

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.

Uprated earnings from practitioner posts

Uprated earnings (used to calculate benefits) from practitioner posts is expressed in £'s. This is the sum of the earnings from practitioner posts uprated, or re-valued, to bring them up to a current value.

Membership from officer posts

Membership is expressed in years and days. Membership may be different to the length of time a member has worked and contributed to the Scheme in officer posts.

Both the 1995 Section and 2008 Section regulations offer the same treatment of this membership and in both sections we treat this membership in the way which provides the highest pension.

Under both sections this membership can count towards a pension in its own right or the officer posts can be treated as if they were practitioner posts, in which case the earnings from the officer posts count toward the uprated earnings. Further, if the officer post was prior to first becoming a practitioner and is less than 10 years, it can be used to increase the uprated earnings used to work out the pension instead.

Pensionable pay

In a 'final salary' scheme such as the NHS Pension Scheme your benefits (from officer posts and where such posts are not treated as if they were practitioner posts) are calculated when you retire using your salary at, or near, retirement. In the Scheme we call your final salary your 'Final Year's Pensionable Pay' in the 1995 Section and 'Reckonable Pay' in the 2008 Section.

If the most beneficial treatment of your officer posts is not to treat it as practitioner posts or use them to increase your actual uprated earnings, we will also use your pensionable pay to work out this element of your pension.

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, uprated earnings 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.

The standard annual pension from the 1995 Section is 1.4% of your uprated earnings. In the 2008 Section you get an annual pension that is 1.87% of your uprated earnings.

If the most beneficial way to treat your officer posts is not as practitioner posts or to increase your uprated earnings, then a portion of your pension will be calculated using membership and pensionable pay.

In the 1995 Section this portion is 1/80th of your pensionable pay for each year or part year of membership from officer posts. In the 2008 Section this portion is 1/60th of your pensionable pay for each year or part year of membership from officer posts.

Your 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.

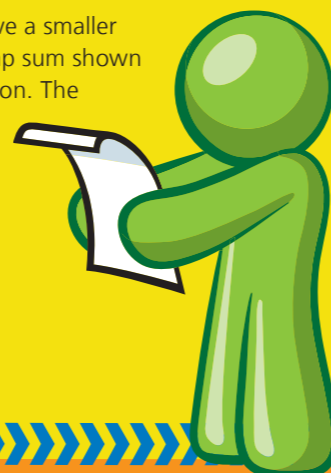
Lump sum

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. The lump sum in the 2008 Section is calculated separately for officer membership and practitioner membership. See page 5 of the enclosed *NHS Pension Choice Practitioners Guide* for details.



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* and page 6 of the enclosed *NHS Pension Choice Practitioners 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 practitioner 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 1967.
- Anne works full time as a practitioner and continues in her current employment until she retires.

Uprated earnings

On 1 April 2008, the uprated earnings Anne has from practitioner posts is £2,500,000. Practitioner posts refer to general medical, dental or ophthalmic practitioner work.

Membership

On 1 April 2008, the amount of membership Anne has from officer posts is 5 years and her pensionable pay for officer posts was £15,000. Officer posts are non-practitioner posts.

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 and age 65. We have shown these two 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 and 2a

- 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 and 2b

- 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 and 2c

- 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.

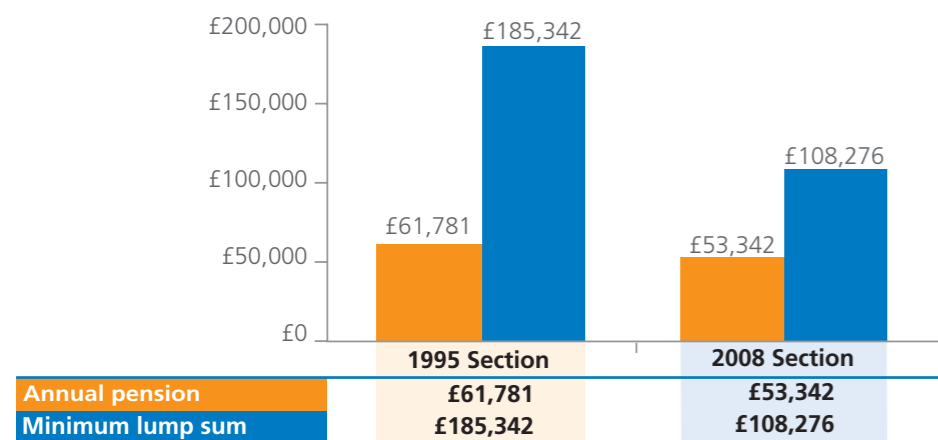
Anne's benefits are compared at age 60 and 65:

- 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.

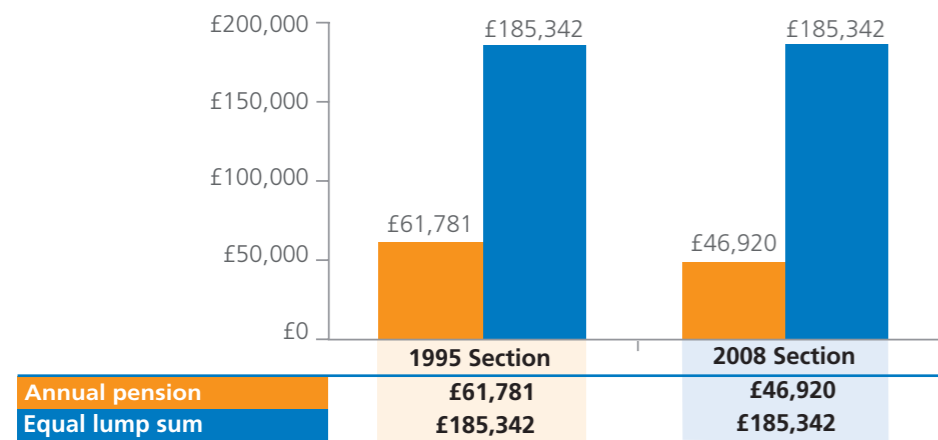
Anne's benefits at age 60

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 achieve a pension that is around 14% smaller in the 2008 Section. However, the automatic lump sum is around 42% lower at age 60 in the 2008 Section. The later Anne retires, the bigger her benefits.

