

Important terms you need to understand

Some of the terms used in this NHS Pension Choice Example Benefit Comparison have specific meanings and to help you understand the example a short definition of these terms is given below. For further information please refer to *Your NHS Pension Choice Guide* and the website.

Membership

Membership is the total years and days which count towards your pension. You can read about how your membership transfers on page 3 of your NHS Pension Choice Decision Form and page 17 of *Your NHS Pension Choice Guide*.

Pensionable pay

In a 'final salary' pension scheme such as the NHS Pension Scheme your benefits are calculated when you retire using your salary at, or near, retirement. In the NHS Pension Scheme we call your final salary your 'Final Year's Pensionable Pay' in the 1995 Section and 'Reckonable Pay' in the 2008 Section.

The way pensionable pay is worked out is different in each of the two sections (see *Your NHS Pension Choice Guide* for definitions).

When you leave or retire from the Scheme we will calculate your final salary according to the Regulations for the section you choose to be in. This differs between the two sections (see *Your NHS Pension Choice Guide*).

Pension

In this example we have provided a comparison based on an example member's membership and pensionable pay for both sections. This benefit comparison is provided so that you can compare and consider how much a member could receive should they choose to remain in the 1995 Section or choose to transfer to the 2008 Section. In the 1995 Section you get 1/80th of your pensionable pay for each year or part year of membership and in the 2008 Section you get 1/60th of your pensionable pay for each year or part year of membership. However, pension is reduced if paid before the normal pension age. How much the reduction is depends on how much earlier than the normal pension age the pension is paid. The normal pension age in the 1995 Section for most members is 60. In the 2008 Section the normal pension age is 65 for all members. The pension in the 2008 Section is also reduced as this is used to pay for the standard lump sum you must take – this is explained below.

Lump sum

The 1995 Section automatically provides you with a lump sum at retirement that is normally three times your pension.

If you choose to transfer to the 2008 Section, when you retire you must take a lump sum. This minimum lump sum you must take is based on the amount of membership that transferred to the 2008 Section. This is not optional. This standard lump sum in the 2008 Section will be paid by reducing your pension by £1 for every £12 of lump sum that you take.

In either section you can increase the amount of lump sum you take (and have a smaller pension). This is also paid by reducing your pension by £1 for every £12 of extra lump sum you choose to take.

In the example, Anne cannot have a smaller lump sum than the standard lump sum shown in the standard benefit comparison.



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NHS Pension Choice

Example Benefit Comparison

To help you make your choice this example provides you with a comparison of the benefits an example member could receive at different ages if they were to remain in the 1995 Section compared with those they would receive instead if they decided to transfer to the 2008 Section.

The benefit comparisons shown on pages 2 and 3 are not based on your own details, so the information below has been designed to help you understand what is shown. They replace the information on pages 18 to 21 of the enclosed *NHS Pension Choice Guide* as these pages will not be relevant to you.

The benefit comparisons have been based on Anne Example

The benefit comparisons have been developed using an example member – Anne – to help you understand the differences. Here are the details we have used to calculate Anne's benefit comparisons:

- Anne's date of birth is 1 February 1973.
- Anne's pensionable pay is £25,000.
- Anne works full time and continues in her current employment until she retires.
- On 1 April 2008 Anne's scheme membership was 10 years 329 days.

1 April 2008 is the date that the 2008 Section started.

Which benefits are being compared?

To help you understand how the two sections compare, we have shown a comparison of Anne's benefits if she retired at age 60, age 65 and age 70. We have shown these three ages because:

- The normal pension age for the 1995 Section is 60.
- The normal pension age for the 2008 Section is 65, so Anne would incur an adjustment in her NHS pension benefits if she retired before age 65 as a member of that section.

In both sections the standard benefits come in the form of a pension and lump sum and in both sections you have the option to increase your lump sum. If you do this your annual pension will be reduced. See the *Important terms you need to understand* section on page 4 for further information.

The benefits which are compared are:

Chart 1a, 2a and 3a

- The standard benefits – standard benefits are the pension and lump sum that a member could get on retirement before taking any option to increase the amount of lump sum.

Chart 1b, 2b and 3b

- The standard benefits with an equal lump sum – to help you compare the relative value of standard benefits this shows the pension a member could get from the 2008 Section if they opted to increase the lump sum to around the same as the standard lump sum in the 1995 Section.

Table 1C, 2C and 3C

- Maximum lump sum – the pension and lump sum a member could get if they opted to increase the lump sum at retirement to the maximum allowed. This means the annual pension would be smaller.



What's inside?

- Example benefit comparisons
- Important terms you need to understand

Anne Example's comparisons

On these two pages you can see how retiring later or changing the amount of cash lump sum Anne takes could impact the benefits in both sections.

