

## Q&A for Existing Members of the NHS Scheme

### **Changes from 01/04/2008**

#### **Background**

The new arrangements for NHS pensions means that from 1<sup>st</sup> April 2008 there will be two schemes:

- The amended regulations for existing members with active service on or after 1 April 2008 will continue to be a final salary scheme with a normal pension age 60 (55 for special classes / MHO) and it will have some new benefits.
- The new arrangements for anyone who joins for the first time on or after 1<sup>st</sup> April 2008, will have a normal pension age of 65 and a different set of rules and benefits.

#### **Deferred Members**

Employees 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 benefits will remain subject to current NHS Pension Scheme rules and benefits

#### **General**

**a. If a member retires on or before 31 March 2008 will the changes affect them?**

No, the member will be subject to the existing National Health Service Superannuation Scheme (Scotland) 1995 Regulations

**b. If a member retires post 01/04/2008 and was an existing member of the scheme on and before the 31/03/2008 will the new arrangements affect them?**

Yes, the member will be subject to the updated rules and benefits of the existing scheme, known as, National Health Service Superannuation Scheme (Scotland) (Amendment) (No.2) Regulations 2008

**c. How do the scheme rules and benefits differ for members who are in the scheme on and before 31<sup>st</sup> March 2008 and remain in the scheme after 1<sup>st</sup> April 2008**

The amended NHS Pension Scheme will retain the key benefits of the current NHS Pension Scheme (based on the 1995 Regulations), such as:-

- Pension based on final salary (1/80<sup>th</sup> pension and automatic lump sum)
- Normal Retirement Age 60 and a retained NPA 55 Special Classes / MHO Status

The amended NHS Pension Scheme also provides new benefits, such as:-

- Commutation - the ability to commute pension to additional lump sum
- Additional Pension - replaces Added Years

- Nominate Non Legal Partners
- Multiple Death in Service Nominations
- Survivors Benefits will be payable for life.
- Children's Benefits will be paid until age 23

### **Deferred Members**

**a. If a member has a Deferred Pension in the scheme how will the changes affect them?**

Deferred members with service in the current scheme, who return on or before 30<sup>th</sup> September 2008 or on or after 1<sup>st</sup> October 2008 after a break of less than 5 years will be able to chose to remain in the current amended arrangements.

Deferred members with service in the current scheme, who return after 1 October 2008 after a break of more than five years, will join the new arrangements for future service

This will be calculated allowing for expected future earnings linkage in that scheme and will be broadly equal to that of the preserved current scheme benefits being transferred; similar to a cash equivalent calculation.

If the member chooses to keep deferred service in the current scheme arrangements, then it will be paid in full at 60, but there will not be an option to recalculate their deferred pension by linking it to their final salary when they take that pension.

Deferred members who do not return to the scheme will have their benefits calculated under the current NHS 1995 Regulation (not amended)

### **Changes for GPs and Dentists**

**a. Are there any changes for GPs and Dentists who were in the scheme post 01/04/2008 and was an existing member of the scheme on and before the 31/03/2008**

From 1<sup>st</sup> April 2008 the same changes will be made to the rules and benefits for GPs and Dentists who are members of the Pension Scheme.

The member's pension fund will continue to be determined under the current Career Average Re-valued Earnings (CARE) pension arrangements, with a accrual rate of 1.4% and a lump sum of three times the members pension. From 1 April 2008, the amount of pension the member has built up each year before their retirement will be increased in value (dynamised) annually by the retail price index (RPI) plus 1.5%.

## Commutation

### **a. What's options does the member have at retirement regarding their Lump Sum?**

From 1 April 2008 members of the NHS Pension Scheme will be able to give up part of their pension for an increased Tax-Free Lump Sum, up to 25% of the capital value of the member's pension.

Giving up part of the member's pension for lump sum is described as 'commutation'.

For every £1 of pension given up the member will receive an extra £12 of lump sum.

### **b. If the member takes a commuted lump sum will this reduce any future potential Dependants Pension?**

There should be no difference as any dependant benefits are based on the member's pension before any commutation has taken place.

