-0.1%	-0.1%	-0.1%
-0.0%	-0.1%	-0.3%
-0.3%	0.1%	-
-0.1%	-0.1%	-
-0.1%	-0.0%	-0.2%
-0.0%	-0.1%	-0.2%
-0.0%	-0.1%	-0.1%

	Headcount points increase between October 2011 and July 2012													Non AfC	Total
	1	2	3	4	5	6	7	8a	8b	8c	8d	9			
Doctors	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.6%	-0.6%
Qualified nursing	-	-	-	-	-0.2%	-0.3%	-0.3%	-0.3%	-0.1%	-0.7%	-	-	-	5.5%	-0.3%
Unqualified Nursing, HCA and Support	-0.4%	-0.3%	-0.2%	-0.6%	1.1%	1.7%	-	-	-	-	-	-	-	1.3%	-0.3%
ST&Ts	-	-0.3%	-0.2%	-0.5%	-1.0%	-0.4%	-0.1%	-0.3%	-0.1%	0.6%	-0.6%	-	-	1.8%	-0.4%
Admin & Clerical	-1.4%	-0.2%	-0.1%	-0.1%	-0.6%	-0.4%	-0.6%	-0.6%	0.7%	-	-	-	-	1.1%	-0.2%
Maintenance & works	-	0.3%	-1.0%	-1.2%	-0.1%	-	-	-	-	-	-	-	-	-	-0.7%
Ambulance Staff	-	-	-0.5%	-0.4%	-0.2%	-0.2%	-0.5%	-	-	-	-	-	-	-	-0.3%
Managers	-	-	-	-	-	-0.9%	0.0%	-0.4%	-0.9%	-0.2%	-0.4%	-0.9%	-1.2%	-0.5%	
All Non-Medical	-0.5%	-0.3%	-0.2%	-0.3%	-0.4%	-0.3%	-0.2%	-0.3%	-0.4%	-0.1%	-0.5%	-1.3%	1.5%	-0.3%	
All	-0.5%	-0.3%	-0.2%	-0.3%	-0.4%	-0.3%	-0.2%	-0.3%	-0.4%	-0.1%	-0.5%	-1.3%	-0.4%	-0.3%	

October 2011 and July 2012		
AfC 1 - 5	AfC 6 - 9	Non AfC
-	-	-0.6%
-0.3%	-0.3%	5.5%
-0.3%	0.6%	1.3%
-0.6%	-0.3%	1.8%
-0.2%	-0.4%	1.1%
-0.7%	-0.5%	-
-0.4%	-0.2%	-
-1.7%	-0.4%	-1.2%
-0.3%	-0.3%	1.5%
-0.3%	-0.3%	-0.4%

Increased Employee Contributions Opt-out Management Information

16 Oct 2012

Contents

1.	Purpose	17
2.	Background and scope	17
3.	Context	17
4.	Timeliness of reports.....	18
5.	Opt-out Forms Received	19
6.	Opt-out Analysis	20
6.1.	Opt-out and joiners by month.....	20
6.2.	Opt-out by age	21
6.3.	Opt-out by gender.....	9
6.4.	Opt-out by scheme section	24
6.5.	Opt-out by disability, ethnicity	26
	Opt-out by sexual orientation Employer group Whole time / Part Time.....	26
6.6.	Scheme active membership.....	26

1. Purpose

The purpose of this document is to demonstrate management information available about those members who opt-out of the NHS Pension Scheme.

2. Background and scope

Every employee who is eligible to join the NHS Pension Scheme is automatically enrolled and becomes a member unless they opt-out. A member may opt-out of the NHS Pension Scheme at any time.

NHSBSA Pensions is currently able to produce very little management information about those employees who opt-out of the NHS Pension Scheme within the first pay period of employment and therefore never become members. This is largely due to the fact that the form to opt-out (SD502) only records the decision to opt-out and this is the only information received by NHSBSA Pensions for employees who opt-out on commencement of employment. The information concerning this group is therefore currently restricted to the volume of opt-out forms received.

NHSBSA Pensions does not collect or hold any information concerning a member's reason for opting-out.

