

The new NHS Pension Schemes in England and Wales

A brief guide for
UNISON branches and members

Updated November 2008



Introduction

The NHS Pension Scheme Regulations 2008 were laid on 11 March 2008 and came into force on the 1 April 2008.

As a result of these Regulations, a new scheme has been introduced for new joiners with effect from the 1 April 2008 whilst existing members as at 31 March 2008 remain in an updated version of their current scheme. Practitioners have a completely different scheme altogether.

The key characteristics of the new NHS Pension Schemes are outlined below:

The key characteristics of the new schemes

	The Updated Scheme	The New Scheme
Eligibility	All members in service prior to April 2008 between the ages of 16 and 75	New joiners from 1 April 2008, certain re-joiners and any member who elects to transfer into between the ages of 16 and 75
Scheme Type	Final Salary	Final Salary
Normal Pension Age	60	65
Accrual Rate	1/80th	1/60 th
Service Limit	45 years	45 years
Minimum Pension Age	50 although will be 55 from 2010	55
Pensionable Earnings	Normal Pay and certain regular allowances	Normal Pay and certain regular allowances
Final Pensionable Earnings	Best of last 3 years pensionable pay	Annual average of best 3 consecutive years pensionable pay in last 10 years with all years before last year re-valued by RPI
Member Contributions	5% to 8.5% depending on level of full-time equivalent pensionable pay including pensionable allowances	5% to 8.5% depending on level of full-time equivalent pensionable pay including pensionable allowances
Contracted-out Status	Contracted-out	Contracted-out
Tax-free cash	Automatic entitlement to 3 times the pension value. Can claim additional tax-free cash up to 25% of value of pension benefits by exchanging pension at a commutation rate of 12:1	No automatic entitlement to a tax-free cash sum but members can elect to claim up to 25% of pension value as a tax-free cash sum at an annual loss of £1 of pension for each £12 of tax-free cash claimed

Death in Service Lump Sum	2 * pensionable salary	2 * pensionable salary
Survivor's Pensions	<p>6 month short-term survivors pension payable equivalent to pay at date of member's death</p> <p>If member has 2 years service, on short-term pension ceasing a survivors pension is payable for life at a rate of 50% of the Tier 2 ill-health pension that the member would have received on death</p> <p>Unmarried partners qualify for survivors pensions based on all service including any service transferred in from another scheme</p>	<p>6 month short-term survivors pension payable equivalent to pay at date of member's death</p> <p>If member has 2 years service, on short-term pension ceasing a survivors pension is payable for life at a rate of 37.5% of the Tier 2 ill-health pension that the member would have received on death</p> <p>Unmarried partners qualify for survivors pensions based on all service including any service transferred in from another scheme</p>
Children's Pensions	<p>Children's pensions payable until 23 for all</p> <p>The Allowance is calculated on the pension the member on death would have got as a Tier 2 ill-health pension</p> <p>If a survivors pension is payable then 1 child gets $\frac{1}{4}$ of the allowance up to a maximum of $\frac{1}{2}$ for 2 or more children</p> <p>If no survivors pension then 1 child gets a $\frac{1}{3}$ of the Allowance up to a maximum of $\frac{2}{3}$ for 2 or more children</p>	<p>Children's pensions payable until 23 for all</p> <p>The pension for distribution as Child Allowance is equal to 75% of the pension before commutation that the member would have been entitled to if awarded a Tier 2 ill-health pension at date of death</p> <p>If a survivors pension is payable then 1 child gets $\frac{1}{4}$ of the allowance up to a maximum of $\frac{1}{2}$ for 2 or more children</p> <p>If no survivors pension then 1 child gets a $\frac{1}{3}$ of the Allowance up to a maximum of $\frac{2}{3}$ for 2 or more children</p>

