



Factsheet

How might changes in the NHS Pension Scheme affect the NHS Pensions choice I have made?

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 public service workers and the taxpayer'. 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

The Government has accepted the report 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 pay 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.¹
- the new pension arrangements would be on a 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 CARE (career average revalued earnings) benefit arrangement common to all Scheme members.

Practitioner members and Special Class members of the 1995 Section of the NHS Scheme, including mental health officers, would also have their existing benefits protected, 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.

Does this affect the NHS Pensions Choice I have already made?

If you have already made your NHS Pensions Choice, your choice will apply to the benefits you build up until the date any new arrangements are introduced. 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 you received in the 'Choice pack' still provides a basis for your decision but now requires some re-interpretation.

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 a 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 their importance and members yet to make their Choice are still being advised to consider carefully all the information provided on that page.

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



In addition, members are now being asked to consider whether changes in the NHS Scheme and in State Pension provision will affect when they may choose to retire. If their effect is to reduce pension this may alter when members think they will retire.

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

Your Choice statement estimated 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 would still give you an indication of the relative value of your benefits under the 1995 and 2008 sections up to the date of any new arrangements.