The 2015 NHS Pension Scheme

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Protect Our Pensions campaign

UNISON
the public service union
Content

- Background to the new scheme
- The actions of our members
- 2015 scheme Fundamentals
- 2015 scheme Governance and Cost Cap arrangements
- Other considerations (CHOICE 2, pre 2015 benefits etc)
- Information sources
- Role of UNISON’s Pensions Unit
Background to the new scheme

- In 2010 the Government made a commitment to review the long-term affordability and sustainability of public service pensions

- The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its report that reform was needed

- The Government accepted Lord Hutton’s recommendations and following consultation reached a Proposed Final Agreement with the NHS Trade Unions on 9 March 2012

- Based on a government framework for all public sector pension schemes

- UNISON was very proactive in these negotiations
The actions of our members

- In 2011, Government proposals for changes to public sector pensions led to strike action by up to 2 million public sector workers.

- This led to further negotiation, significant changes by the Government and the Proposed Final Agreement on the 9 March 2012.

- UNISON’s Health Service Group Executive agreed that this was the best that could be achieved through negotiation.

- Since then we and other unions have sought to ensure the new 2015 scheme reflects the Agreement.
The 2015 scheme – Headlines

- A move to a career average earnings scheme rather than final salary

- The build up rate being 1/54th of pensionable earnings each year, with no limit on pensionable service

- Each years pension earned to “revalue” up to retirement by inflation (CPI) plus 1.5%

- A Normal Pension Age equal to State Pension Age

- Member contributions tiered ranging from 5% to 14.5%

- Employer contribution rate of 14.3% from the 1 April 2015
A move to CARE

- Still a defined benefit pension scheme with a fixed formula that guarantees a certain level of benefit at retirement

- Pension is based on pensionable pay across the entire NHS career, starting from the 1 April 2015

- You get 1/54\textsuperscript{th} of your pensionable pay for each year of service

- Each year’s pension is “revalued” up to retirement by inflation plus 1.5%. This is a very good rate!

- Your final pension is the sum of all these “revalued” pensions added together
CARE – A simple example

Based on Sheila who has full-time earnings of £18,000

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year 1 Pension</strong></td>
<td>£333</td>
<td>£345*</td>
<td>£357*</td>
<td>£369*</td>
</tr>
<tr>
<td><strong>Year 2 Pension</strong></td>
<td>N/A</td>
<td>£333</td>
<td>£345</td>
<td>£357*</td>
</tr>
<tr>
<td><strong>Year 3 Pension</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>£333</td>
<td>£345*</td>
</tr>
<tr>
<td><strong>Year 4 Pension</strong></td>
<td>N/A</td>
<td>N/A</td>
<td>N/a</td>
<td>£333</td>
</tr>
<tr>
<td><strong>Total Pension</strong></td>
<td>£333</td>
<td>£678</td>
<td>£1,035</td>
<td>£1,404</td>
</tr>
</tbody>
</table>

* Re-valued at 3.5% assuming 2% CPI plus 1.5%
Particulars of the 2015 Scheme

- Contributions
- Retirement Ages
- Early/late retirement
- Ill-health early retirement
- Survivor benefits
- Transfers
- Membership Breaks
- Additional Pension and AVC’s
- Early retirement buy-out
- Scheme Flexibilities
## 2015 Scheme - Contributions

<table>
<thead>
<tr>
<th>Tier</th>
<th>FTE Earnings Band</th>
<th>Gross contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to £15,432</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>£15,432 - £21,477.99</td>
<td>5.6%</td>
</tr>
<tr>
<td>3</td>
<td>£21,478 - £26,823.99</td>
<td>7.1%</td>
</tr>
<tr>
<td>4</td>
<td>£26,824 - £47,845.99</td>
<td>9.3%</td>
</tr>
<tr>
<td>5</td>
<td>£47,846 - £70,630.99</td>
<td>12.5%</td>
</tr>
<tr>
<td>6</td>
<td>£70,631 - £111,376.99</td>
<td>13.5%</td>
</tr>
<tr>
<td>7</td>
<td>£111,377 +</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

Employer contribution rate is 14.3%
2015 Scheme – Retirement Ages

- Your Normal Pension Age in the 2015 scheme is your State Pension Age.

