NHS Pension Scheme
An introduction to the new 2015 NHS Pension Scheme Arrangements
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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 focused 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 $\frac{1}{54}$th 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.

<table>
<thead>
<tr>
<th>Year 1 Pension</th>
<th>Year 2 Pension</th>
<th>Year 3 Pension</th>
<th>Year 4 Pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>£333</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>£345*</td>
<td>£333</td>
<td>£333</td>
<td>£333</td>
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<tr>
<td>£357*</td>
<td>£345*</td>
<td>£345*</td>
<td>£345*</td>
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<tr>
<td>£369*</td>
<td>£357*</td>
<td>£357*</td>
<td>£357*</td>
</tr>
</tbody>
</table>

*Re-valued at 3.5% assuming 2% CPI +1.5%
Features and benefits comparison


- You may find this useful when talking to members about the schemes.
NHS Pensions
provided by...

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.

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

<table>
<thead>
<tr>
<th>NHS Wales Employers</th>
<th>The University of Manchester</th>
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<tbody>
<tr>
<td>City Hospitals Sunderland NHS Foundation Trust</td>
<td>The Royal Brompton &amp; Harefield NHS Foundation Trust</td>
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<tr>
<td>Peterborough &amp; Stamford Hospitals</td>
<td>Sheffield Teaching Hospitals</td>
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<tr>
<td>Countess of Chester Hospital NHS Foundation Trust</td>
<td>Somerset Partnership NHS Foundation Trust</td>
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<td>Tees Esk and Wear Valleys NHS Foundation Trust</td>
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</tbody>
</table>
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.

What else is changing?

Employer roles and responsibilities

- The Employer Charter outlines your roles and responsibilities as NHS Pension Scheme administrators.


- 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.

**High Level Delivery Plan for 2015 Arrangements**

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
<th>Phase 5</th>
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<tbody>
<tr>
<td><strong>Member Communications</strong></td>
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<tr>
<td>Sep</td>
<td>Oct</td>
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<tr>
<td>Updated 2015 Website Content Available</td>
<td>Electronic Scheme Guides Available</td>
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<tr>
<td><strong>Employer Communications</strong> (Including Social Manager)</td>
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<td>Sep</td>
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<tr>
<td><strong>Delivery Plans</strong></td>
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<td>Sep</td>
<td>Oct</td>
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<tr>
<td>TRS Tranche 1 Annual Allowance</td>
<td>TRS Tranche 2 Annual Allowance Choice 2</td>
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- **Phase 1**: September
  - Updated 2015 Website Content Available
  - Electronic Scheme Guides Available

- **Phase 2**: October
  - New Website Online
  - Online Video Available

- **Phase 3**: January
  - 1st Tranche of Payslip Printed Guides Available
  - New Governance Arrangements

- **Phase 4**: March
  - New Governance Arrangements

- **Phase 5**: May
  - Webinar subject to requirement

- **Phase 1**: September
  - Updated 2015 Website Content Available
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  - New Website Online
  - Online Video Available

- **Phase 3**: January
  - 1st Tranche of Payslip Printed Guides Available
  - New Governance Arrangements

- **Phase 4**: March
  - New Governance Arrangements

- **Phase 5**: May
  - Webinar subject to requirement
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.