

Briefing 67

Pension Choice? Career and retirement options for the NHS



The NHS Pension Choice exercise, which runs for three years to July 2012, represents a strategic opportunity for employers to tackle both the demographic and economic challenges that their organisations face.

As part of the exercise, every employer will need to engage with staff of all ages about career and retirement planning. Done well, this could help to retain talent and skills through a lean funding period. It is also a chance to review long-term workforce planning in the light of changing demographics, in order to attract and secure the best healthcare workforce for the future.

This *Briefing* covers the strategic issues – and potential risks – for boards, and outlines how good employment practice during the Choice exercise will help organisations to support staff, retain skills and prepare for the future.

Key points

- NHS Pension Choice is a strategic exercise that needs to be steered by the board.
- It supports good workforce planning practice and skills retention by line managers.
- It is not just for older staff – every employer will need to provide staff of all ages with career and retirement planning.
- This may be the first time that individuals think about their future career plans – the employer's response will be paramount.
- There are also many important operational tasks that must be carried out with care if risk is to be avoided. NHS Pensions has communicated separately with employers about these.

NHS Pension Choice exercise

Changes to the NHS Pension Scheme, developed jointly by NHS Employers and the NHS trade unions, came into effect from April 2008. There are now two sections to the scheme:

- a revised 1995 section
- the new 2008 section.

The 2008 section is open to new entrants joining the NHS on or after 1 April 2008. It is a final salary scheme with a normal pension age of 65 and increased flexibility in the run-up to retirement.

Members of the 1995 section will be given a one-off opportunity to transfer to the 2008 section. This is being referred to as the 'NHS Pension Choice exercise'. It runs for three years from July 2009.

Risks for employers

Alongside the strategic issues and risks for boards outlined below, there are also potential short term risks for employers. NHS Pensions is responsible for administering the NHS Pension Choice exercise but employers are responsible for ensuring that disclosure responsibilities are met. This involves maintaining accurate records and distributing choice packs and comparative benefit statements to pension scheme members. Guidance to support employers with these high-level operational tasks is available from the [NHS Pensions website](#).¹

It is also important that employers support staff in making sound personal decisions about retirement and career planning, while at the same time minimising the risk of legal challenge and claims of pensions mis-selling. Mishandling the NHS Pension Choice exercise could jeopardise future workforce planning, with serious cost and service delivery implications.

The strategic challenge for boards

NHS organisations are already fully aware of demographic changes and the impact of

The NHS Pension Scheme is a key part of the staff reward package. It is a substantial aid to recruitment and retention, which can help employers to achieve the right mix of skills and talent within the healthcare workforce.

ageing populations. Fewer school leavers are entering further education or joining the labour market, while older staff are retiring in greater numbers. Senior managers will have reviewed age profiles at both organisation and service levels, assessed recruitment and retention options, and ensured that their staff and systems comply with Employment Equality (Age) legislation and the forthcoming Equality Bill, which will further extend public sector duties.

Achieving and managing an ageing workforce is a demanding challenge at the best of times. It requires appropriate management skills to bring about the culture changes that will maintain both working capacity and positive attitudes in the workforce.

Furthermore, the NHS Pension Choice exercise takes place at a time when the NHS is charged with making savings and improving efficiency. In a period of tighter financial constraints, NHS trusts and primary care trusts will need to use their workforces more effectively to maintain and improve the quality of services, deliver efficiencies and increase

productivity. An important component of this will be attracting and retaining skilled, highly-motivated staff. The NHS Pension Choice exercise offers the NHS a chance to take a long-term view and to start to develop its workforce for the future.

Retention through flexibility

It is clear that pensions are considered to be a valuable part of the employment package. In a recent study of public sector pensions,² 21 per cent of people explicitly chose a public sector career for better pension provision, and four out of five people said they would consider working beyond their 'official' retirement age if they were given adequate flexibility. NHS Pension Scheme members³ also noted "I would value my pension most if my employer offers the flexibility of 'step down' and I can trust that arrangements will be honoured".

While career and retirement planning is a highly personal exercise, decisions made by individuals will largely depend on the organisational context and what an employer offers to all staff. Opportunities for

flexible working such as 'step down', 'wind down' or 'draw down' offer staff ways in which to prepare for retirement, for example by shifting down into a less challenging role or working fewer hours. These flexible arrangements can offer employers ways to retain skills and experience when and where these are most needed.

As larger proportions of experienced staff retire from or leave the health service, many organisations are finding it difficult to replace skills. One strategic health authority is forecasting that, based on current turnover rates, it will need to replace around 60 per cent of professional clinical staff by 2016. More widely, skill shortages are being felt in critical care, accident and emergency, midwifery, child and mental health nursing, pharmacy, therapeutic radiography and radiotherapy, as well as across all professional groups in Band 7. Employers will need to take a flexible approach to retain skills, knowledge and experience that are hard to replace through direct recruitment.

Supporting staff of all ages

Innovative organisations recognise that career and retirement planning should be available for staff of all ages if they are to make the best use of the Pension Choice exercise. It is not solely the over-50s who will want to consider their plans

and provision for retirement. The NHS Pension Choice exercise is an opportunity both to ensure that staff are supported in making well-informed decisions about their future career and work patterns, and that line managers are able to structure sensitive conversations about what the organisation can offer.

