NHS Pension Scheme retirement flexibilities

Resource Pack
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    Pension Choice exercise.
  • Frequently asked questions – HR managers and line managers
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The NHS Pension Scheme retirement flexibilities resource pack is a web-based tool, free to download and aimed primarily at HR directors and line managers. It will also be of relevance to members of NHS boards.

It provides NHS organisations with the information they need to better understand the strategic context of the NHS Pension Scheme, and how its in-built flexibilities can be used to add value to the employment offer and the staff reward package.

Strategic context

In the light of the Quality, Innovation, Productivity and Prevention (QIPP) agenda and the challenging financial environment in which NHS trusts are currently operating, every opportunity to add value to the staff reward package must be taken. It is critical that the NHS retains its skilled workforce as the loss of staff is expensive, disrupts patient care, damages morale and impacts on the quality of services. Improving productivity in the NHS will be brought about by employing the right staff who are highly motivated.

Understanding the strategic significance of the NHS Pension Scheme is vital to these aims. The scheme is a substantial aid to recruitment and retention and can help employers to achieve the right mix of skills and talent in the healthcare workforce. Indeed, there is clear evidence that the pension scheme is a significant driver of employee commitment and many employees report that it is one of the main reasons they continue working in the NHS.

A flexible approach to strengthen the staff reward package

It is essential that HR managers and line managers know what retirement flexibilities are included in the NHS Pension Scheme, and understand what the age profile of their organisation looks like in order to deploy skills effectively and to guard against skill shortages.

In April 2008 changes to the scheme came into effect, developed jointly by NHS Employers and the NHS trade unions, which will ensure the NHS Pension Scheme continues to meet the needs of a modern NHS and its staff. The revised scheme takes account of changing demographics, including the fact that people are generally living longer and saving less for retirement. With employer agreement, staff can now take advantage of flexibilities intended to help them better adjust their work-life balance in the run up to full retirement. This might include accessing some of their pension while working fewer hours or shifting down into a less challenging role.

Research during the review of the NHS Pension Scheme indicated that staff often retire to gain flexibilities in their working life. It is possible that the new arrangements will help such people to stay in employment, committing their skills to the NHS for longer while gaining the sort of flexibilities they want.

1 Study undertaken by Mercer HR Consulting, 2004
As they near retirement, all members of the NHS Pension Scheme who joined the NHS on or after 1 April 2008 can request to work more flexibly in this way. Staff who joined the scheme before that date will be given a one-off opportunity to transfer to the new arrangements as part of the NHS Pension Choice exercise, which began in January 2010.

NHS organisations will want to ensure that line managers are well equipped to have informed discussions with staff about the NHS Pension Scheme, how it operates, and the flexibilities within it. Supporting staff to make informed personal choices about their retirement plans will result in positive outcomes for the workforce and the health service, now and in the future.

This information will be of relevance to all employers in the NHS, including those who are currently preparing for the NHS Pension Choice exercise.

Practical advice on all of the above, including answers to the frequently asked questions, is included in the other sections of the NHS Pension Scheme retirement flexibilities resource pack. A list of quick links is provided at the end of this section.

Facing the future

As larger proportions of experienced and older 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. As a key part of the staff reward package, the NHS Pension Scheme can offer employers ways to retain skills and experience when and where these are most needed.
Key messages

- This pack brings together a suite of materials, including case studies and factsheets on the flexibilities included in the NHS Pension Scheme.
- It offers practical advice to help HR directors draw on these flexibilities in order to strengthen the employment offer.
- It reinforces the business benefits that flexible employment practices can deliver.
- It is essential reading for NHS organisations preparing for the NHS Pension Choice exercise.
- It looks at ways to safeguard critical skills, for example, by profiling teams and departments according to age.
- It offers practical guidance to support line managers to structure conversations with staff about the NHS Pension Scheme, how it operates, and opportunities for flexible working that require employer agreement.
- The pack includes the answers to frequently asked questions that staff are likely to ask employers about the pension scheme and flexible arrangements.

Key facts

- The typical NHS pension is less than £4,000 a year.
- The average pension for men is around £13,000 with more than half of male NHS pensioners receiving a pension of less than £6,500.
- 75 per cent of NHS Pension Scheme members are female, with around half working part time.
- 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.
Links to other parts of the NHS Pension Scheme flexibilities pack

To view other sections of this pack, click on links below.

