

## NEWS RELEASE

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### **NHS Employers and trade unions announce details of new NHS pension scheme arrangements**

NHS staff can expect new pension scheme arrangements from April 2008. NHS Employers and the healthcare trade unions have today jointly submitted a final agreement for the NHS Pension Scheme to the Department of Health after a four year review.

The final agreement is similar to the proposals put out for consultation last year. Existing staff will keep their normal pension age of 60 and both existing and new staff will have a final salary pension.

New contribution rates linked to salary will be introduced on 1 April 2008, although the first contribution tier has been expanded compared to last year's proposals and will now include everyone earning up to £19,165.

Changes will be introduced to the existing NHS Pension Scheme from 1 April 2008. Anyone joining the NHS before that date will join the existing scheme. Staff joining the NHS on or after 1 April 2008 will join the New NHS Pension Scheme. Existing scheme members will be given a one-off chance to join the new scheme, currently planned to start in 2009. NHS Pensions will be responsible for implementing the changes and communicating those changes with staff.

David Jordison, chair of the NHS Employers pensions negotiating team, said: "This agreement has been jointly developed by employers and trade unions working together. We have agreed a new pension scheme for new members and existing staff who choose to join, that is far more flexible, allowing staff more options in balancing work and retirement. We have also been able to provide some additional benefits for existing staff. This agreement is good for staff, their employers and the taxpayer.

"Staff and employers told us they wanted to keep the final salary scheme, although employers were anxious to prevent costs spiralling. We have listened to them and we will be keeping the final salary scheme for both new and existing staff, while at the same time introducing extra benefits and greater flexibility. We have also capped employers' contributions to ensure this agreement is affordable to the taxpayer and introduced a new tiered contribution system, which we think is a fairer way to fund the new benefits and any future costs.

"I am extremely proud of the hard work that has gone on over the past four years and I would like to thank everyone involved. I am confident that we have produced a solution that is sustainable long term and which will serve the needs of a modern NHS for many years to come."

(more)

Eddie Saville of the Society for Chiropractors and Podiatrists and staff side chair said:

"This agreement represents four years of detailed negotiations on behalf of all NHS staff. We set out with a number of clear objectives: first, to retain a normal pension age of 60 for all existing staff; second, to secure a pension which was based on a final salary; third to ensure the new pension arrangements were fit for purpose and provided security in retirement.

"I believe we have achieved all of these objectives and more. We have introduced new benefits for partners, cut contributions for many staff, and seen great improvements for those staff wanting more flexibility and work life balance. We have taken on board our members' wishes and created pension arrangements that will be sustainable for the future.

"All of the NHS unions have worked to bring about this agreement and this is yet another example of effective trade union representation."

Existing scheme members will:

- keep a normal pension age of 60 (or 55 for staff with special rights) and the right to take a pension after the age of 50
- keep a final salary pension with a 1/80<sup>th</sup> accrual rate and a 3/80<sup>th</sup> lump sum for each year of service based on the best of the last three years of work before the age of 60
- have a new option to take a larger lump sum, up to 25% of the value of the pension, in return for giving up some of their pension
- have survivor pensions extended to partners in addition to widows, widowers and civil partners
- be able to continue paying into their pension beyond their current normal pension age and build up their pension up to a total of 45 years regardless of age

New scheme members will have:

- a normal pension age of 65 and the right to take a pension after the age of 55
- a final salary pension with a 1/60<sup>th</sup> accrual rate for each year of service based on the average of the best three consecutive years of membership in the ten years before retirement (allowing staff to take a lower paid job in the run up to retirement but have their salary calculated on the higher salary they had before stepping down)
- the choice between converting up to 25% of the pension into a lump sum, foregoing a lump sum in favour of a larger annual pension or they can choose anything in between the two options
- a more flexible pension with the ability to take all or part of the pension while continuing to work and build up more pension

Other additional benefits to both existing and new schemes include extending survivor pensions for children up to the age of 23 and giving everyone short-term death in service benefit for six months.

The option to buy added years will be removed (although existing contracts will be honoured) but staff will be able to top up their retirement income by buying up to £5,000 of additional pension.

Both existing and new GPs and dentists will have a career average scheme, with the same benefits as other staff. Existing members will keep their accrual rate of 1.4% while those on the new scheme will have an accrual rate of 1.87% with choice on lump sum. In both cases, the pension will be annually dynamised by the Retail Prices Index plus 1.5%

(ends)

**For press enquiries about the review and the new arrangements, please contact Emma Robinson on 020 7074 3307 in the NHS Employers' press office. Implementation of the new arrangements will be carried out by NHS Pensions. For enquiries, please contact Vicky Sargent or Peter Coates from Boilerhouse Communications on 0845 643 1357.**

## Notes for editors:

- The review of the NHS Pension Scheme began in 2003 at the request of the Department of Health and the National Assembly for Wales. It was run as a partnership review between the trade unions and the NHS Confederation. In November 2004, the NHS Confederation set up NHS Employers, which took over the role of reviewing the NHS pension scheme with the trade unions.
- In January 2005, the NHS pension scheme review partners launched a three month consultation based on the Government's proposals to change the normal pension age to 65. During that consultation, the Government announced it was prepared to negotiate with the trade unions on the issue of moving the normal pension age to 65. The subsequent discussions in the public service forum resulted in an agreement that current pension scheme members could keep a normal pension age of 60, but new entrants would move to a normal pension age of 65.
- NHS Employers and the trade unions launched a second consultation between September and November 2006 based on updated proposals.
- Most staff will pay an additional 0.5% on their contribution rate. The lowest paid NHS staff will pay a contribution rate slightly below the current rate, while the highest paid staff will pay an additional 1.5 to 2.5% on their contribution rate. See table below for full details:

| Tier | Annual Pay<br>(Full time equivalent) | Current<br>Contribution                             | New<br>Contribution |
|------|--------------------------------------|---|---------------------|
| 1    | Up to and including<br>£19,165       | 5% for<br>manual<br>workers<br>and 6% for<br>others | 5%                  |
| 2    | £19,166 - £63,416                    | 5% for<br>manual<br>workers<br>and 6% for<br>others | 6.5%                |
| 3    | £63,417 – £99,999                    | 6%  | 7.5%                |
| 4    | £100,000 plus                        | 6%  | 8.5%                |

### Please note

- Pay thresholds (eg £19,166) will be adjusted in line with Agenda for Change pay awards.
  - In 2008/9 contribution rates will be based on pensionable pay in 2007/8. From April 2009, rates will be calculated on actual pensionable pay every month (it will be every year for GPs and dental practitioners)
- These proposals relate only to England and Wales. The Scottish and Northern Irish health departments are consulting separately on similar proposals.