Anne's benefits are compared at age 60, 65 and 70:

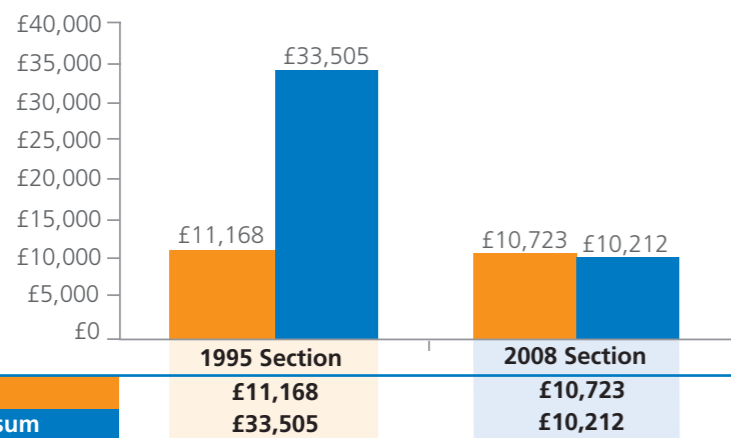
- The normal pension age for the 1995 Section is 60.
- For the 2008 Section the normal pension age is 65. Therefore if Anne chose to retire at age 60 from the 2008 Section her benefits would be reduced to allow for them being paid up to 5 years earlier.

Working beyond age 65

If you work beyond age 65 in the 2008 Section, your benefits will increase at a higher rate. Read page 11 of *Your NHS Pension Choice Guide* for more details.

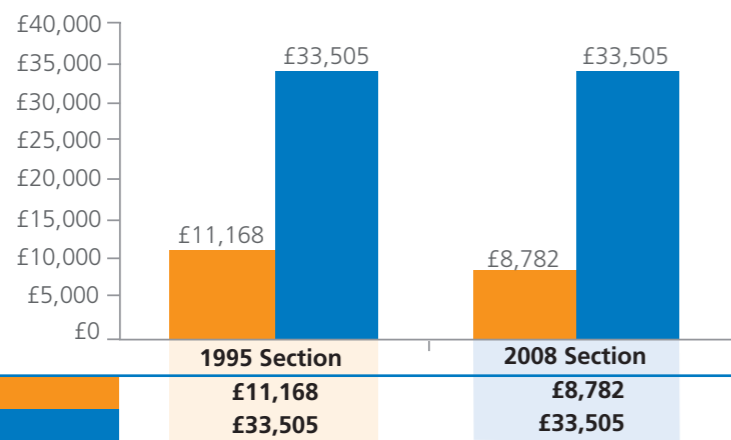
Anne's benefits at age 60

Chart 1a – Anne's standard benefits at age 60 from each section



As you can see in the chart above, at age 60 Anne would receive a pension that is around 4% smaller in the 2008 Section and an automatic lump sum that is around 70% lower. If Anne planned on retiring later, the outcome would be different.

Chart 1b – Anne's standard benefits at age 60 with an equal lump sum



If Anne were to transfer to the 2008 Section and choose to increase her lump sum to an amount similar to the standard lump sum payable from the 1995 Section, at age 60 she would receive a pension that is around 21% smaller.

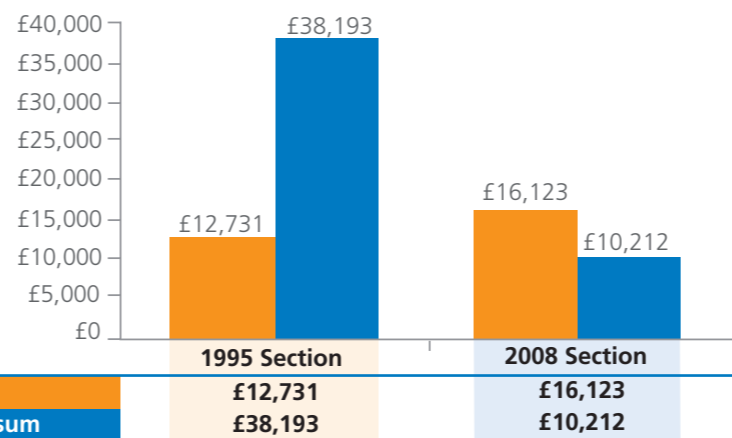
Table 1c – Anne's benefits at age 60 if she takes the maximum lump sum

	1995 Section	2008 Section
Annual pension	£8,974	£7,441
Maximum lump sum	£59,832	£49,596

If Anne were to take the maximum lump sum allowed and the smaller annual pension, at age 60 she would receive a pension that is around 17% smaller in the 2008 Section.

