What are the changes and when will they happen?

On 21 September 2007, NHS Employers and the NHS trade unions announced the final agreement on a series of important changes to the NHS Pension Scheme, following extensive consultation.

Throughout the process, the NHS Unions and NHS Employers aimed to maintain a high quality pension scheme that continues to provide an attractive benefit for all staff.

NHS Employers also wanted to contain costs, to help ensure 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.

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 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.

- A new final salary scheme for anyone who joins for the first time on or after 1 April 2008. 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.

What other information is available?

Basic information on key changes to the NHS Pension Scheme appears in this factsheet, and these other factsheets are also available:

- NHS pension scheme changes: rules and benefits comparison
- NHS pension scheme changes: members retiring soon
- NHS pension scheme changes: deferred members

You can read these or download them from the NHS Pensions website www.pensions.nhsbsa.nhs.uk

A contributions and lump sum reckoner is also available from a link on the website.

A printed leaflet containing the same information that is in this factsheet will be provided to your employer to circulate with November’s pay advice. If you need to know more, email your query to us at pensionchanges@nhspa.gov.uk

¹ exceptions apply for qualifying pensioners and deferred members who rejoin the NHS – separate information is available on this
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 from 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 or co-habit. These changes only apply where the pension scheme member was making contributions to the NHS 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.

Full details of these rules and benefits, and those that will apply to the two schemes in operation from 1 April 2008, are set out in the factsheet NHS pension scheme changes: rules and benefits comparison that can be downloaded from the Pensions Division website at www.pensions.nhsbsa.nhs.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 a 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 after 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 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 in a less demanding job 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' pensionable pay in the last ten years of working (with the current scheme it's the highest in the last three 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 the pension they have already built up.

2 someone you have nominated as your partner on the basis that you have an exclusive and long-term committed relationship of at least 2 years, and are financially dependent or inter-dependent.

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members factsheet
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 planned to run between 1 July 2009 and 30 June 2010. We will be providing more information about how you can take up this option, together with information to support your choice. You will be given plenty of notice about what is going to happen, so there is no need to worry that you will not hear about it. If you do nothing, your existing arrangements will simply continue.

**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 is set out in our factsheet *NHS Pension Scheme changes: members retiring soon*. This is available on the NHS Pensions website [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk).

If you are thinking of leaving the NHS and ‘deferring’ your pension, you are advised to read our factsheet *NHS Pension scheme changes: deferred members*. This item is also available on the website.

All members should take note that the current facility to buy added years 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 the factsheet *NHS Pension Scheme changes: rules and benefits comparison* in the section ‘Opportunities to save for increased pensions’. The cut-off date for sending in an application to buy added years will be 31 March 2008. Ask your pensions officer for an application form.

**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).

New contributions are based on how much you earn, with the higher paid paying a higher proportion of their earnings. Contribution rates, which are set out in the table below will depend on pensionable pay for GPs and whole timers, 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.
Contributions Table

<table>
<thead>
<tr>
<th>Annual pensionable pay (full time equivalent)</th>
<th>Current Contribution</th>
<th>Contribution rate from 1 April 08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £19,165</td>
<td>5% (manuals) or 6%</td>
<td>5%</td>
</tr>
<tr>
<td>£19,166 - £63,416</td>
<td>5% (manuals) or 6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>£63,417 - £99,999</td>
<td>6%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Above £100,000</td>
<td>6%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

3 In 2008/09 your contribution rate will be based on pensionable pay in 2007/08. 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 £19,166) will be adjusted in line with Agenda for Change pay awards. The thresholds in this table are based on 2006/07 pay rates. Interim arrangements will maintain 5% for manuals for one year only (2008/09).

Need to know more?

See other factsheets available at [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk)

If you still have a query you can email us at [pensionchanges@nhspa.gov.uk](mailto:pensionchanges@nhspa.gov.uk)

PLEASE NOTE:

• Pensions Division cannot, by law, advise you on your options. For advice, you are recommended to contact an independent financial adviser.

• Changes described in this document are subject to Parliamentary approval.