

This leaflet describes some important changes to the NHS Pension Scheme effective from 1 April 2008.



The information should be read in conjunction with the earlier leaflet about the changes issued with payslips in November / December 2007. A copy of this leaflet is available on the website.

The information published here is about new arrangements for ill-health retirement and also describes how members of the NHS Pension Scheme (Amended April 2008) can buy pre 6 April 1988 membership to increase surviving partner pensions.

What other information is available on changes to the NHS Pension Scheme?

There is a lot of information on the changes to the Pension Scheme on our website at www.pensions.nhsbsa.nhs.uk including:

- Fact sheets - outlining key points
- Booklets - general guidance on all aspects of the Scheme
- Calculator modelling tools
 - _ Pension and lump sum
 - _ Commuting part of your pension to a bigger lump sum
 - _ Additional Pension – find out how much it will cost
 - _ Frequently Asked Questions

Pensions are important so keep yourself up to date with all the options and flexibilities available to you by visiting the site regularly.

NHS

Pensions

NHS Pensions Division is part of the NHS Business Services Authority and is the administrator of the NHS Pension Scheme



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Further changes to the NHS Pension Scheme

- ill-health retirement
- increasing surviving partner pensions

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Further changes to the NHS Pension Scheme

Buying pre 6 April 1988 membership to increase surviving partner pensions

From 1 April 2008 survivor pensions, similar to those already available for legal spouses and registered civil partners, will be extended to nominated qualifying partners. Anyone wishing to nominate a 'qualifying partner' must complete a declaration form which is available on our website in the member's library section at www.pensions.nhsbsa.nhs.uk

On the member's death the nominated partner must be able to declare that they were in an exclusive long term committed relationship with the member of at least two years and that they were financially dependent or inter-dependent on each other. They must have been co-habiting and in a relationship resembling marriage/civil partnership and must not be in a legal partnership with each other or anyone else.

Any survivor pension awarded to a legal spouse, registered civil partner or nominated qualifying partner will be payable for life, even if the survivor remarries or co-habits with someone else.

It is paid in respect of a member who:

- dies in pensionable employment on or after 1 April 2008, or
- dies with a deferred pension or in receipt of a pension based on pensionable membership including 1 April 2008.

Any pension payable to a nominated qualifying partner will be based on the number of years of their deceased partner's membership of the NHS Pension Scheme, providing this membership is on or after 6 April 1988.

However, members of the NHS Pension Scheme (Amended April 2008) who have scheme membership before 6 April 1988 can, for a limited period, buy survivor pension cover for these years also. This option is open to all members of the NHS Pension Scheme (Amended April 2008).

To be able to buy one or more complete years of membership before 6 April 1988 a member must:

- be a member of the NHS Pension Scheme (Amended April 2008)

- make an election to purchase before 30 June 2009, and
- sign a declaration that they are of sound health for their age

A new booklet (SDSP), in electronic format only, is available for download from NHS Pensions website. It gives more information about this option and includes an application form (SDSP1).

Employers have been asked to download copies on request for members that do not have Internet access.

From summer 2009, members of the NHS Pension Scheme (Amended April 2008) will have the opportunity to move their pension into the New NHS Pension Scheme.

Members thinking about buying survivor pension cover for years pre April 1988 should also read the important information on the website about moving to the New NHS Pension Scheme.

Further changes to the NHS Pension Scheme - ill-health retirement

A separate partnership review of NHS ill-health arrangements ran in parallel to, but slightly behind the main pension scheme review. This review included changes to ill-health retirement NHS Pension Scheme provisions, alternative employer funding for ill-health retirement and the prevention and management of sickness absence in the NHS. Consultation ended on 21 January 2008.

Agreement was reached on 11 March 2008 between NHS Employers and the NHS Trade Unions for managing sickness absence in the NHS (not part of the NHS Pension Scheme) and new ill-health retirement arrangements under the amended and new NHS Pension Schemes. The new ill-health retirement regulations are effective from 1 April 2008. Work is however continuing on alternative employer funding arrangements.

