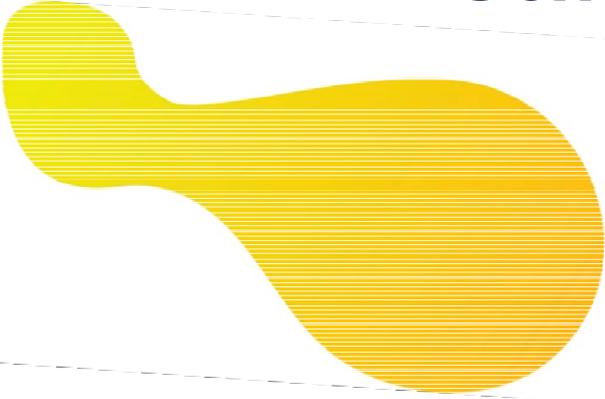


NHS Pension Scheme

An introduction to the new 2015 NHS Pension Scheme Arrangements



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NHS
Business Services Authority

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James Davenport NHS Pensions Communications Manager.

Introduction



- This is the first in a series of four webinars to help you prepare for the introduction of the new 2015 NHS Pension Scheme
- This webinar is focussed on providing an introduction to the new arrangements
- The information is based on our current understanding of the provisions.

Future sessions will focus on:

- 20 November 2014 Scheme rules and benefits
- 22 January 2015 What employers need to do
- 5 March 2014 Ask the experts.

Background to the new Scheme



- In 2010, the Government made a commitment to review the long term affordability and sustainability of public service pensions
- The Independent Public Service Pensions Commission, chaired by Lord Hutton, concluded in its report that reform was needed
- The Government accepted Lord Hutton's recommendations and following consultation reached a Proposed Final Agreement with the NHS Trade Unions on 9 March 2012. You can read a copy of this [here](#)
- Based on a government framework for all public sector pension schemes
- Details agreed in partnership (Government, trade unions and NHS Employers).

Background to the new scheme



- A move to a career average earnings scheme rather than final salary
- An accrual rate of 1/54th of pensionable earnings each year with no limit on pensionable service
- A normal pension age equal to the state pension age. A calculator that estimates State Pension Age is available on the [gov.uk website](https://www.gov.uk).
- Member contributions tiered ranging from 5 to 14.5 per cent
- Employer contribution rate of 14.3 per cent from 1 April 2015.

What's changing?



- Introduction of the 2015 CARE Scheme from 1 April 2015
 - Career
 - Average
 - Re-valued
 - Earnings.
- CARE is a form of defined benefit pension scheme
- There is a fixed formula that guarantees a certain level of benefit at retirement
- Pension is based on pensionable pay across the entire NHS career
- Only benefits accrued after 1 April 2015 will be affected
- This scheme will have similar flexibilities to those currently offered in the 2008 section.

How is CARE different?

- Final salary looks at the best of the last three years of pensionable pay (1995 Section) or the average of the best three consecutive years in the ten years leading up to retirement (2008 Section)
- In a CARE scheme, pension benefits are based on pensionable pay throughout whole NHS career
- The benefits earned each year are based on pensionable pay earned in that year (increased by a set revaluation rate each year while still an active member)
- The final pension is calculated by adding together all the pensions earned in each year of membership.

CARE: A simple example



The following example is based on Tom who earns £18,000 a year. For the purpose of this simple example we assume that Tom's pay doesn't change year on year.

	Year 1	Year 2	Year 3	Year 4
Year 1 Pension	£333	£345*	£357*	£369*
Year 2 Pension	N/A	£333	£345*	£357*
Year 3 Pension	N/A	N/A	£333	£345*
Year 4 Pension	N/A	N/A	N/A	£333
Total Pension to date	£333	£678	£1,035	£1,404

*Re-valued at 3.5% assuming 2% CPI +1.5%



Features and benefits comparison



- For an overview of the features and benefits of the 1995/2008 and 2015 schemes please refer to [‘NHS Pension Schemes: An Overview’](#) on the NHS Pensions website
- You may find this useful when talking to members about the schemes.

Extract from [‘NHS Pension Schemes: An Overview’](#)



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Business Services Authority

NHS Pension Schemes: An Overview

The information in this statement has been prepared by the NHS Business Services Authority.

It represents our interpretation of the 2015 NHS Pension Scheme as at August 2014 and should not be treated as a complete and authoritative statement.

Whilst we have made every effort to ensure this document is accurate you should be aware that the information given is subject to change as a result of the proposed 2015 government reforms to public sector occupational schemes. All changes to the Regulations governing the NHS Pension Scheme require approval by Parliament. In the event of any conflicting information, the Scheme Regulations will prevail.

