

3. Proposed Scheme Changes

Q. What is changing in the NHS Pension Scheme?

A. We are proposing a revised scheme for existing staff and a new scheme for new entrants. Members of the current Pension Scheme will have a choice of moving to the new entrants Scheme. The main difference with the new scheme is that it will be based on a normal pension age of 65 and have a higher accrual rate of 1/60th of your final salary for every year of service. The current scheme is based on 1/80th of your final salary for every year of service. Other main changes are tiered contribution rates and flexible retirement.

Q. Is there a summary of all the changes available?

We have prepared an "At-a-glance" document which sets out the current scheme benefits and contributions, along side the proposed changes to the current scheme and proposals for the new scheme. This document can be downloaded from the SPPA website

Q. Who has developed the proposals?

A. The proposals have been developed in partnership with NHS employers and the NHS trade unions.

Q. Why are you proposing a different final salary scheme for new entrants?

A. We are expecting people to work differently in the run up to retirement when the NPA (normal retirement age) for new entrants is 65. In the new scheme, final salary will be based on the best three consecutive years in the last 10 years of working, to give people more flexibility on how and when they retire, for example step down to a less demanding role before retirement.

Q. Why is the contribution rate changing for some staff?

A. The new schemes will give a number of new benefits as well as keeping those such as final salary pensions, that were important to staff. We are directly linking contribution rates to earnings which we believe is the fairest way to fund the new benefits and future costs.

Q. When will the changes come into effect?

A. We are aiming to announce any changes early next year which for existing staff, are likely to come into effect no later than April 2008 and for new entrants by the end of 2007.

Q. How much is the scheme likely to cost employers?

A. Employers' contribution will be around 14% and from 2016, employers' contribution will be capped at this rate, unless there are specifically higher costs in Scotland.

Q. Will existing members be able to switch to the new scheme for new entrants?

A. Yes. We will be giving existing members the chance to transfer their existing pension fund to the new scheme.

Q. When will existing members be offered the chance to switch to the new scheme for new entrants?

A. We are still in discussion about the timings but it will follow the implementation of the scheme for new entrants. We will advise staff as soon as a date has been confirmed.

Q. If I am in the existing scheme why would I want to change to the new scheme ?

A. Many people in the NHS already work past the current retirement age and if it is your intention to work to 65 you will accrue pension quicker in the new scheme. As the definition in the new scheme of final salary will be the average of the best three consecutive years in the last ten working years it will also offer more flexibility around retirement allowing you to draw your pension and to continue working or to take a lower paid, less responsible job without it affecting your pension.

Q. How will the flexible option to take part of pension whilst still working operate in practice.

A. The detail is still to be worked out but you could say take all or part of your pension at age 60 (this would be actuarially reduced to take account of the fact that it is paid 5 years early) then move to a lower salaried or part-time post and continue to accrue further service. At 65 you would take the balance of the pension due to you that you didn't take at age 60 (unreduced) plus the additional years service you had accrued since that time.

Q. What benefit will it be to me if I want to work past NPA 65?

In the new scheme if you continue working after NPA 65 any additional service will be actuarially enhanced to take account of you receiving your pension later.

Q. When will I know what is happening to my pension scheme?

A. Following the consultation, SPensiR will consider the responses and then make the final recommendations to the Scottish Ministers. The final changes are likely to be announced early in 2007.

Q. If agreed, when will the changes be introduced?

A. It is anticipated that new entrants will join the new scheme from the end of 2007 and that changes to the current scheme will take effect from around April 2008.

Q. How is this scheme better for today's typical member of staff - e. g. women taking career breaks?

A. The existing scheme will continue to protect women who take career breaks of up to five years, enabling them to return to the existing pension scheme. In the scheme for new entrants, women who take a career break, can now opt to work longer and build up more pension benefits later in their career.

Q. What are the proposed changes to contribution rates?

A. How much you contribute will depend on how much you earn (your pensionable pay) or the equivalent amount if you work part time. We believe that this is the fairest way to fund costs. The proposed new rates are outlined in the table below.

Your contribution rate will depend on your pensionable pay, or the equivalent amount if you work part time.

Contribution rates structure

Annual pay (Full-time equivalent)	Current contribution	New contribution
Agenda for Change spine point 9 and below (currently up to and including £15,107)	5% and 6%	5%
Non Agenda for Change Up to and including £15,107		
Agenda for Change spine point 10 up to 48 (currently £15,446 - £60,880)	6%	6.5%
Non Agenda for Change Above £15,107 - £60,880		
Agenda for Change spine point 49 and above (currently £63,417 up to £88,397)	6%	7.5%
Non Agenda for Change Above £60,880 up to £100,000		

Annual pay (Full-time equivalent)	Current contribution	New contribution
Above £100,000	6%	8.5%

Note

Staff classified as manual staff currently pay 5% and all other staff pay 6%. In future all staff will have their contributions based on the new arrangements.

For AfC members, NHS pay rises will also apply to spine points. Movement between pay bands will therefore not depend on the level of any agreed NHS pay rise, but in most instances on promotion to a higher spine point. Further work is ongoing to determine how the tiered rates will operate in practice.

Earnings above the earnings cap are currently not pensionable for staff who joined the pension scheme after 1989.

Dental practitioners have a separate additional Maximum Allowable Remuneration – MAR, which can affect high earners not subject to the normal earnings cap. Dental earnings cap from 1 April 2005 is £112,400.

Q. Why does the contribution rate table show Agenda for Change and non Agenda for Change pay groups?

A. In the NHS, all non medical staff such as nurses and physiotherapists are on Agenda for Change pay bands. Most other staff - medical staff such as GPs, dentists and consultants – are on local pay contracts and not Agenda for Change. The table aims to cover most staff.

Q. How do I know what my contribution rate will be?

A. The proposed new contribution rates are exactly the same for both existing members of the NHS Pension Scheme and new entrants. You will need to know your current Agenda for Change spine point or your pensionable pay, then find the relevant spine point or pensionable pay in the first column in the contribution rate table, and then find your new contribution rate in the last column on the right.