- Your Normal Pension Age is the age you can draw your pension without any reduction for early payment applying.

- This will be 66 from October 2020, 67 from 2028 and 68 from 2046.

- You can check your State Pension Age at [https://www.gov.uk/calculate-state-pension](https://www.gov.uk/calculate-state-pension).

- You can retire from age 55 but your pension will be reduced in doing so.
2015 Scheme – Early/Late retirement

- Your pension is reduced if you draw it before your Normal Pension Age (NPA). By means of example the current reduction factors for the 2008 scheme are as follows:

<table>
<thead>
<tr>
<th>Age</th>
<th>64</th>
<th>63</th>
<th>62</th>
<th>61</th>
<th>60</th>
<th>59</th>
<th>58</th>
<th>57</th>
<th>56</th>
<th>55</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>6</td>
<td>10</td>
<td>15</td>
<td>19</td>
<td>23</td>
<td>27</td>
<td>30</td>
<td>34</td>
<td>37</td>
<td>40</td>
</tr>
</tbody>
</table>

- We do not currently know the factors for the 2015 scheme

- If you draw your pension after your NPA, the pension you’ve earned up to then will be increased by a late retirement factor. For the 2008 Section these currently range between 2 and 3% per year
2015 Scheme – Ill-health early retirement

- If your employment is terminated through ill-health you may qualify for an ill-health early retirement pension

- A Tier 1 pension would apply if the medical evidence suggests you are permanently incapable of undertaking the duties of your job role. This is simply payment of the pension you have earned to date

- A Tier 2 pension is the higher award as it also gives a 50% service enhancement to your Normal Pension Age. You also have to show that you are permanently incapable of undertaking regular employment however

- Applications need to be made via completion of form AW33E, available from your employer
2015 scheme – Survivor benefits

- If you die in service a lump sum is payable to your dependants equal to twice your reckonable pay.

- This will be paid automatically to your spouse, registered civil partner or nominated qualifying partner unless you specify otherwise via completion of Form DB2.

- A survivors pension is also potentially payable. This can be paid to a surviving widow, widower, nominated co-habiting partner or even a qualifying child. Nominations are via Form PN1.

- Children’s pensions are paid until the age of 23. If the child remains unable to earn a living due to a condition which existed at your death, this can be paid indefinitely.

- Survivor pensions are half the accrued pension and a quarter for each child (if 2 or more qualifying children total payout is 50% to be shared equally unless no survivors pension payable).
2015 Scheme - Transfers

- You have a statutory right to transfer your pension out of the scheme or another pension into the NHS Pension Scheme, with a few exceptions

- You have 12 months from joining the scheme to elect to transfer another pension into the NHS Pension Scheme

- With effect from the 1 April 2015 you will NOT be able to transfer to a defined contribution pension scheme, such as a personal pension

- Transfers into the 2015 Scheme will usually be treated as a monetary amount of “pension credit” and will increase each year by CPI plus 1.5% - same as the main scheme benefits
2015 Scheme – Membership Breaks

Breaks of five years or less:

- If return within 5 years of leaving the scheme, your membership before and after the break is linked
- Your membership before the break will be revalued by inflation plus 1.5% rather than just by inflation

Breaks exceeding 5 years:

- You cannot link the service periods
- Your pension before leaving increases by inflation only
- Whereas the pension you earn on your current service increases by inflation plus 1.5%
2015 Scheme – Additional Pension and AVC’s

- Members can buy Additional Pension of up to £6500 per annum, either through regular payments or by lump sum payment.