Feature or Benefit	NHS Staff Practice and Approved Employer Staff		Practitioners (NHS Medical and Ophthalmic Practitioners)		All NHS workers and Approved Employer Staff
Scheme	1995	2008	1995	2008	2015
Member Contributions	Tiered Contribution Rates				
Type of Scheme	Final salary based on the best of the last 3 years pensionable pay	Final salary based on the average of the best three consecutive years within the last 10 years	Earnings Accrual. The final value of pensionable earnings after adding all years' earnings and applying revaluation factors	Earnings Accrual. The final value of pensionable earnings after adding all years' earnings and applying revaluation factors	Career Average Re-valued Earnings based on a proportion of pensionable earnings in each year of membership

Protection arrangements for existing members



Protection arrangements for existing 1995/2008 scheme members:

- All pre 1 April 2015 benefits will be unaffected for all members
- 'Full Protection' for all members within 10 years of their normal pension age as at 1 April 2012. These members will not move to the 2015 scheme
- 'Tapered Protection' for all members within 13 years and five months of their NPA as at 1 April 2012. These members will move to the 2015 scheme on a date after 1 April 2015, subject to their length of tapered protection
- The range of tapered protection is from 2 months to 6 years 10 months.

For more information about Protection Arrangements and a tapered protection calculator please visit: <http://www.nhsbsa.nhs.uk/4019.aspx>.

What will happen to existing pre-2015 benefits?

- Pre 1 April 2015 benefits will remain in the 1995/2008 section as appropriate
- At retirement these benefits will be treated separately and calculated in accordance with the rules of the 1995/2008 sections
- Provided no break in scheme membership of 5 or more years, benefits will be based on the member's final salary at or near retirement
- Pre 2015 benefits can be taken unreduced at the members **existing** normal pension age – 55, 60 or 65
- Where the benefits were in the 1995 section, the member would not be able to build any further pension rights in the 2015 scheme
- Where the benefits were in the 2008 section, further pension rights can be built in the 2015 scheme if a member returns to NHS work after a 24 hour break.

What else is changing?

Scheme governance



- The NHS Pension Scheme will have new governance arrangements from 1 April 2015, in the shape of a
 - Pension Board; and a
 - Scheme Advisory Board
- These are now in place in shadow form until April 2015 when they will be fully implemented
- The purpose of the arrangements is to ensure the scheme remains sustainable for both employers and employees
- The new Boards are a legal requirement under The Public Service Pensions Act 2013
- The new boards cover arrangements across England and Wales.

Scheme governance



The boards work in partnership with key stakeholders with the following representation:

- NHS Employers
- Employer and member representatives
- Health departments
- Government Actuary Department (GAD)
- NHS Pensions.

More information is available on the [NHS Employers website](#).

Employer representatives:

NHS Wales Employers
City Hospitals Sunderland NHS Foundation Trust
Peterborough & Stamford Hospitals
Countess of Chester Hospital NHS Foundation Trust

The University of Manchester
The Royal Brompton & Harefield NHS Foundation Trust
Sheffield Teaching Hospitals
Somerset Partnership NHS Foundation Trust
Tees Esk and Wear Valleys NHS Foundation Trust

What else is changing?

The Pensions Regulator



- The Pensions Regulator will have an increased role as outlined in the Public Service Pensions Act 2013
- It will provide 'Regulatory oversight of the governance and administration of public service pension schemes'

Draft Code of Practice issued with the following aims:

- Protect the benefits of pension scheme members
- Reduce the risks of calls on the Pension Protection Fund (PPF)
- Promote and improve understanding of, the good administration of work based pension schemes
- Maximise compliance with the duties and safeguards of The Pensions Act 2008.

<http://www.thepensionsregulator.gov.uk/docs/draft-code-14.pdf>

What else is changing?

Employer roles and responsibilities



- The Employer Charter outlines your roles and responsibilities as NHS Pension Scheme administrators
- The Charter is available on the NHS Pensions website at <http://www.nhsbsa.nhs.uk/4078.aspx>
- It will shortly be reviewed in light of the new arrangements. NHS Pensions will be asking employer focus groups to help us with this activity.

What information is already available?