Where an employee opts-out of the NHS Pension Scheme after the first pay period they become a member of the NHS Pension Scheme. NHSBSA Pensions therefore holds much more reportable information about this group. The management information in this sample paper concerns members who opted-out of the NHS Pension Scheme during the reporting period 1st April 2011 to 30th April 2012. The management information in this paper reflects the state of NHS Pension Scheme data on 10th May 2012.

3. Context

In order to put the opt-out management information into context, some management information about the scheme membership is included. Whilst the management information about opt-out is useful in its own right it is important to view it in the context of the scheme to aid correct interpretation of the data. For example the opt-out information shows the majority of members who opt-out fall into two job types and therefore one may conclude that the high incidence of opt-out may be due to job type. However, when viewed in context of the scheme it can be seen that the opt-outs correlate to the scheme job type profile and a higher number of opt-outs would be expected in the job types with the higher population of members.

4. Timeliness of reports

The information in 5 Opt out Forms Received is generally available within one week of the end of the previous month. No further analysis is carried out on these forms and it is most important to note that the figures show only the numbers of forms received by the NHSBSA in each month. Many of those forms will have been signed in earlier months; the NHSBSA has no control over when employers submit these. Nevertheless, the report is an indicator of the level of opt-out activity. (Note that historical information is held for several years. This will be provided as soon as it has been extracted.)

Every person who opts out of the NHS pension scheme *must* complete one of these forms, so these figures are a true record of the total number of opt-outs, including those in the first pay period. This is particularly significant because those who opt out in the first pay period, in other words before receiving their first pay, do not appear on the NHSBSA database as a scheme member. Therefore these people do not appear in any of the other analyses.

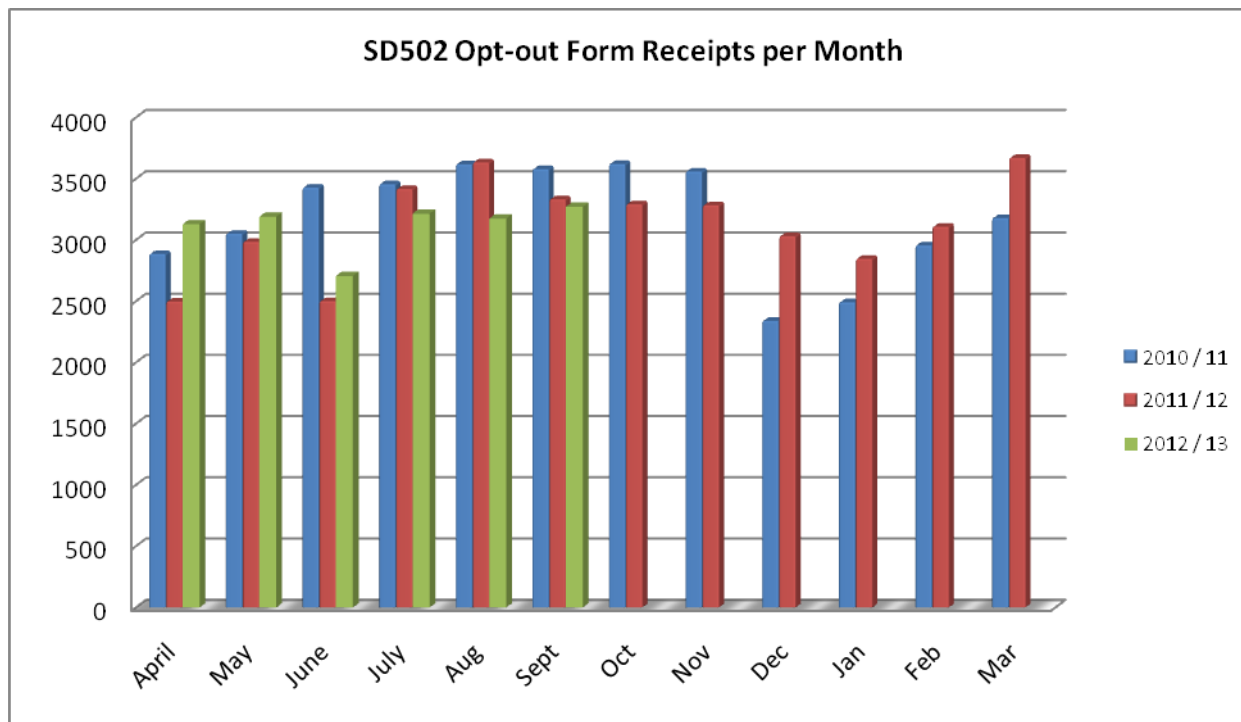
The analyses in 6 Opt out Analysis show only scheme members who have opted out and exclude new employees who opted out in their first pay period. The information is submitted by employers through ESR or Pensions Online and the time lag for receipt is up to six weeks. This is outside NHSBSA control. Additionally, many opt-outs are processed retrospectively by employers, meaning that the true number for a given month will only be known some time later.

