

NHS Pension proposals

Briefing for RCN members

The Government have announced their 'final position' on new NHS pension arrangements from 2015. This has been confirmed in a statement from the Secretary of State to Parliament on December 20th 2011.

The statement says;

'The government have made clear this sets out their final position on the main elements of scheme design, which unions have agreed to take back to their Executives as the best that can be achieved through negotiations'.

The proposals as they stand are only available at the moment – if they are rejected Government have said that they will be withdrawn.

The Government have said that if these proposals are not accepted then we have to be prepared for a potentially worse set of proposals to be imposed.

At present these arrangements will apply in England and Wales although the UK Government expect that arrangements in Scotland and Wales will mirror them.

RCN Council will consider these proposals at their meeting on January 10th 2012.

Current pension arrangements.

There are two sections of the NHS pension scheme; the 1995 section and the 2008 section. Both are defined benefit final salary schemes.

The 1995 section covers all members in the scheme before April 2008. The section has a normal pension age (NPA) of 60 or 55 for the 'special classes'. Pension builds up at a rate of 1/80th of pensionable pay and retirement pension is based on the highest pensionable pay in your final year of service (or best of the last three years). There is an automatic cash lump sum of three times pension.

The 2008 section applies to members entering the scheme for the first time after March 31 2008. It has a NPA of 65 and benefits build up at the rate of 1/60th of pensionable pay. The 'final salary' used to calculate pensioned is the best one of any three year period within ten years of retirement. There is no automatic lump sum paid.

The December 2012 proposals

The main elements of the proposals are:

- confirmation that pension benefits earned up to April 2015 (known as accrued rights) will be protected
- ensuring scheme members who are less than 10 years from retirement (i.e. their current normal pension age) as at 1 April 2012 are protected from the changes, except the Government imposed contribution increases - this

protection also applies to members with special class status and mental health officers

- further limited protection for members who are within 13.5 years of their normal pension age
- from 2015 a pension scheme based on career average with an accrual rate of 1/54th (this is the rate at which your pension builds up for each year of service)
- for service from 2015 a normal pension age linked to the state pension age
- future pension increases in retirement linked to the Consumer Price Index
- an extension of the fair deal agreement so that members transferred from the NHS under TUPE arrangements can retain membership of the NHS Pension Scheme, with a commitment to review if this could apply to AQP situations
- average member contributions by April 2014 of 9.8%.

There will be a new NHS pension section from 2015.

All pension benefits built up to 2015 will be fully protected and those benefits will be linked to final salary when members leave the scheme.

All future benefits built up by members after 2015 that are not in the 'protected group' will be on a career average basis (CARE). Career Average pensions are also 'defined benefit' schemes. This means that you will continue to be able to receive a guaranteed pension in retirement. The difference between CARE and final salary is that instead of only looking at your 'final salary' to calculate your pension, each year of pensionable service is considered and the pension paid is therefore based on the average of all your service and not just the last year. In order to maintain the long term benefits of this service each year will be uplifted by CPI plus 1.5% per annum.

For new entrants to the NHS after April 2015.

A pension scheme based on career average (CARE) pensionable pay uplifted in service by CPI plus 1.5% per annum and built up on an accrual rate of 1/54th. Members will have a normal pension age (NPA) that is equal to and rises with any increase in the state pension age (SPA). Employee contributions will be on average 9.8% of pensionable pay over the workforce.

For current scheme members within ten years of their Normal Pension Age (NPA) in April 2012.

This group of staff will be 'fully protected' save for the fact that they will have to pay any increase in employee contributions applicable to scheme members from 2012. They will be able to retire at their current NPA without loss. They will effectively remain in their current scheme and continue to build up pensions on a final salary basis. Special Class members will retain their NPA of 55 and MHOs will continue to 'double up' during this period. This 'protection' covers about 400,000 NHS staff.

For current scheme members near the 10 year protection period in April 2012.

In order to avoid a 'cliff edge effect' where people outside the ten year period might receive no protection scheme members within three and a half years of the ten year protection i.e. those within 13.5 years of their NPA will also receive some protection.

This is called the '3.5yr Taper'. Those in the Taper will receive some protection so that for every month of age that they are beyond ten years of their NPA they will lose 2 months of protection. At the end of the protected period they will move to the new pension scheme for future service. An example of this limited protection is shown below;

3.5 year Tapering	
Years to Current NPA less ten years	Date of Switch to the new pension scheme
3.5 and over	01/04/2015
3 years	01/04/2016
2.5 years	01/04/2017
2 years	01/04/2018
1.5 years	01/04/2019
1.0 years	01/04/2020
0.5 years	01/04/2021
0 years	Protected

MHO members in this group will not 'double up' on a year by year basis in this period. However the current NHS pension arrangements on 'Uniform Accrual' will continue to apply. Under Uniform Accrual, members receive a proportionate benefit for the doubling they would achieve at retirement. The proportion is based on the number of years actually worked compared to the potential service the member would have at retirement. This approach ensures that where a benefit is no longer retained the member will still get some benefit from it although not to the full degree.

One way this might work is as follows:

Example: MHO member information

Date of birth: 1 April 1968
 Date joined scheme: 1 April 1993 (age 25)
 Normal pension age: 55
 Normal retirement date: 1 April 2023
 Age at 1 April 2012: 44
 Date of switch to new scheme: 1 April 2020 (age 52)

Service calculations

Basic membership until date of switch: 27 years
 Potential membership to retirement (NPA 55): 30 years
 Potential membership to retirement including doubling: 20 years + 2 x 10 years = 40 years
 Uniformly accrued service = $27 / 30 \times 40 = 36$ years

Those in the Taper, like all other scheme members' will pay any new contribution rate required from 2012.

This protection of NPA will cover approximately 100,000 people.

Scheme members outside the 'protected' group.

Scheme members who do not fall within the protected arrangements will move to the new pension arrangements on April 1 2015 and a retirement age equal to the state pension age. Their previous service (to 2015) will be fully protected and their salary on retirement will be used to set the pension for this period of service. For service after 2015 this will be built up on a Career Average basis with pension building up at 1/54th accrual and uplifted annually by CPI plus 1.5% per year.

Staff being TUPE'd out of the NHS

The proposal is that where services are contracted out under TUPE members will be able to remain in the NHS pension scheme. This would replace the current 'fair deal' arrangements where employers are only asked to provide a 'broadly comparable scheme'. Where NHS services are transferred on again to another employer members will still be able to retain membership of the NHS pension scheme.

Government 25 year protection

Government have said that if these proposals are accepted they will give a guarantee of 25 years protection against any further fundamental changes to the scheme.

Impact of increasing normal pension age beyond 65 in the NHS

In recognising the physically demanding jobs some staff have, a tripartite review between unions, NHS Employers and the Department of Health to address the implications of working longer in the NHS.

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