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 24% smaller.

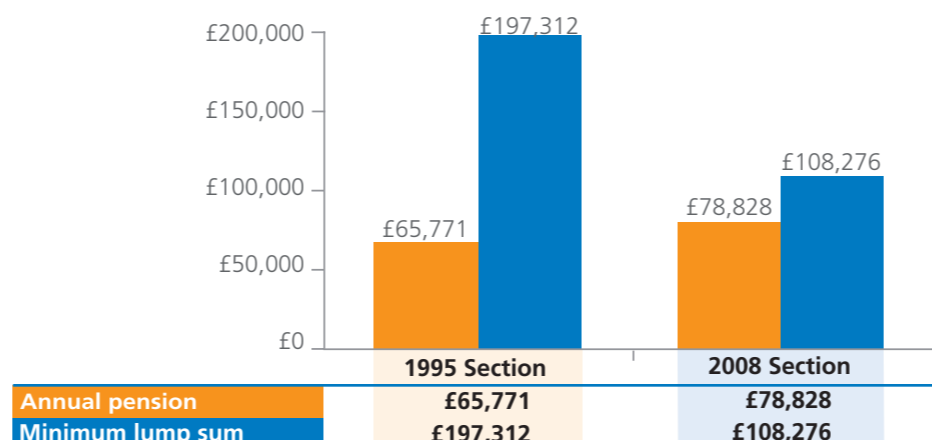
Table 1c – Anne's benefits at age 60 if she takes the maximum lump sum

	1995 Section	2008 Section
Annual pension	£49,646	£40,092
Maximum lump sum	£330,962	£267,276

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 19% smaller in the 2008 Section.

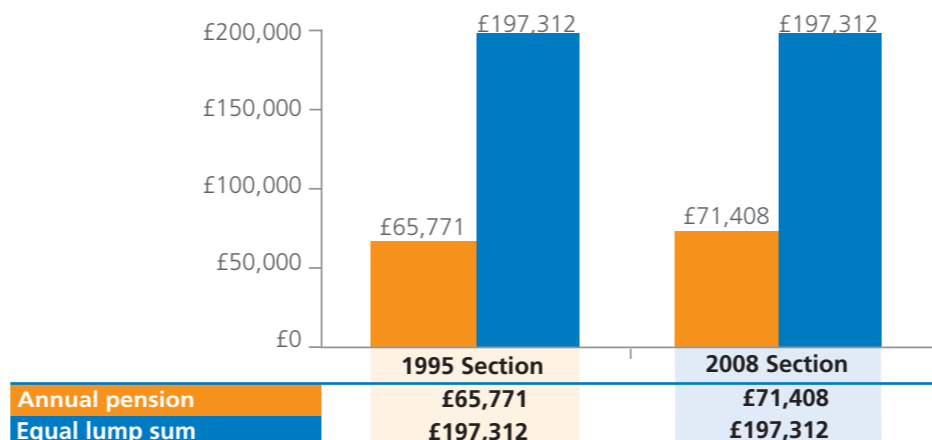
Anne's benefits at age 65

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 20%. Although the automatic lump sum is still around 45% lower at age 65 in the 2008 Section.

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

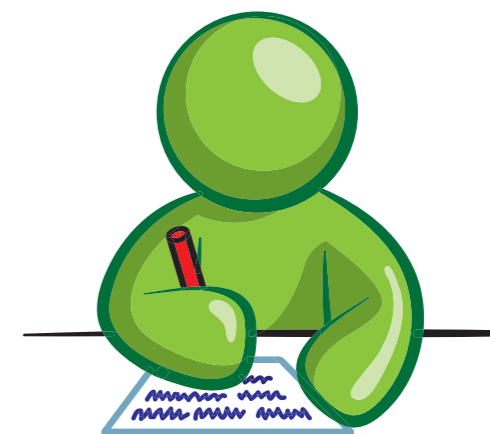


If Anne were to transfer to the 2008 Section and choose to increase her lump sum to an amount similar to the standard lump sum payable from the 1995 Section, at age 65 she would receive a pension in the 2008 Section that is around 9% higher.

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

	1995 Section	2008 Section
Annual pension	£52,852	£56,476
Maximum lump sum	£352,340	£376,500

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.



Your choice

The choice you need to make is whether to remain in the 1995 Section or to transfer to the 2008 Section. If you decide to transfer to the 2008 Section your membership (uprated earnings from practitioner posts and any membership you have from officer posts) will be treated as follows.

Your membership in the 1995 Section up to and including 31 March 2008 (plus any added years you have bought up to the date of your choice) will transfer to the 2008 Section. The amount of transferred membership you will receive will depend on your age.

Your membership from 1 April 2008 is not transferred, but will automatically become membership in the 2008 Section.

You can read about how your membership transfers on page 3 of your NHS Pension Choice Decision Form and page 6 of *Your NHS Pension Choice Practitioners Guide*.

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.