For example, people opting out of the scheme in April 2012 might have their paperwork processed by their employers in April, May or June. The opt-out paperwork, ESR or Pensions Online notification could arrive at the NHSBSA in April, May, June or July. Assuming that reports are generated every month, the numbers of opt-outs shown for April will increase each time. The picture will become progressively more complete, but we would not expect to see a fuller picture for April until July or even August.

5. Opt-Out Forms Received

SD 502 Throughput of receipts per month into Comms Centre

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total for year	Mean
2010 / 11	2886	3051	3428	3455	3617	3578	3620	3559	2339	2491	2955	3179	38158	3180
2011 / 12	2497	2985	2501	3416	3633	3332	3291	3283	3031	2846	3108	3670	37593	3133
2012 / 13	3129	3190	2707	3215	3175	3271							18687	3115



The SD502 is the form which everyone who wishes to opt out of the NHS pension scheme must sign. The employer subsequently submits it to the NHSBSA. No analysis is carried out other than a count of the number of forms received each month. The forms are filed in case there is a subsequent enquiry or disagreement over the member's status. The figures for any given month are available within the first week of the following month. For example, April 2012 figures will be available by about 7 May 2012. This report will give the earliest possible indication of a change in the pattern of opt-out activity. Figures are available going back several years.

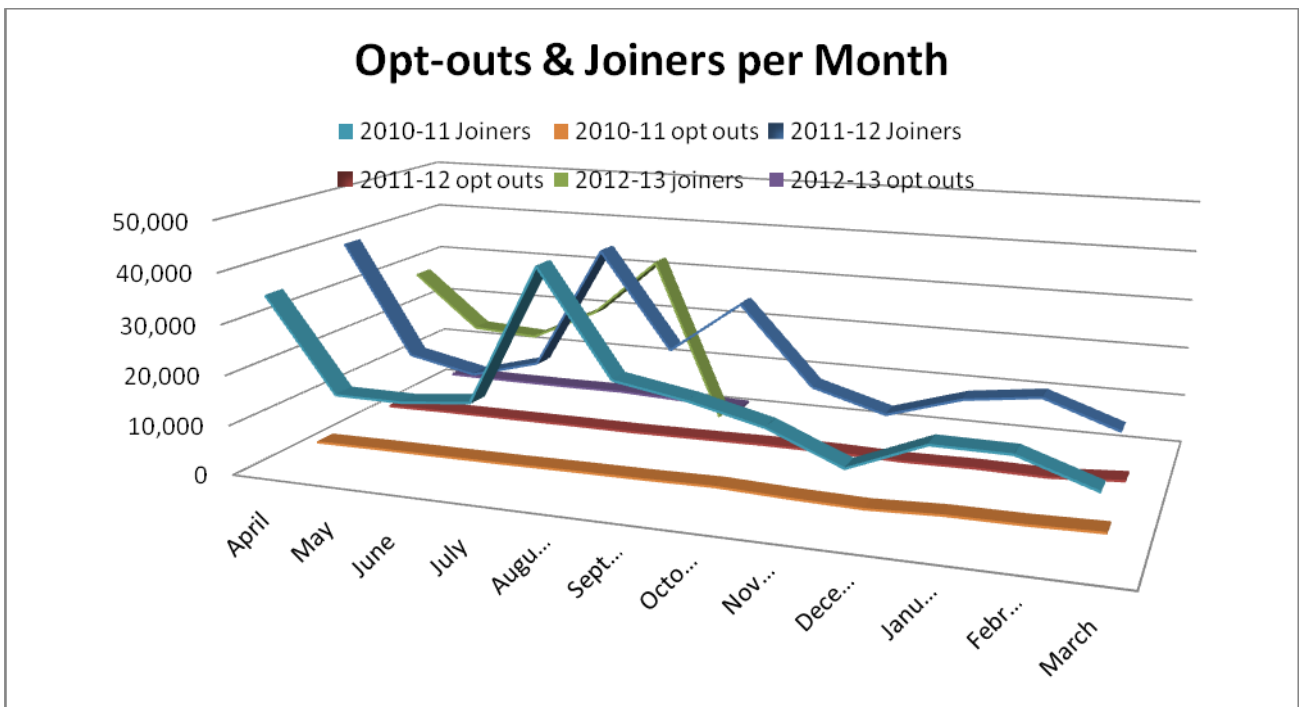
Business Services Authority

6. Opt-out Analysis

6.1. Opt-out and joiners by month

It is possible to break down the number of members who opt-out by month. The number of joiners reflects the number of joiner events and it should be noted that one member may have more than one joiner event in the reporting period.

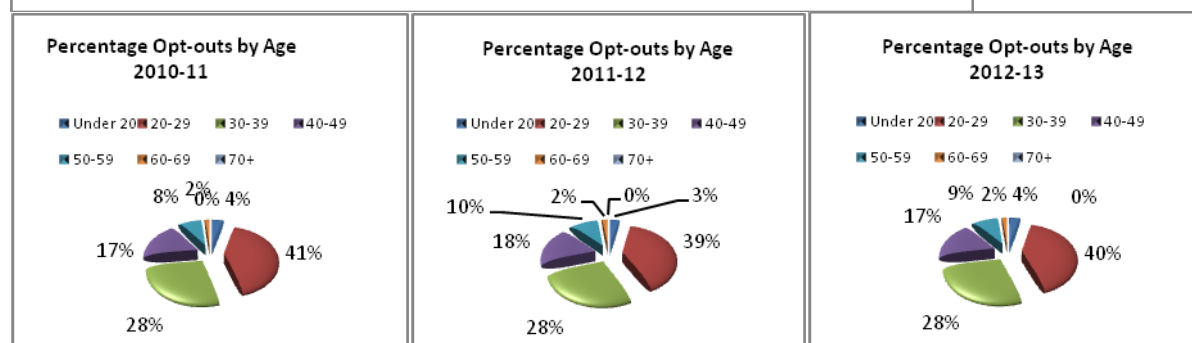
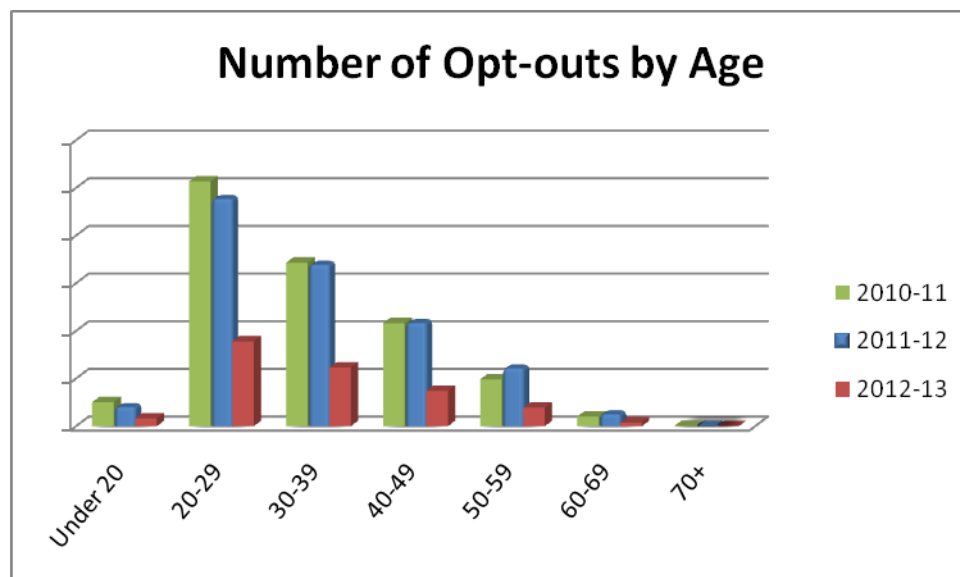
Month	2010-11		2011-12		2012-13	
	Number of members opting out	Number of joiners	Number of members opting out	Number of joiners	Number of members opting out	Number of joiners
April	1,953	35,332	1,824	40,204	1,885	28,394
May	2,042	17,017	1,965	18,044	1,719	17,403
June	2,047	16,908	1,953	15,215	1,668	16,583
July	2,073	18,248	1,961	18,798	1,721	23,025
August	2,187	44,751	1,897	42,385	1,134	34,848
September	2,227	25,162	2,036	23,978	640	2,619
October	2,404	22,772	2,187	34,079		
November	1,854	19,392	2,148	19,266		
December	1,513	13,608	1,829	15,283		
January	2,083	19,368	2,031	19,594		
February	2,085	19,228	1,781	21,339		
March	2,388	14,428	2,725	16,443		
Total	24,856	266,214	24,337	284,628	8,767	122,872
Mean	2,071	22,185	2,028	23,719		