- Your employer can also purchase this for you.

- Additional Pension increases in line with cost of living once purchased.

- You also have the option to make Additional Voluntary Contributions (AVC’s).

- You can if you want to, draw all of your AVC fund as a lump sum payment. 25% of the fund value would be paid tax-free and the rest taxed at your marginal income tax rate.

- If you’ve an existing Added Years contract this continues on the current terms.
2015 Scheme – Early Retirement Reduction Buy-out

- You or your employer can pay additional contributions to eliminate or lower the actuarial reduction that would apply in drawing your pension early.

- This is restricted to a maximum of 3 years before your NPA and not before age 65.

- If your NPA is 68 and you take out an agreement to purchase a “buy-out” of 3 years on joining the 2015 scheme then you can retire at 65 with no reduction to the pension you’ve earned.
2015 Scheme – Scheme Flexibilities

- 2015 benefits can be taken at the member’s choice of:
  - The same time as 1995/2008 benefits with a reduction for early payment
  - At the members Normal Pension Age in the 2015 scheme
  - On any date between the above, with a reduction for early payment if appropriate

- A member may take their 2015 benefits, return to work and start building a new pension in the 2015 scheme providing they are under age 75

- You have to retire in order to draw your pension although partial retirement is possible in the 2015 scheme

- Partial retirement is where a member draws down between 20-80% of their pension earned to date whilst continuing to build up further membership

- To be eligible for partial retirement members must be at least 55 and reduce their pensionable pay by at least 10%
The 2015 scheme – Scheme Governance

- The scheme has new governance arrangements for England & Wales from 1 April 2015 in the shape of a Pension Board and Scheme Advisory Board (SAB)

- These are now in place in shadow form until April 2015 when they will be fully implemented

- These Boards are required by law under The Public Service Pensions Act 2013

- The Pension Board seeks to ensure compliance with scheme regulations. Alan Fox sits on the Board for UNISON

- The SAB’s role is to make recommendations to the Secretary of State on the desirability of scheme changes. Celestine Laporte and Alan Fox sit on this board for UNISON
The 2015 scheme – Cost Cap

- The cost of providing scheme benefits will continue to be tracked through scheme valuations every 4 years

- When costs rise or fall, a new employer cost cap mechanism will ensure that steps are taken to bring scheme costs back into balance. The Cost Cap is the expected cost of the 2015 scheme minus the expected member contributions

- This is not relevant unless there are unexpected increases in assumed life expectancy, salaries or career progression

- The Cost Cap has been set at 11.6%

- There is a 2% margin either way on this Cap meaning no changes would be made to benefits and/or contributions unless the cost fell below 9.6% or above 13.6%
Other considerations -

- Protection
- Option for 2008 Section members to “give up” protection
- Drawing pre 2015 benefits
- Choice 2
- Total Reward and Annual Benefit Statements
- New Fair Deal
Other considerations - Protection

Full Protection:
- If you were within 10 years of your NPA as at the 1 April 2012 you remain in the 1995 Section or 2008 Section until you retire or otherwise leave the scheme.

Tapered Protection:
- If you were more than 10 years but less than 13 years 5 months from your NPA as at 1 April 2012 you are entitled to Tapered Protection. This means you will move to the new 2015 scheme at a date later than the 1 April 2015. See [http://www.nhsbsa.nhs.uk/Pensions/4019.aspx](http://www.nhsbsa.nhs.uk/Pensions/4019.aspx) for the exact date.

