

Working together for a 21st century pension scheme

This booklet outlines the key changes but the full proposals are available at www.sppa.gov.uk under "Pension Reforms and Taxation", you can contact your trade union or ask for more detailed information from your employer who will have received copies of the consultation document. Comments can be fed back to us either via your trade union, staff associations or individually. Responses can be e-mailed to nhspensionsreform@scotland.gsi.gov.uk or sent in writing to:

NHS Pensions Review Team
Policy Branch
Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

When will I know what is happening to my pension?

SPensiR will consider carefully the responses before making recommendations to the Scottish Ministers who will then make the final decision. We are aiming to announce the final changes early in 2007.

What should I do now?

- Think about what the changes might mean for your pension saving plans.
- Let us have your comments; these will be taken into consideration by SPensiR and the Scottish Ministers when they make their decision on the proposed schemes.

Contact us

If you have any questions we can be contacted at the above address, by e-mail to nhspensionsreform@scotland.gsi.gov.uk or alternatively by telephoning the helpline on 01896 893298.

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This document is also available on the Scottish Public Pensions Agency website: www.sppa.gov.uk

Moving to the Future

Joint Proposals from
NHS Employers and the NHS Trade Unions

Employee Information Booklet

The proposed changes to the NHS pension scheme – what it means for you and the NHS

You may already know that we are reviewing the NHS pension scheme to make sure it is fit for a modern NHS and its staff.

SPensiR (the Scottish Pensions Review Group for Scotland) have, in partnership, agreed the proposed changes for the scheme in Scotland. This booklet outlines the key changes to help you understand what it means for you. For more detailed information on all the changes visit www.sppa.gov.uk, contact your trade union or ask for more detailed information from your employer who will by now have received copies of the consultation document.

We want to know what you think

As part of the final consultation that is running from October 2006 to 5 January 2007 SPensiR are seeking the views of staff and NHS Employers.

The new NHS pension scheme – why change?

The basis of the NHS pension scheme was set up in 1948 and was designed for a typical male career of working full time, for 40 years and then retiring at age 60. This isn't a typical career in the NHS today with the majority of NHS staff being women, many of whom wish to take career breaks. As well as meeting the needs of today's staff, we also need to make sure that we manage costs for both staff and employers.

The proposed new scheme will continue to give staff an excellent pension scheme that offers more flexibility and more benefits for all staff.

What's changing in the NHS pension scheme?

We are proposing a revised scheme for existing staff and a new scheme for new entrants – but existing members will have the choice of moving to the scheme for new entrants.

Proposals for staff who are currently paying into the NHS pension scheme

- **You will still have a final salary pension** – your pension will still be calculated on your highest pensionable pay in the last three years of paying into the pension scheme.
- **Your pension age will not change** – you will still be able to claim your full pension at the same age, which is 60 years for most staff and 55 for those with special retirement rights.¹ Most can still opt to retire at 50 on a reduced pension.
- **You will be able to take more of your pension as a tax-free lump sum** – you can choose to take a bigger lump sum of up to 25% of the value of your pension fund in return for a smaller pension, giving you more flexibility when you retire.
- **The scheme will offer partner pensions** – all eligible partners will get a survivor pension, based on any scheme membership since 1988.
- **All eligible partners will keep their 'survivor' pension for life** – partners will now continue to get their survivor pension if they re-marry or co-habit.
- **Your individual contribution rate will change** – how much you contribute will depend on how much you earn. We believe that this is the fairest way to fund the new benefits and future costs.

¹ Nurses, midwives, health visitors, physiotherapists and Mental Health Officers (MHOs) in post up to 1995 have a reserved right to draw an unreduced pension at age 55. In the case of MHOs, an unreduced pension at age 55 and after 20 years and double accrual of pension.