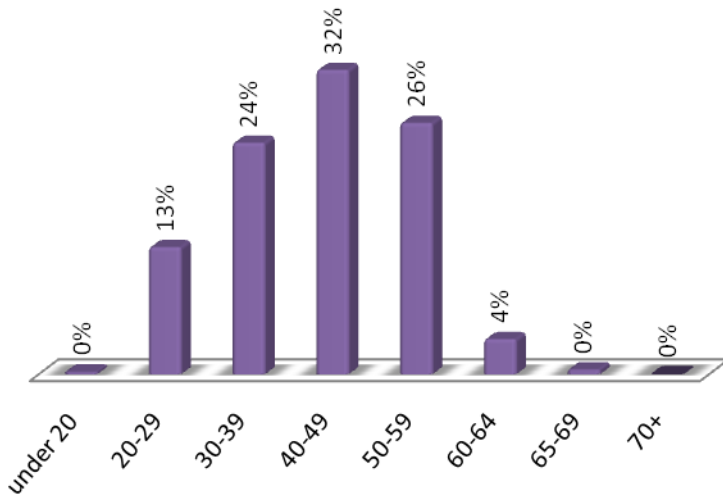
6.2. Opt-out by age

It is possible to break down the number of members who opt-out by age. In this example the members who opted-out have been broken down into eight age ranges. Statistical averages are also provided.

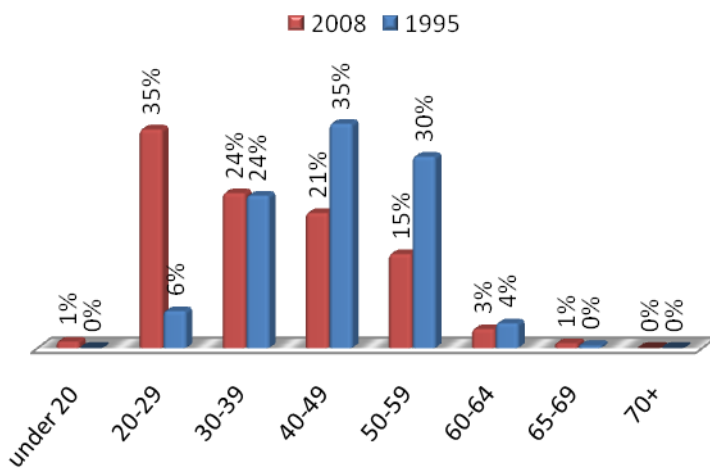
	2010-11	2011-12	2012-13
Age	Number of members	Number of members	Number of members
Under 20	1,010	798	328
20-29	10,273	9,528	3,559
30-39	6,867	6,769	2,461
40-49	4,324	4,321	1,481
50-59	1,968	2,417	781
60-64	406	495	156
70+	8	9	1
Total	24,856	24,337	8,767
Mean Age	33	34	34
Mode Age	23	23	24