The new NHS Pension Scheme ill-health retirement arrangements, will affect anyone whose request for ill-health retirement is received by NHS Pensions after 31 March 2008 and whose last day of pensionable membership is on or after 1 April 2008.

Anyone whose request was received by NHS Pensions by 31 March 2008 (regardless of the last day of membership), or who is already in receipt of benefits is not affected.

Tier 2

Member assessed as being unable to do regular work

Tier 2 will apply where a member is assessed by NHS Pensions and its medical advisers as being permanently incapable of doing both their current NHS job AND other regular employment across the general field of employment of like duration. Their previous training, qualifications and experience, and not just the medical conditions, will be taken into account in the assessment of their permanent incapacity.



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The old rules for ill-health retirement

Under rules that applied for applications up to and including 31 March 2008, members of the NHS Pension Scheme (who had been members for at least two years) who became permanently incapable of doing their current NHS job because of ill-health, could apply for their pension on the basis they were leaving work because of permanent ill-health.

If NHS Pensions and its medical advisers confirmed that the member was permanently incapable of carrying out their duties because of ill-health, they could be paid a pension for life and a tax free lump sum. These benefits would be worked out on the same basis as normal retirement benefits, except that members with five or more years membership would normally get their benefits increased.



Tier 2 assessment means entitlement to early payment of the retirement benefits earned to date increased by two thirds of the member's prospective membership up to reaching their normal retirement age. A minimum increase of four years membership capped at age 60 will apply until 31 March 2016 in the Amended NHS Scheme only.

Example Tier 2 calculation for members of the NHS Pension Scheme (Amended April 2008)

A member of the above Scheme, who has a normal retirement age of 60, is accepted as qualifying for Tier 2 ill-health benefits at age 48, after 28 years' full time Scheme membership. Their ill-health pension would be calculated using total Scheme membership of 36 years, 28 years actual plus an increase of 8 years (2/3rds of the 12 years' prospective membership to normal retirement age of 60). Benefits would be pro-rata for part-timers.

Do the same arrangements apply to members of the New NHS Pension Scheme?

Yes they do, except that a tier 2 increase is based on prospective membership to age 65 and the minimum increase of four years applicable to Tier 2 benefits up to 31 March 2016 in the Amended NHS Scheme does not apply.

What has changed?

From 1 April a two-tier system for ill-health retirement benefit has been introduced for members with at least two years membership in either the NHS Pension Scheme (Amended April 2008) or the New NHS Pension Scheme.

Members who are unlikely to ever work again due to ill-health will receive greater benefits under the new arrangements than those who have reasonable prospect of finding alternative work. The tiers and benefits are:

Tier 1

Member assessed as being unable to do their current NHS job

Where a member is assessed by NHS Pensions and its medical advisers as being permanently incapable of efficiently discharging the duties of their present job in the NHS, they may be awarded early payment of their retirement benefits earned to date. These benefits will not be reduced as they would in, for example, a case of voluntary early retirement where benefits are reduced to cover the extra cost of being paid before the normal pension age and therefore in payment longer. However, benefits under Tier 1 provision will not be increased. In certain circumstances members receiving a Tier 1 award will be able to have their application reviewed for Tier 2.

Re-employment following ill-health retirement

Those in receipt of Tier 1 or Tier 2 ill-health benefits, who return to work in the NHS before normal retirement age with earnings above a certain level, may have some of their ill-health pension reduced under the 'Abatement' rules.

In addition, if anyone in receipt of Tier 2 benefits is re-employed anywhere and earns more than the National Insurance Lower Earnings Limit set by HM Revenue & Customs (HMRC)* their Tier 2 pension will be replaced by a Tier 1 pension.

These and other conditions of reemployment are set out in the NHS Pensions' booklet about early retirement which is available in the Members' library on the website.

Terminal illness

A member who is terminally ill and does not expect to live longer than a year, can apply at retirement to exchange all of their ill-health benefits for a one-off, usually tax-free, lump sum payment. To make this exchange, they must have some of their HMRC personal lifetime allowance (LTA) remaining. If the member takes this option, their dependants will still get any pension they are entitled to in full.

* £4680 in 2008/09