However, there could be a possible problem if the member dies over aged 75 and they have 2 or more children under age 23.

### **c. How do you calculate a Commuted Lump Sum amount?**

If the member was a member of the scheme on or before 31 March 2008 and they were in pensionable employment on or after 1 April 2008 then they can convert (commute) part of their pension to receive an additional lump sum up to 25% of their fund value.

The formula for calculating the **maximum** amount of lump sum that can be paid is as follows:

$$\frac{(\text{Pension} \times 20) + (\text{Lump Sum} \times 20/12)}{4.6667}$$

Existing member on 1/80th accrual rate will be able to commute up to an additional **19.64%** of pension, but they do not have to commute the maximum amount, they have the option to specify an amount they wish to be commuted (i.e. £1500.00)

**Example 1 – Commute Maximum Amount (25%)**

Mr Bloggs has a Pension of £8,000 and a Lump Sum of £24,000

He wants to commute the maximum amount allowed:-

Step 1	$\frac{£8,000 \times 20 + (24,000 \times 20/12)}{4.6667}$	
Step 2	$\frac{£200,000}{4.6667}$	
Step 3	<b><u>£42,856.84</u></b>	(Max Commuted Lump Sum)

**To calculate how much Pension is left:-**

Take the Maximum Commuted Lump Sum Amount	£42,856.84
Deduct the Original Lump Sum Amount	<u>(£24,000.00)</u>
	£18,856.84
<b><i>Maximum Amount Member can Commute</i></b>	
Divide by 12 to convert back to Pension (£18,856.84 / 12)	£1571.40
Deduct amount from Original Pension (£8,000 - £1571.40)	<b><u>£6,428.60</u></b> (Revised Pension)

If the member states that they wish to commute a specific amount as a Percentage, then you first have to calculate the maximum amount of pension that the member can commute (25% of the fund value) and then you will be able to calculate the specific amount

**Example 2 – Commute Specified Amount (20% of Maximum Amount Allowed)**

Mrs Smith has a Pension of £8,838 and a Lump Sum of £26,514

She wants to commute 20% of the maximum amount allowed:-

*(Calculate the maximum amount as previous example)*

Step 1	$\frac{£8,838 \times 20 + (26,514 \times 20/12)}{4.6667}$	
Step 2	$\frac{£220,950}{4.6667}$	
Step 3	<b><u>£47,346.09</u></b>	(Max Commuted Lump Sum)

**To calculate how much Pension is left:-**

Take the Specified Commuted Lump Sum Amount	£47,346.09
Deduct the Original Lump Sum Amount	<u>(£26,514.00)</u>
	£20,832.09
<b><i>Maximum Amount Member can Commute</i></b>	
Divide by 12 to convert back to Pension (£20,832.09 / 12)	£1,736.01
Deduct amount from Original Pension (£8,838 - £1,736.01)	<b><u>£7,101.99</u></b> (Revised Pension)

If the member only wished to **commute 20%** of the Maximum Amount allowed:-

Step 1 – Take the Max Amount allowed	£1,736.01
Step 2 - (£1,736.01 / 100) x 20	£347.20
<b>Step 3 – Revised Pension</b>	
Original Pension less Commuted Amount (£8,838 – £347.20)	<b><u>£8490.80</u></b>
<b>Step 3 - Revised Commuted Lump Sum</b>	<b><u>£30,680.40</u></b>
Original L/S + (Commuted Amount x 12) (£26,514.00 + (£347.20 x 12))	

## **Retirement Benefits**

### **a. Can a member still retire at age 50**

Yes. Active members of the current scheme at 5<sup>th</sup> April 2006 and deferred members at 5<sup>th</sup> April 2006 with active service after 30<sup>th</sup> March 2000 will retain a minimum pension age (MPA) of 50.

Other members of the current scheme will move to an MPA of 55 from 6<sup>th</sup> April 2010.