Information on:

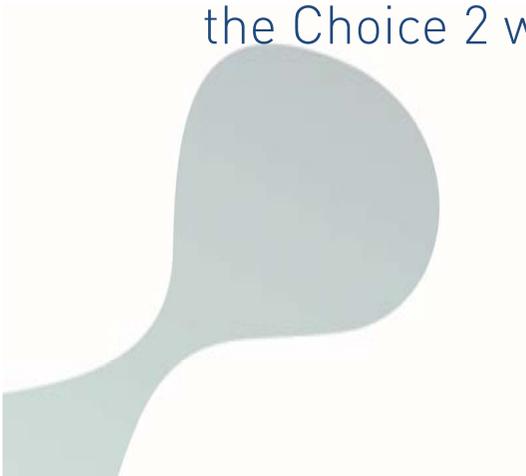
- The new 2015 scheme – why and when?
- Comparison of the benefits and main features of the new and existing schemes
- How a CARE scheme works
- Protection arrangements
- Preserved rights
- Special Classes/Mental Health Officers for existing members.

<http://www.nhsbsa.nhs.uk/4017.aspx>

Other considerations – Choice 2



- Choice 2 offers some members of the 1995 section another option to transfer all of their benefits into the 2008 section
- The Choice 2 communications will be delivered to members throughout October and November
- For more detailed information you can access the audio and slides from the Choice 2 webinar at: www.nhsemployers.org/choice2.



Other considerations – option to ‘give up’ protection



- It may be beneficial for some members of the 2008 scheme, with full or tapered protection, to give up their protection and join the new 2015 scheme on 1 April 2015
- This is because if these members do not receive a pay increase before retirement, then the higher accrual rate in the 2015 scheme may give them a better pension
- 1995 section members are not eligible as financial modelling showed that it is unlikely to be beneficial to them because of the wide difference between the existing and proposed normal pension age
- This will be a stand alone exercise
- Approximately 35,000 members are affected
- The exercise will take place after the introduction of the 2015 scheme so members can utilise the information available to make a decision.

What are the plans for employer communications?



Employer engagement framework:

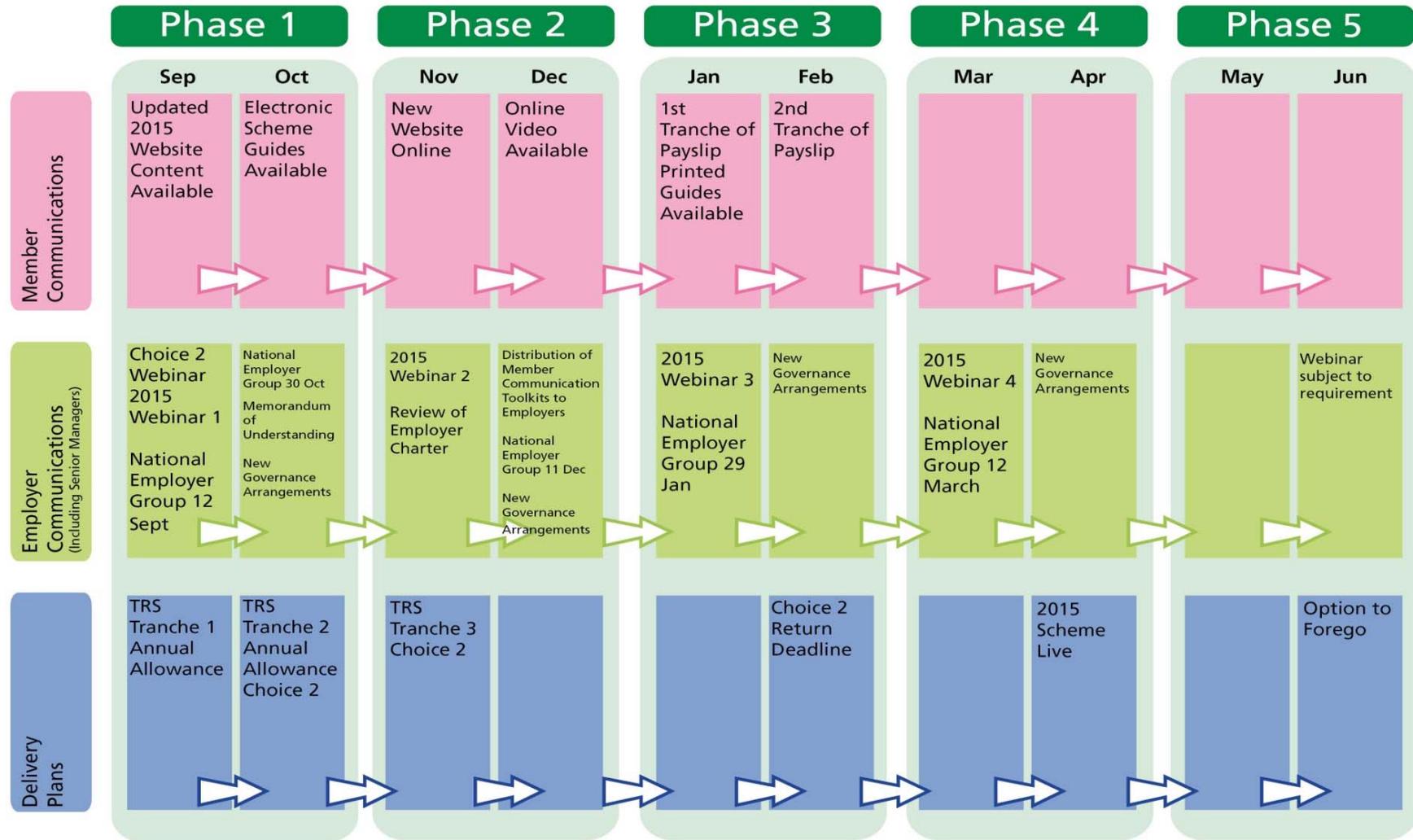
- NHS Pensions have published an employer engagement framework
- This has been developed in partnership with NHS Employers, scheme employers and Trade Unions
- The framework outlines the approach to 2015 scheme communications.

