

sppa

SCOTTISH PUBLIC PENSIONS AGENCY



Your NHS Pension Scheme is Changing

Employees are asked to read the contents of this booklet which informs of important changes to the NHS Pension Scheme which will come into effect from 1 April 2008

What are the changes and when will they happen?

Scottish Ministers recently announced the final agreement on a series of important changes to the NHS Pension Scheme, agreed following extensive consultation. This agreement ensures that NHSScotland retains a high quality pension scheme that continues to provide an attractive benefit for all staff and ensures long-term sustainability. The changes do not come into effect until 1 April 2008, but we are publishing this information now so that you can see how you are going to be affected. Even if you are not currently a member of the Pension Scheme there are some new options you might like to consider. Basic information on key changes appears in this leaflet, and there is more on the SPPA website at www.sppa.gov.uk

Changes from 1 April 2008

The new arrangements for NHS pensions mean that from 1 April 2008 there will be two schemes:

- The current NHS Pension Scheme updated. This will continue to be a 1/80th final salary scheme with a normal pension age of 60 (55 for special classes) and it will have some new benefits. The scheme will continue to be called the **NHS Pension Scheme** and its updated rules and benefits will apply to anyone who is already a member or who joins before 1 April 2008.
- There will be a new final salary scheme for anyone who joins on or after 1 April 2008 for the first time. Pension will be based on a 1/60th accrual rate and there will be no fixed lump sum. This will be called the **New NHS Pension Scheme**. It will have a normal pension age of 65 and a different set of rules and benefits.

Staff already drawing their NHS pension at 31 March 2008, and those who leave the NHS on or before 31 March 2008 and defer their pension benefits¹, will remain subject to current NHS Pension Scheme rules and benefits.

¹ Exceptions apply for qualifying pensioners and deferred members who rejoin the NHS – separate information is available on this

Full details of these rules and benefits, and those that will apply to the two schemes in operation from April 2008, can be downloaded from the SPPA website at www.sppa.gov.uk

If you are a member of the NHS Pension Scheme on and before 1 April 2008

From this date, there will be some changes in the rules and benefits of your Scheme. However, the key features of the Scheme will remain, for example:

- It will continue to be a 'final salary' scheme – your pension will still be calculated on your highest pensionable pay in the last three years of paying into the Pension Scheme.
- The normal retirement age stays at 60 – you will still be able to claim your full pension at 60 (or 55 if you have special class status). Most members can still opt to retire at 50 on a reduced pension.

Some new benefits, not currently available, are being introduced, for example:

- Survivor pensions, which already include legal spouses and registered civil partnerships, will be extended to include nominated qualifying partners. In future (for new pensions payable from 1 April 2008), all these survivors will keep these pensions for life even if they re-marry, enter a new civil partnership or co-habit. These changes only apply where the pensions scheme member was making contributions to the NHS Pension Scheme on or after 1 April 2008.
- You will be able to increase the size of your tax-free lump sum – up to 25% of the value of your total pension entitlement in return for a smaller pension. This provides greater flexibility and choice around your financial planning for retirement.

There is more information on changes in the factsheet "NHS pension scheme changes: rules and benefits comparison" available on the SPPA website at www.sppa.gov.uk

Changes for GPs and dentists

From 1 April 2008 the same changes will be made to the rules and benefits for GPs and dentists who are members of the Pension Scheme. Your pension fund will continue to be determined under the current Career Average Revalued Earnings (CARE) pension arrangements, with an accrual rate of 1.4% and a lump sum of three times your pension. From 1 April 2008, the amount of pension you have built up each year before retirement will be increased in value (dynamised) annually by the retail price index (RPI) plus 1.5%.

Your option to move to the New NHS Pension Scheme

As part of the changes, a new pension scheme has been developed for people joining the NHS from 1 April 2008. The New NHS Pension Scheme has a normal pension age of 65, and will be a final salary pension (CARE for practitioners) that will build up at a faster rate than the current NHS Pension Scheme. The New NHS Pension Scheme has greater flexibility in how and when members take their pensions – something that may better suit some people's retirement plans. For example, members will be able to retire from 55, taking a lower pension, or taking part of their pension while continuing to work and building up more pension. Members still working in the NHS will be able to remain a member of the Scheme and carry on building up their pension until the age of 75. Their final pension will be based on the average of the best three consecutive years' pay in the last 10 years of working (with the current scheme it's the highest in the last 3 years). Under this arrangement members will be able, if they want to, to wind down their commitment and earnings in their last years in employment without reducing their final pension.