Scheme Age Profile - 2010 Valuation Data



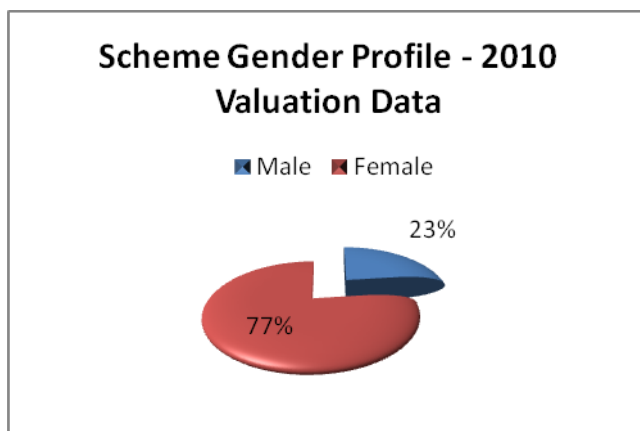
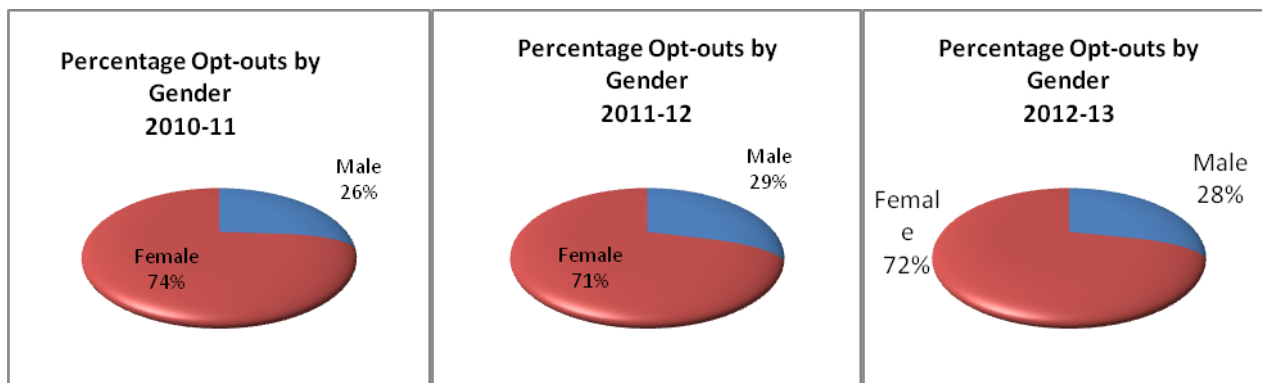
Section Age Profile - 2010 Valuation Data



6.3. Opt-out by gender

It is possible to break down the number of members who opt-out by gender.