### **b. If the member is already a in receipt of a pension can they rejoin the pension scheme under the new rules.**

No. If pension was pre 1<sup>st</sup> April 2008, they cannot rejoin the NHS Pension Scheme.

If pension was post was 1<sup>st</sup> April 2008, but before the choice exercise and then the member returns to the NHS they can re-join the 2008 scheme but only after 2 years have elapsed after taking their pension.

### **c. If the member retires post 1<sup>st</sup> April 2008 before the choice exercise has been undertaken, will they be able to return to NHS employment.**

- The member cannot rejoin the NHS pensions scheme unless they have a break of 2 years
- If they retire after being given the choice then their position is determined by which arrangements of the scheme they retired from.
- If the member retires having taken the option to remain in the current amended scheme then their future employment will not be pensionable. If they have opted to go into the new arrangements then their future employment will be pensionable.

## **Survivor Benefits**

### **a. What are Partner Benefits and are they affected by the amendments to the existing scheme regulations?**

Partner Benefits are also known as Survivor Benefits. Currently SPPA pays survivor pensions to legal spouses (widows/widowers) and registered civil partners.

From 1 April 2008 survivor pensions will be extended to include nominated qualifying partners of members of the NHS Pension Scheme who pay contributions on or after 1 April 2008 (also known as Non-Legal Partners).

### **b. What is the criteria for the nomination of a Non-Legal Partner**

A nominated qualifying partner will be validated at the date a nomination is made and at the date the survivor pension is claimed.

The survivor must demonstrate that they have had an exclusive and long-term committed relationship of at least two years, are co-habiting, and, are financially

dependant or inter dependant and that they were free to enter into a marriage or civil partnership during this period.

**c. What happens to a Survivor's Benefits if they remarry or cohabit after 1<sup>st</sup> April 2008**

If a person currently in receipt of a survivor pension (pre 1 April 2008) remarries or cohabits the pension is stopped.

Under the scheme changes, where payment of a survivor pension occurs in respect of a member who has contributions to either NHS Pension Scheme on or after 1<sup>st</sup> April 2008 this survivor pension will not stop if the survivor remarries or cohabits.

**Purchase of Pre 88 cover**

**a. What is the purchase of pre 88 cover?**

A member who is in pensionable employment may elect to buy additional surviving partner cover for all or part of their service in the scheme before 6 April 1988. This option is available for 15 months starting on 1<sup>st</sup> April 2008 and ending on 30 June 2009.

**b. Who can the member purchase pre 88 cover for?**

Cover can be purchased for –  
a surviving widower  
a surviving civil partner  
a surviving nominated partner  
and will apply to any such surviving partner pension payable on the member's death.

A member can purchase cover for all of their service before 6 April 1988 or any number of complete years of service before that date. An election must be made in writing and may only be made by a member who is in sound health for their age. Once an election is made it cannot be cancelled.

**Death in Service Nominations (Multiple)**

**a. Can a member still nominate a person for their Death in Service Lump Sum?**

Currently a member can nominate (name) one person including a child, or one organisation to receive the death benefit lump sum. The lump sum is then paid automatically to the nominee in the event of the member's death.

From 1<sup>st</sup> April 2008 contributing members can elect to have their death benefit distributed in one of the following ways:-

- Equally to one or more individual persons
- Unequally to one or more individual persons, in non-monetary portions (percentages)
- To a single incorporated body

- To the member's estate

If it is not possible to pay one or more of the nominees, or no election was made, the relevant percentage of the lump sum will be paid to the member's personal representative

### **Nomination of Non-Legal Partner**

**a. If a member is living with a partner, how do they nominate them for a pension?**

At this stage all the member has to do is complete an application form and the information will be stored until the death of the member, as long as they meet the following conditions.

- The partner has to be financially interdependent on the member
- They have been in a cohabiting relationship for at least 2 years
- They must have been free to enter into a marriage or civil partnership during this period

Validity will not apply until after death when circumstances will need to be confirmed again.

### **Added Years Contracts**

**a. The member has an existing Added Years contract will this be affected with the changes?**

No, existing Added Year's contracts taken out before the facility is removed will be honoured to buy service in accordance with the current terms.