It has the following aims that will be fulfilled through a programme of education and training:

- Timely information
- Clear outlines of roles and responsibilities
- Timescales and deadlines for time limited work
- High level messages for senior managers
- Education resources
- Tailored information for different audiences
- Practical examples
- Frequently asked questions/questions and answers
- Reminders
- Sign posts to supporting organisations.

The Employer Engagement Framework is available at: <http://www.nhsbsa.nhs.uk/4078.aspx> .

High Level Delivery Plan for 2015 Arrangements



Future communications and tools for members



- The 1995/2008 scheme guide has been updated and will be available from October 2014
- Development of an online tool to support members to identify their 'member type'
- Development of the NHS Pensions website to include information about the 2015 scheme
- Online videos to be developed outlining the new arrangements and changes to the scheme
- 2015 scheme guide will be available on the NHS Pensions website from January 2015
- Payslip leaflet in February/March 2015 including information
- Direct member letters to those eligible for Choice 2 and the option to give up protection exercise.

NHS Pensions support



NHS Pension Scheme: Arrangements beyond 1 April 2015

<http://www.nhsbsa.nhs.uk/4017.aspx>

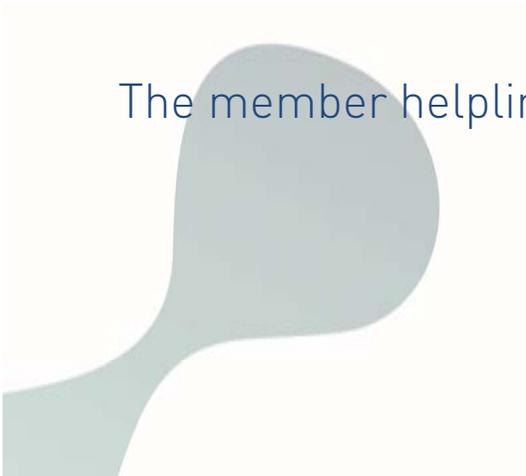
Ask Us – The NHS Pensions knowledge base

<http://www.nhsbsa.nhs.uk/Pensions.aspx>

NHSBSA.pensions2015schemequeries@nhs.net

The employer helpline is open 8:00-18:00 Monday to Friday, 0300 3301 353

The member helpline is open 8:00-18:00 Monday to Friday, 0800 3301 346.



NHS Employers support



www.nhsemployers.org/pensions - summary of the new 2015 scheme and implications for employers

pensions@nhsemployers.org

Stephanie Leary – Pensions Programme Lead
0113 306 3213

Future webinars – [book your place](#)

Scheme consultation – [Autumn 2014](#).

What's coming? November to December 2014



- Details of the regulatory consultation
- Updated 1995/2008 scheme guide will be published
- New 2015 scheme rules and benefits
- What the arrangements will mean for employers
- Current employer activities November/December
- What's coming? Employer activities January/February.

- Please join us for our next webinar on 20 November, book your place [here](#).

Questions



Future webinars



- 20 November 2014 2015 scheme rules and benefits
- 22 January 2015 2015 scheme - what employers need to do
- 5 March 2014 Ask the experts

[Book your place.](#)

