



## How might changes in the NHS Pension Scheme affect the NHS Pension Choice of members who are general medical or dental practitioners?

Last year, the Government invited Lord Hutton to chair the 'Independent Public Service Pension Commission' (IPSPC). The Commission was asked to recommend future public service pension arrangements that would be 'sustainable and affordable and fair to both the public service workforce and taxpayers'. The IPSPC's final report has now been published and you can view this at: [http://www.hm-Treasury.gov.uk/indreview\\_johnhutton\\_pensions.htm](http://www.hm-Treasury.gov.uk/indreview_johnhutton_pensions.htm)

The Government has accepted the recommendations as a basis for consultation with public service workers, trades unions and others in the autumn of 2011.

### What are Lord Hutton's main recommendations?

- public services, including the NHS, should introduce new pension arrangements for staff before the end of this Parliament
- the pension benefits members build up before new arrangements are introduced should be protected, and calculated using final salary at retirement
- the 'normal pension age' in new arrangements should be the same age at which a member will be entitled to claim their State Pension. This would currently be 65 for oldest members, rising in steps to 68 for younger members.<sup>1</sup>
- the new pension arrangements would be on a new Career Average Revalued Earnings (CARE) basis, with benefits based on a proportion of pensionable earnings during a member's career, uprated in line with average earnings.

### Key implications for the NHS Pension Scheme and Choice

These recommendations, if implemented, would replace the 1995 and 2008 Sections of the NHS Pension Scheme for future employment with a new CARE (career average revalued earnings) benefit arrangement common to all Scheme members, including practitioners.

Existing 1995 and 2008 practitioner CARE benefits, have each year's earnings revalued in line with price inflation plus 1.5% per annum. "Practitioner flexibilities" rules are also used to calculate the best of practitioner and any final salary benefits. These arrangements would also be protected for any pension already earned when any new arrangements are introduced.

The terms for drawing your 1995 or 2008 Section benefits are not expected to change. This means that if your benefits are in the 1995 section you would still need to retire in order to draw them. Any pension earned in the new arrangements would be reduced if drawn earlier than your State Pension Age.

### Can I still make my NHS Pensions Choice?

Yes, we still want to give all members an opportunity to switch to the 2008 Section.

However, if scheme changes are made which substantially alter the terms of the NHS Pension Scheme, the Choice exercise that members have undertaken and its outcome will be reviewed.

The information provided in members' Choice packs still provides a basis for your decision but requires some re-interpretation.

<sup>1</sup>More information can be found at: <http://www.dwp.gov.uk/adviser/updates/state-pension-age-changes/>

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In your Choice Statement “Which NHS Pension Path will you take?” there is a page entitled “Important Issues you should consider” (usually page 8). On that page we have said that the two most important things to think about when making your choice are:

- the age at which you are going to retire, and
- whether you are likely to leave the NHS Pension Scheme before retirement

These considerations retain importance and you are advised to consider carefully all the information provided on that page.

In considering the issues you will need also to consider whether changes in the NHS Scheme and in State Pension provision will affect when you may choose to retire. If their effect is to reduce your pension this may alter when you think you will retire.

### **What about the figures in my statement – are they still valid?**

Your Choice statement estimates the benefits you would build up by retirement, at ages 60 and 65, both if you remained in the 1995 section of the Scheme or switched to the 2008 section. If new arrangements are introduced following consultation on Lord Hutton’s recommendations, benefits would no longer build up under the 1995 and 2008 sections of the Scheme.

This means these figures would no longer indicate the level of benefits you could expect at retirement, but comparing the two sets of figures will still give you an indication of the relative value of your benefits under the 1995 and 2008 sections for pension earned up to the date of any new arrangements.