**b. Can a member still buy Added Year's after 1 April 2008?**

The current facility to buy 'Added Years' as a way of increasing a members pension is being replaced, but existing scheme members have the opportunity to buy Added Years by the current method for a limited period

Added Years contracts are set up to start from the member's next birthday. Existing scheme members can purchase Added Years by the current method if they start the contract (on their birth date) on or before 31<sup>st</sup> March 2009.

However there is one important rule. To start a contract on a birth date after **31<sup>st</sup> March 2008**, the member must have at least made an expression of interest by that date.

An expression can be:-

- A quote/comparison request about Added Years
- A telephone, written or email enquiry about taking out an Added Years contract

## **Additional Pension Facility**

### **a. Are there other ways to increase a member's pension?**

From 1 April 2008 an Additional Pension facility will be available as means of increasing the member's pension, effectively replacing 'Added Years'. Scheme members (or employers on their behalf) will be able to buy additional annual pension that will provide a maximum of £5000 (2008/09 amount) extra pension a year when they are retired.

Members may buy in instalments or by a lump sum. Where they buy in instalments they will be required to pay a fixed amount each month and commit to the purchase over whole years, up to a maximum of 20 years, or to the member's normal pension age if earlier. The instalments can be purchased by increments of £250.00 only.

Employers buying on a member's behalf can only do so by lump sum payment.

The cost of the facility will depend on how much additional pension the member wants to achieve, and the length of time over which they are prepared to make the contributions.

The member also has the option to over the Additional Pension for dependant benefits at an additional cost.

The minimum commitment will be for extra contributions that will provide additional pension of £250.00 a year on retirement.

### **b. If the member has an existing Added Years contract can they also purchase more service under the new regulations?**

Yes, buy taking out an Additional Pension election

### **c. With the new Additional Pension facility will there be Tax Relief on contributions?**

Yes, Providing the member's contribution does not exceed the limits set by HMRC.

In general a member can get Tax Relief on pension contributions or up to 100% of the member's taxable earnings or £3,600.00 if the member earns less than that amount

Payment by this method will only get tax relief in the financial year, which the payment is made.

## Special Classes

### **a. What are ‘Special Classes’?**

Certain groups of employees that were members of the scheme before 1<sup>st</sup> April 1995 are known as the special classes. They are:

Nurses, Physiotherapists, Midwives, Occupational Health Nurses and Health Visitors

- **Female** – Members of the special classes are entitled to retire with benefits from age 55, provided that their last 5 years membership is in one of the above posts
- **Males** - In any of these jobs can retire from age 55 provided that their last 5 years membership is in one of the above posts, but their benefits will only be based on their membership from 17<sup>th</sup> May 1990. Benefits for membership before that date will not be paid until age 60, unless they choose to retire early.

### **Mental Health Officers (MHOs)**

Mental Health Officer means a person, male or female, who is working in an approved place used for the treatment of patients suffering from mental illness and is employed for the whole or almost the whole of their time in direct treatment or care of those patients. A MHO with at least 20 years MHO membership may retire with benefits from age 55. Each year as a MHO over 20 years counts as 2 years for benefit purposes.

These special rights only apply to scheme members who were in any of the above posts before 1<sup>st</sup> April 1995, and who have not had a break of 5 or more years in any pensionable NHS employment and satisfy the special class or MHO conditions. Special class status does not apply to anyone who started working in one of these posts for the first time on or after 1<sup>st</sup> April 1995.

### **b. Will Special Class status be retained in the existing amended arrangement after 1<sup>st</sup> April 2008?**

Special class status will be retained for members who are in the scheme on and after 31 March 2008 and meet the above conditions.

## Pensionable Salary Cap

### **a. As a high earner will a member’s pensionable salary still be capped after 1 April 2008?**

Some high earning members (e.g. earning well over £100,000+) currently have their pensionable salary capped. From the 1 April 2008, ‘salary capping’ will be removed.