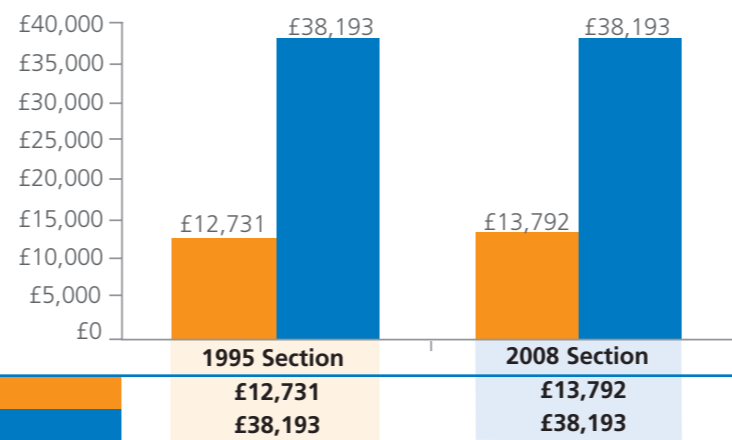
Anne's benefits at age 65

Chart 2a – Anne's standard benefits at age 65 from each section



As you can see in the chart above, at age 65 Anne would achieve a higher pension in the 2008 Section than in the 1995 Section by around 27%. Although the automatic lump sum is still around 73% lower at age 65 in the 2008 Section. The later Anne retires, the bigger her benefits.

Chart 2b – Anne's standard benefits at age 65 with an equal lump sum



If Anne were to transfer to the 2008 Section and choose to increase her lump sum to an amount similar to the standard lump sum payable from the 1995 Section, at age 65 she would receive a pension in the 2008 Section that is around 8% higher.

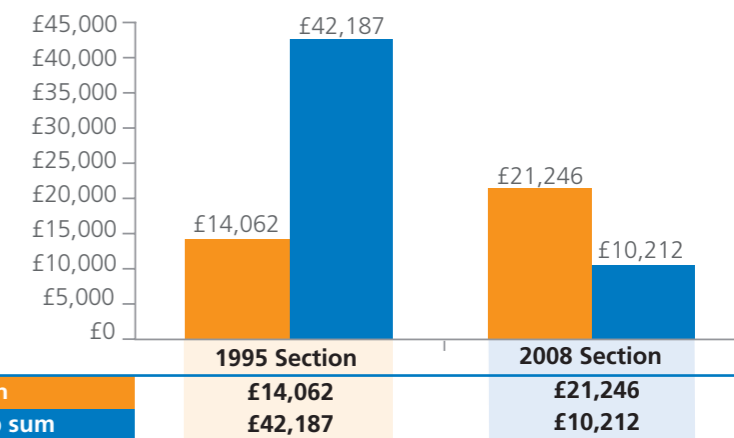
Table 2c – Anne's benefits at age 65 if she takes the maximum lump sum

	1995 Section	2008 Section
Annual pension	£10,230	£10,912
Maximum lump sum	£68,202	£72,744

If Anne were to take the maximum lump sum allowed and the smaller annual pension, at age 65 she would receive a pension that is around 7% higher in the 2008 Section.

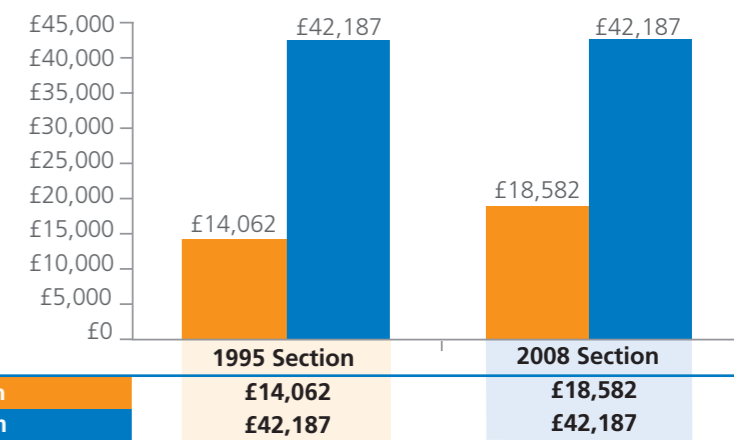
Anne's benefits at age 70

Chart 3a – Anne's standard benefits at age 70 from each section



As you can see in the chart above, at age 70 Anne would achieve a higher pension in the 2008 Section than in the 1995 Section by around 51%. Although the automatic lump sum is still around 76% lower at age 70 in the 2008 Section.

Chart 3b – Anne's standard benefits at age 70 with an equal lump sum



If Anne were to transfer to the 2008 Section and choose to increase her lump sum to an amount similar to the standard lump sum payable from the 1995 Section, at age 70 she would receive a pension in the 2008 Section that is around 32% higher.

Table 3c – Anne's benefits at age 70 if she takes the maximum lump sum

	1995 Section	2008 Section
Annual pension	£11,300	£14,206
Maximum lump sum	£75,334	£94,962

If Anne were to take the maximum lump sum allowed and the smaller annual pension, at age 70 she would receive a pension that is around 26% higher in the 2008 Section.

A minimum lump sum must be taken by members transferring from the 1995 Section. It is not optional. Please refer to the *Important terms you need to understand* section on page 4 for more information.