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

Contribution rate structure		
Annual Pay (Full-time equivalent)	Current Contribution	New Contribution
AfC spine point 9 and below (currently up to and including £15,107) <u>Non AfC</u> Up to and including £15,107	5% and 6%	5%
AfC spine point 10 up to point 48 (currently £15,446-£60,880) <u>Non AfC</u> Above £15,107-£60,880	6%	6.5%
AfC spine point 49 and above (currently £63,417 up to £100,000) <u>Non AfC</u> Above £60,880-£100,000	6%	7.5%
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.

- **Employers will continue to contribute around 14%** – about 2/3rds of the overall cost of your pension.
- **A range of further improvements** – including what service and earnings count for pension; the benefits that are payable in the event of death, and re-employment. For more details see the full proposals at www.sppa.gov.uk (click on “Pension Reforms and Taxation” and then “NHS Scheme Reforms”).

Proposals for existing practitioner members – GPs and dentists

- **A CARE pension** – you will keep your current Career Average Revalued Earnings (CARE) pension, with an accrual rate of 1.4%, NPA 60, and a lump sum of three times your pension.
- **More stability in annual revaluations** – from 2008, the amount of pension you have built up each year before retirement, will be dynamised (increased in value) annually, by the retail price index (RPI) plus 1.5%. This broadly matches the historical increases since the scheme began.
- **More benefits** – the proposed changes for existing members, as outlined above, will also apply to practitioners.

When will the changes for staff who are already paying into the NHS pension scheme come into effect?

No later than April 2008.

The proposed scheme for new entrants. The main benefits include:

- **A final salary pension** – this will be based on the average of the best three consecutive years in terms of earnings, in the last 10 years of working. This gives more options before retirement,

for example working in a lower-paid job but still knowing that the final pension will be based on earlier higher earnings.

- **A pension age of 65 years** – new entrants will get their normal pension at the normal pension age of 65 or can retire later, up to the age of 75, on a larger pension. They can still opt to retire any time from 55 on a reduced pension, or take part of their pension whilst still working and carry on building up more pension.
- **Higher accrual rate** – the new scheme will have an accrual rate of 1/60th, accumulating more pension for each year of service.
- **More options on how much new entrants take as a tax-free lump sum** – ranging from taking all their income as pension but no lump sum, to taking up to 25% of their pension value as a lump sum with a reduced pension – or flexing anywhere between the two. Annual pension payments will depend on the size of lump sum taken.
- **Partner pensions** – eligible partners will get survivor partner pensions for all the membership years.
- **Contribution rates will be linked to individual earnings** – contribution rates will be the same as those for members of the existing scheme (see the contribution rate table).
- **A range of further improvements** – including what service and earnings count for pension, the benefits that are payable in the event of death, and re-employment. For more details see the full proposals at www.sppa.gov.uk. Click on “Pension Reforms and Taxation” and then “NHS Scheme Reforms”.

Proposed new scheme for new practitioner members – GPs and dentists – including new NPA 65

- **A CARE pension** – with an accrual rate of 1.87% for their pension: they can choose to take part of their pension as a lump sum, in return for a smaller pension.
- **Annual dynamisation** – like existing members, annual dynamisation will be by the RPI, plus 1.5%.
- **Additional scheme benefits** – the proposals for new members of the final salary scheme, will also apply to practitioners.

When will the new scheme for NHS staff and practitioners come into effect?

By the end of 2007.

Who has developed the proposals?

In Scotland the review of the pension arrangements for NHS staff has been taken forward by SPensiR. SPensiR is a partnership group consisting of representatives from the NHS Trade Unions and Staff Associations, Employers and the Scottish Executive.

The proposals are based on those reached in agreement between NHS employers and NHS trade unions in England and Wales in which SPensiR members have had an influence through their various UK constituencies. SPensiR has carefully considered these proposals and, in particular, has looked at their appropriateness for the Scottish workforce. SPensiR considers that these proposals will provide an excellent pension scheme for all staff, with more benefits and more flexibility, but still keeping the benefits that are most important to you.

How do I obtain information and get involved in the consultation?

We are seeking the views of all NHS staff and NHS employers during this consultation.