However, when a ‘capped’ member retires their pension will be calculated as though capping were still in place for pensionable service to 31<sup>st</sup> March 2008 - increased inline with RPI (but not for pensionable service from 1 April 2008).

Added Years subject to an earnings cap will remain subject to the capped amount.

General Dental Practitioners are also subject to a separate dental cap, (MAR), this cap will also be removed for future service from 1 April 2008

### **Stepping Down**

**a. How can a member elect to preserve their pension whilst reducing their working hour's pre retirement?**

A member of the schemes with at least 2 years qualifying service who suffers a reduction in earnings now has the option of a Stepping Down Pension (RPI linked voluntary pay protection arrangement), as long as they meet the following conditions:-

Reduction in earnings is due to the following circumstances:-

- The member being transferred to other employment with an employing authority
- The member taking up other employment with an employing authority, in circumstances approved by the Scottish Ministers
- A change in the member's duties while continuing in the same employment, otherwise than at the member's request or as a result of something done by the member

Before the member can undertake an election, they must meet the following conditions:-

- The member has attained normal minimum pension age or, where relevant, protected pension age
- The Scottish Ministers have not previously accepted an election

The member's employer has to certify the following:-

- The member's pensionable pay is reduced by at least 10% for a period of at least one year beginning with the first day on which the reduced pensionable pay was paid
- For a period of at least 12 months ending immediately before the reduction referred to above, the member's pensionable pay had not been subject to any other reduction
- The reduction to the member's pensionable pay is the result of a change to the member's duties so that his new, or remaining duties are less demanding and carry less responsibility than his previous duties

The election must be made in writing within 15 months of the member's pay being reduced.

## Contribution Rates from 1<sup>st</sup> April 2008

### a. I have heard that my contributions are going up by how much and when

Member contributions from 1 April 2008 will be based on a tiered rate depending on the level of pensionable pay.

There is one exception members who are currently paying 5% of pensionable pay will continue to do so until 1<sup>st</sup> April 2009.

The arrangements cover the scheme year 1 April 2008 to 31 March 2009. For this year the pay thresholds and contribution rates are:

<b>Annual Pensionable Pay (Full Time Equivalent)</b>	<b>Current Contributions</b>	<b>New Contributions</b>
Up to £19,644	5% manuals or 6%	5%
£19,645 to £65,001	5% manuals or 6%	6.5%
£65,002 to £102,499	6%	7.5%
£102,500 to any higher amount	6%	8.5%

There is no change to the employer rate 14%

## Abatement

### a. If a member returns to NHS employment after they retire post 1<sup>st</sup> April 2008 does this affect their pension in payment?

- If the member retires after age 60 then there will be no abatement of pension
- If the member retires pre age 60 then abatement will still apply if they retired on Ill Health (old style redundancy Transitional (E3) EPOP (L1) E3A with employers consent then abatement will still apply.
- If the member retires under age 60 on VERA no abatement will apply as at present
- Abatement will take place only on the **unearned portion of the pension**: that paid for by the employer or the scheme on top of normal benefits. (This is the difference between the pension they would have received had they taken VER and what they actually received.

This will apply to redundancies before 1<sup>st</sup> December 2006, (in the interest of service) employer agreed VER and post 1<sup>st</sup> December 2006 new style interests of the service retirements.

- Ill-Health Retirement arrangements are part of the Ill-Health Review but will be consistent with regards abatement.

## **General Enquiries**

**a. How does a member increase their qualifying service from 40 years to 45 years?**

From 1<sup>st</sup> April 2008 any member regardless of age can attain 45 years service, however this increase in service only applies to service post 1<sup>st</sup> April 2008 (Special class and MHO limits will still apply)

**b. Can a member still buy pre 1972 service?**

Yes. As per current scheme rules

**c. Can a member still buy previously refunded service at half cost?**

Yes. As per current scheme rules

**d. If a member has AVCs will these be affected by the changes?**

No. Providing the member is within the HMRC limits

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### **Where can members find out more information regarding the changes**

From SPPA web site

<http://www.sppa.gov.uk>