Over the next three years, an important consideration for boards is to ensure that the necessary resources and management attention are focused on the Choice exercise. This will enable individuals to make the best possible plans for the future, help to maintain and improve staff morale, and support future workforce development.

Some comments on retirement

Retirement planning involves considering one's financial future as well as assessing one's hopes and aspirations. It is important for everyone regardless of age, but in different ways. Everyone is different: for example, people who are in good health in their sixties may be keen to extend their working lives, while others may find full-time work increasingly difficult. The following quotes from different sources illustrate this.

"In your 20s and 30s it's easy not to think about it, it seems a long way off. Once you are 40 it suddenly seems a lot closer. If I don't work, what will give me a

Key facts

- 75 per cent of NHS Pension Scheme members are female, with around half working part-time.
- The typical NHS pension is less than £3,000 a year.
- The average pension for men is around £13,500 with more than half of male NHS pensioners receiving a pension of less than £6,500.
- The average pension for women is around £5,000, with more than half of female NHS pensioners receiving a pension of less than £3,500.

social outlet? Self-esteem? Will I have enough to live on?"⁴

"Some younger workers may not yet have taken on board that you cannot have a population living 20 years or more post-retirement, contributing nothing to the economy and expecting shrinking numbers of workers to support them. Patterns of work are changing. Those in top jobs with big responsibilities cannot expect and may not be able to shoulder important workloads. There needs to be a way to reconfigure their career trajectory to accommodate a shift down the hierarchy, without loss of self-esteem or respect."⁵

“Long-standing human resources practices invest heavily in youth and push out older workers. This must change, and public policy too – or companies will find themselves running off a demographic cliff as baby boomers age.”⁶

“The first era of retirement thinking ended in the early 20th century. During that era you worked until you died. This was accepted as a way of living, it was a feeling of being worthwhile and productive. A new era is beginning to emerge, where people do not

want to retire but rather to have a turning point, a chance to step out of a full-time job or an exhausting career, take a break, maybe a sabbatical and then reinvent themselves. Most people want...to have more recreation and leisure interspersed but they like to stay in the game and not be relegated to the sidelines.

The notion of retirement as it has been traditionally practised, as a once-in-a-lifetime event that divides work from leisure, no longer makes sense. In its place we are starting to design models

in which employees can continue to contribute in some fashion to their own satisfaction and to the company's benefit.”⁷

In their study *Age and work*⁸ The Employers Forum on Age found that “the happiest workers are 60 and over”: staying in work (even part-time) helps people to stay healthy. Research from Finland and Australia suggests that accommodating the older worker should lead to benefits for the whole population, including an improvement in the health and well-being of people of working age.⁹

Managing Pension Choice: top tips for employers

- ✓ Identify a board-level pensions champion, a senior operational lead and a realistically resourced project team.
- ✓ Review age profile data at service level and conduct impact assessments of current age strategy.
- ✓ Agree organisational messages and a communication plan for staff.
- ✓ Liaise with strategic health authority pensions lead for joint events and shared learning.
- ✓ Agree project plan to fit with tranche timetable for rollout for over-50s and under-50s.
- ✓ Ensure all staff records are accurate and agreed with individuals ahead of the Choice exercise, undertaking data cleansing as necessary.
- ✓ Double-check who is due to retire before your tranche, as they must receive a comparative benefit statement three months beforehand.
- ✓ Obtain packs and benefits statements, arrange timely distribution.
- ✓ Ensure line managers, HR staff and pensions staff are well briefed and aware of their responsibilities.
- ✓ Start talking to staff about career and development plans and options.
- ✓ Avoid using independent financial advisers during the Pension Choice exercise.

Further information

For further information on the NHS Pension Choice exercise and the ageing workforce see the NHS Employers website: www.nhsemployers.org/NHSPensionScheme

The resources available include a PowerPoint presentation to support local management project teams, examples of good practice in this area within the NHS, and guidance on flexible working options and how these interact with the new NHS Pension Scheme arrangements.

References

1. www.nhsbsa.nhs.uk/Pensions/2573.aspx
2. Hymans Robertson (2009) *A change is coming: workers willing to retire at 70*
3. NHS Employers Pensions focus groups, June 2009
4. NHS Employers Pensions focus groups, June 2009
5. Joan Bakewell, appointed Voice for Older People by the UK Government in November 2008
6. *Harvard business review* (2003)
7. Dychtwald, K. (2000) *Age power: how the 21st century will be ruled by the new old*. Tarcher
8. Employers Forum on Age (2005) *Age at work: the definitive guide to the UK's workforce*
9. Australian Research Council (forthcoming) *Working late*

NHS Employers

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NHS Employers represents trusts in England on workforce issues and helps employers to ensure the NHS is a place where people want to work. The NHS workforce is at the heart of quality patient care and we believe that employers must drive the workforce agenda. We work with employers to reflect their views and act on their behalf in four priority areas:

- pay and negotiations
- recruitment and planning the workforce
- healthy and productive workplaces
- employment policy and practice.

NHS Employers is part of the NHS Confederation.

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