No Protection:
- If you are a member of the 1995 or 2008 Section and were, at the 1 April 2012, more than 13 years 5 months away from your NPA you will move to the new 2015 Scheme on the 1 April 2015.
Other considerations – Foregoing Protection

- This applies to 2008 Section members only

- Some members of the 2008 Section with full or tapered protection may gain from giving this up and joining the 2015 scheme on the 1 April 2015

- This is because if these members do not receive a pay increase before retirement, the higher accrual rate in the 2015 scheme may give them a better pension

- A stand alone exercise will soon commence after the introduction of the 2015 scheme giving approximately 35,000 members the chance to forego their protection

- 1995 Section members are not eligible as modelling showed that it’s unlikely to be beneficial for them because of the big difference in Normal Pension Ages
Other considerations – Drawing pre 2015 benefits

- Pre 1 April 2015 benefits remain in the 1995 or 2008 Section and will retain the link to Final Pensionable Pay on retirement

- Protection of pay arrangements will continue to apply to 1995 Section members who suffer a drop in FTE pay

- You can still draw your 1995 or 2008 Section pension at your Normal Pension Age without it being reduced for being paid early

- If you are a 1995 Section member you will have to retire to do so. Your 2015 scheme pension would be reduced for being paid early unless you choose to defer claiming your 2015 scheme pension

- You can draw your 1995 Section pension and leave your 2015 pension. But you will not be able to earn any further 2015 pension
Other considerations – CHOICE 2

- A key component of the new 2015 scheme is a higher Normal Pension Age. You can retire earlier but your pension will be reduced for being paid earlier.

- Had this information been available to you at the commencement of the previous CHOICE exercise, you may not have elected to have remained in the 1995 Section.

- In the interests of fairness 1995 Section members without Full Protection have been given another opportunity to move their 1995 scheme membership to the 2008 Section for all their pre 1 April 2015 service. This exercise is called CHOICE 2 and all CHOICE 2 elections need to be made by 16 March 2015.

- A CHOICE 2 Member Helpline is available on 0300 123 1601 and e-mail enquiries should be sent to nhsbsa.choice2members@nhs.net.
Other considerations – Total Reward and Annual Benefit Statements

- All NHS Staff are now entitled to a Total Reward Statement (TRS) each year. This will include an Annual Benefit Statement (ABS) for pension scheme members.

- Your TRS will provide personalised information about the value of your employment package and includes details of your remuneration and benefits provided locally by your employer.

- Your ABS will show the current value of your pension, plus your predicted pension at your Normal Pension Age if you are remaining in the 1995 Section.

- You view these statements online at www.totalrewardstatements.nhs.uk and will need to register.
Other considerations – New Fair Deal

- If you are TUPE transferred to a private contractor then under New Fair Deal you should be entitled to remain in the NHS Pension Scheme.

- Your new employer would be required to seek a Direction Order via application to the NHS Business Services Authority to admit transferring employees to the NHS Pension Scheme.

- Contracting authorities should ensure their tendering documentation makes clear reference to this provision.

- Independent providers of NHS clinical services can choose to offer all staff access to the NHS Pension Scheme that are wholly or main engaged in the provision of clinical related services.
Information Resources/Support


- NHSPS member Helpline is open 8am to 6pm Monday to Friday – 0300 3301 353

- NHSPS Knowledge Section of UNISON Website - http://www.unison.org.uk/knowledge/pensions/nhs-pension-scheme/overview/

- State Pension Age Calculator – https://www.gov.uk/calculate-state-pension

- Tapered Protection Tables – http://www.nhsbsa.nhs.uk/Pensions/4019.aspx

- Guide to the 2015 NHS Pension Scheme – Not yet ready!

UNISON’s Pensions Unit?

- UNISON has a Pensions Unit dedicated to dealing with issues concerning our member’s pension schemes and rights

- We have 2 full-time pension officers plus secretarial support

- We’ll always do what we can to accommodate requests for presentations and pension surgeries but obviously our resources are somewhat limited

- We also deal with pensions casework and are more than happy to advise/assist in any way we can

- All cases should be referred to us via the appropriate area/regional officer with a fully completed CASE Form and all relevant paperwork

- Alan Fox leads on NHS Pensions and can be contacted at a.fox@unison.co.uk
Well that’s it!!!

Questions?