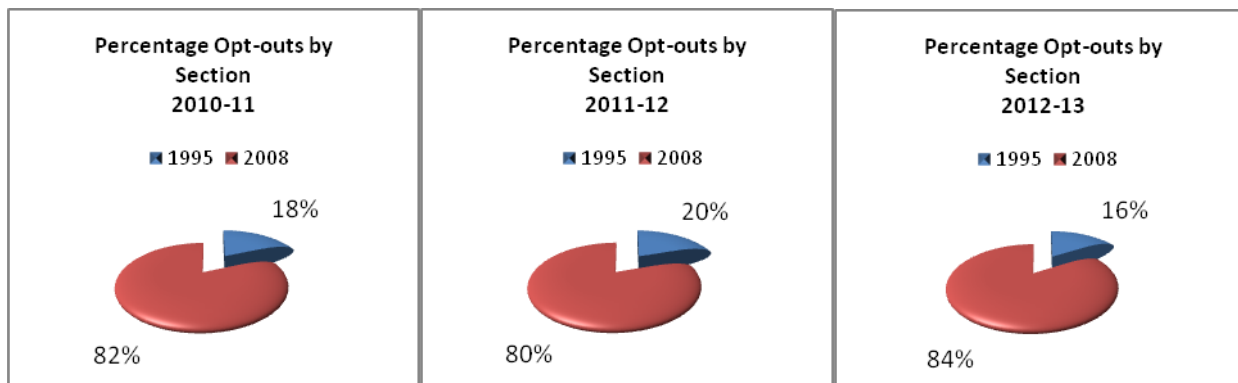
	2010-11	2011-12	2012-13
Gender	Number of members	Number of members	Number of members
Male	6,493	7,075	2,487
Female	18,363	17,262	6,280
Total	24,856	24,337	8,767



6.4. Opt-out by scheme section

It is possible to break down the number of members who opt-out by scheme section.

	2010-11	2011-12	2012-13
Section	Number of members	Number of members	Number of members
1995	4,593	4,845	1,364
2008	20,263	19,492	7,403
Total	24,856	24,337	8,767



Relating the members who opt-out to the active membership (see 6.5) it is possible to estimate the percentage of active members who opt-out.

	% of active members who opt-out
1995	0.50
Section	
2008	5.74
Section	
Scheme	1.85

6.5 Opt out by disability, ethnicity, sexual orientation, employer type and Whole Time / Part time status.

Opt out by Disability			
	Number of members		
Section	2010-11	2011-12	2012-13
ESR Response - see DISABILITY	0	1	0
Learning Disability / Difficulty	16	13	5
Long-Standing Illness	15	16	7
Mental Health condition	8	9	7
No	5,079	4,797	1,817
Not Declared	1,289	1,286	391
Other	14	10	3
Physical Impairment	6	5	3
Sensory Impairment	5	4	3
Unknown	18,287	18,070	6,484
Yes - unspecified	137	126	47
	24,856	24,337	8,767

Opt out by Ethnicity			
	Number of members		
Section	2010-11	2011-12	2012-13
Any other	107	128	42
Asian	1,203	1,250	402
Black	882	829	307
Chinese	55	70	23
Filipino	92	71	20
Japanese	3	1	0
Malaysian	8	8	2
Mixed	190	187	81
Not specified	2,522	2,401	844
Other	19	20	8
Unknown	11,730	11,532	4,352
White	8,043	7,838	2,686
	24,856	24,337	8,767

Opt out by Sexual Orientation

Section	Number of members		
	2010-11	2011-12	2012-13
Bisexual	41	35	12
Gay	68	56	17
Heterosexual	5,297	5,145	1,876
Lesbian	30	33	14
Not Disclosed	1,157	1,207	329
Unknown	18,263	17,861	6,519
	24,856	24,337	8,767

Opt out by Employer Type

	Number of members		
	2010-11	2011-12	2012-13
PCT-LHB	4,597	2,862	654
Trust	8,547	8,406	3,247
Foundation Trust	9,919	10,990	4,140
Directions	322	120	19
SHA & Arms Length	607	609	167
Section 22 of the Health & Social	1	4	0
Section 31 of The Health Act 1999	4	4	0
CIC	11	73	21
Community Health	66	386	211
GP Practice's	569	542	222
Unknown	213	341	86
	24,856	24,337	8,767

Opt out by Whole Time / Part time status

	Number of members		
	2010-11	2011-12	2012-13
Part Time	10,961	10,203	3,895
Whole time	13,723	13,593	4,787
Unknown	172	541	85
	24,856	24,337	8,767

6.6 Scheme active membership – 2010 Valuation Data

Members are defined as active if they are engaged in NHS employment and paying contributions to the scheme. The scheme active membership represents the total members who could potentially opt-out.

	Number of active members
1995 Section	966,777
2008 Section	338,435
Scheme	1,305,212