As an existing member of the NHS Pension Scheme, you will have the option to move to the New NHS Pension Scheme, if you think it will suit you better. This option will be available for a limited period in early 2009. An information pack, which will include a benefit statement and all

information required in order to enable a member to make an informed choice, will be sent to individual members at this time. The pack will also include a choice form.

What do I need to think about now?

People who might need to think carefully about their options right now are those planning to retire soon, deferred members, and anyone considering buying additional years. For those planning to retire soon, choices about your date of retirement will affect the rules and benefits that apply to you as an NHS pensioner. Further information about the issues are included in our factsheet called "*Retiring Soon*" and can be downloaded from our website at www.sppa.gov.uk

If you are thinking of leaving the NHS and deferring your pension, you are advised to read our factsheet "*NHS pension scheme changes: information for deferred members*" as well as the factsheet "*NHS pension scheme changes: rules and benefits comparison*". These items are also available on the website.

All members should take note that the current facility to buy additional years membership is being replaced by a pension purchase arrangement. This means members will be able to buy extra amounts of pension instead of additional years of membership. More information can be found in *NHS pension scheme changes: rules and benefits comparison* under "Opportunities to save for an increased pension". Members who currently have an added years contract should note that this will be honoured and they do not need to take any action. However, those members who were intending to take out a contract by their next birthday **will need to notify SPPA of their intention to do so by 31 March 2008.**

If you are not currently a member of the NHS Pension Scheme

If you are thinking about joining the NHS Pension Scheme, you need to be aware that, because the Scheme is changing, the date when you join will affect the rules and benefits that will be applied to your pension. If you join the NHS Pension Scheme before 1 April 2008, and remain in the Scheme until after that date, the rules and benefits that apply will be those of the updated NHS Pension Scheme. Like other members of the updated Scheme, you will have the option of moving your pension into the New NHS Pension Scheme that has been developed primarily for people joining from 1 April 2008. Information on this new scheme is set out in this leaflet, in the section called "*Your option to move to the New NHS Pension Scheme*" on page 4.

Information about the current NHS Pension Scheme is set out in this leaflet, in the section "*If you are a member of the NHS Pension Scheme ...*" on page 3. Further information about the current NHS Pension Scheme changes and their implications is available in factsheets downloadable from the SPPA website at www.sspa.gov.uk. If you join the Pension Scheme on or after 1 April 2008, you will **only** be able to join the New NHS Pension Scheme.

Contributions payable by members of the NHS Pension Scheme and the New NHS Pension Scheme

In order to help pay for the improved benefits and future scheme costs associated with the updated NHS Pension Scheme and the New NHS Pension Scheme, pension contributions will increase for members of both schemes (although some lower paid members will pay less than they currently pay). Contributions will be based on your total pensionable pay, with the higher paid paying a higher proportion of their earnings.

Annual Pensionable pay² (Full-time equivalent)	Current Contribution	New Contribution
Up to £19,682	5% (manuals) or 6%	5%
£19,683 - £65,002 (Linked to AfC pay point 17)	5% (manuals) or 6%	6.5%
£65,003 - £102,499 (Linked to AfC pay point 49)	6%	7.5%
£102,500 plus	6%	8.5%

Contribution rates, which are set out in the table above will depend on pensionable pay, or the whole time equivalent amount for part-timers. This is a change from the current arrangement where manual staff currently pay 5% and all other staff pay 6%. Employers will continue to contribute around 14% – about two-thirds of the cost of an individual’s pension.

² In 2008/09 your contribution rate will be based on pensionable pay in 2007/08. N.B. The rates which will be used for practitioners from 1 April 2008 will be based on the latest available data. From April 2009, your rate will be calculated on your actual pensionable pay every month (every year for GPs and dental practitioners). Pay thresholds (eg £19,683) will be adjusted in line with Agenda for Change pay awards.

The following documents can be downloaded from the SPPA website at www.sppa.gov.uk

- NHS Pension Scheme changes “rules and benefits comparison”
- NHS Pension Scheme changes “deferred members”
- NHS Pension Scheme changes “members retiring soon”

If you have any further enquiries about these changes please either e-mail nhspensionsreform@scotland.gsi.gov.uk or contact your pension administrator at:

Scottish Public Pensions Agency

7 Tweedside Park

Tweedbank

Galashiels

TD1 3TE

01896 893100