<p>Ill-health Pension</p>	<p>2 Tier ill-health provision as follows:</p> <p>Tier 1 – Members under the age of 60 with at least 2 years service whom are deemed to be permanently incapable of undertaking the duties of their employment will get immediate access to a non-reduced and non-reviewable pension</p> <p>Tier 2 – Members under the age of 60 with at least 2 years service whom are deemed to be permanently incapable of both doing their job and regular employment of like duration and skill sets will get immediate access to a non-reduced pension enhanced by 2/3rds of potential service to age 60. A Tier 2 pension is reviewable</p>	<p>2 Tier ill-health provision as follows:</p> <p>Tier 1 – Members under the age of 65 with at least 2 years service whom are deemed to be permanently incapable of undertaking the duties of their employment will get immediate access to a non-reduced and non-reviewable pension</p> <p>Tier 2 – Members under the age of 65 with at least 2 years service whom are deemed to be permanently incapable of both doing their job and regular employment of like duration and skill sets will get immediate access to a non-reduced pension enhanced by 2/3rds of potential service to age 65. A Tier 2 pension is reviewable</p>
<p>Redundancy</p>	<p>If made redundant with at least 2 years service, then assuming that aged 50 or over (55 from April 2010), non-reduced pension benefits can be paid as an alternative to a severance payment</p> <p>If made redundant between 1 July 2007 and 30 September 2011 it is possible for benefits to be enhanced</p>	<p>If made redundant with at least 2 years service, then assuming that aged 55 or over, non-reduced pension benefits can be paid as an alternative to a severance payment</p>
<p>Leaving rights</p>	<p>Preserved pension if a minimum of 2 years service which increases in line with increases in the Retail Price Index. Alternatively can elect to transfer benefits if at least 3 months service</p>	<p>Preserved pension if a minimum of 2 years service which increases in line with increases in the Retail Price Index. Alternatively can elect to transfer benefits if at least 3 months service</p>

Flexible Retirement	Step down – If a member reduces hours then they can choose to “freeze” pension on salary at time of “stepping down” and can then accrue further benefits based on reduced salary	Partial retirement – Members of at least 55 years of age can reduce hours and draw a reduced pension if agreed by employer
Additional Pension options	Members can purchase up to £5000 per annum extra pension in multiples of £250. Can also or alternatively make contributions to one of two AVC schemes	Members can purchase up to £5000 per annum extra pension in multiples of £250. Can also or alternatively make contributions to one of two AVC schemes

The key differences between the schemes

The schemes are essentially similar in nature with the most fundamental differences being as follows:

- The Updated Scheme has a better Normal Pension Age (i.e. 60 against 65)
- The New Scheme has a better accrual rate (i.e. 1/60th against 1/80th)
- The Updated Scheme has a better final salary definition (i.e. best of last 3 years salary as opposed to best 3 year average within last 10)
- The Updated Scheme provides an automatic tax-free cash sum in addition to pension whereas the New scheme does not
- The Updated Scheme provides more generous survivors pensions

What scheme should you be in?

New joiners with effect from the 1 April 2008 if they wish to join the NHS Pension Scheme will have to join the New Scheme. This is also the case for returning members with an absence of at least 5 years who return after 1 October 2008. Previous members who return to NHS employment and whom wish to re-join the scheme again can choose which scheme to join if their period of absence is less than 5 years or they join before 1 October.

Under a “Choice” programme all existing members of the Updated Scheme will be given a one off choice to switch to the New Scheme should they wish to and also, to transfer their existing pensions across. This window of opportunity will take place between 1 July 2009 and 30 June 2010. The exact terms of this programme are still being discussed but it is clear that many members will require advice on their best course of action.

Such a decision may well require obtaining independent financial advice but the Pensions Unit hopes to play a proactive role in giving generic advice in this area once the exact terms of the Choice exercise have been established.

Further information

NHS Pensions have a very good website which you should first look at if you require any further information on the rules applicable to the NHS Pension Scheme; the web address being http://www.nhspa.gov.uk/nhspa_site/index.htm.

Anyone requiring clarification of their entitlement should contact NHS Pensions; their contact details being:

NHS Pensions
200 – 220 Broadway
Fleetwood
Lancashire
FY7 8LG
Tel: 01253 774774

Failing both of the above UNISON's Pensions Unit are happy to provide generic information where required or provide assistance in any potential pension dispute.

Alan Fox
Pensions Officer
UNISON
1 Mabledon Place
WC1H 9AJ
020 7551 1514

Glyn Jenkins
Head of Pensions
UNISON
1 Mabledon Place
WC1H 9AJ
020 7551 1519