Part 1: Factsheets

- The mutual basis of the NHS Pension Scheme
- The key NHS Pension Scheme benefits
- NHS Pension Scheme retirement flexibilities
- Engaging with independent financial advisers

Part 2: Guidance

- Integrating the NHS Pension Scheme into policies and procedures
- The NHS Pension Scheme and local partnership networks
- Profiling your workforce by age – and taking a proportionate approach when using NHS Pension Scheme flexibilities to retain staff

Part 3: Checklists

- Disclosure obligations and the NHS Pension Scheme
- Assessing requests for flexible working arrangements

Part 4: Additional material

- **Case studies** illustrating how organisations have used the NHS Pension Scheme flexibilities to support workforce planning and development.
- **PowerPoint presentation** summarising retirement flexibilities. This can be used by NHS organisations as part of raising awareness and in preparation for the NHS Pensions Choice exercise.
- Frequently asked questions – HR managers and line managers
- Further information and quick links
NHS Pension Scheme retirement flexibilities

Part 1: Factsheets
This factsheet provides background information on the mutual basis of the NHS Pension Scheme. It will help HR directors and their teams to outline the value of the scheme to existing members, newly appointed staff and those considering applying to work in the NHS.

The NHS Pension Scheme is a key component of the staff reward package and there is evidence from research that the scheme has been a positive factor in recruitment and retention.

What is the mutual basis of the NHS Pension Scheme?

Many employees in the private sector bear the burden of saving for their pension fund throughout their working lives. One of the ways in which NHS organisations demonstrate that they value their workforce is by providing a pension where employer and employee both contribute.

All scheme members pay contributions from their salary into the NHS Pensions Scheme. The contribution rate varies according to the person’s salary level and ranges between 5 and 8.5 per cent. This scale of employee contributions has been introduced in return for benefits to avoid higher paid staff being subsidised by those on lower incomes.

All scheme members:

- get tax relief on their contributions
- pay a lower rate of National Insurance contributions because they are contracted out of the State Second Pension Scheme.

The employer contribution is 14 per cent of pensionable earnings. These contributions are capped at 14.2 per cent until 2016 and 14 per cent thereafter.

Why is the scheme a key component of the staff reward package?

It is critical that the NHS retains its skilled workforce as any loss of staff is expensive, disrupts patient care and damages morale. This, in turn, impacts on the quality of services. Improving productivity in the NHS will be brought about by employing the right staff who are highly motivated. Having a sustainable NHS Pension Scheme is vital to these aims.

Evidence from staff surveys, exit interviews, focus groups and specific studies tells us that there are many factors that attract people to work in the NHS. These are generally much wider than basic pay rates, leave allowances and working hours (although these are important too). Staff often value the opportunity to manage their own workloads and to decide how to carry out their work, as well as having opportunities for development and training.
The NHS Pension Scheme is also cited as a component of the reward package and a benefit that newcomers to the NHS have been pleasantly surprised about. The Mercer study\(^1\) showed that many staff did not give much thought to the scheme when they first joined the NHS, but have subsequently realised that it is a valuable part of their package that has influenced their decision to stay in the NHS.

To attract the right staff who are highly motivated, HR and line managers need to know what benefits and flexibilities are included in the NHS Pension Scheme, and understand how to capitalise on these in order to strengthen the employment offer.

How does the NHS Pension Scheme compare with private sector schemes?

It is difficult to compare public and private sector schemes as there are significant differences in the way that each scheme is set up: the contribution rates of employers; the way pensions are increased and the complete range of benefits payable both to the individual employee and to their dependants. However, we do know that the benefits of the NHS Pension Scheme are valuable. Actuaries have assessed them as being worth around 20 per cent of overall pay.

\(^1\) Study undertaken by Mercer HR Consulting, 2004
A factsheet summarising the key NHS Pension Scheme benefits

This factsheet summarises changes to the NHS Pension Scheme, introduced in April 2008, and outlines flexibilities and key pension benefits.

Background

There are now two sections of the NHS Pension Scheme: The updated 1995 section and a new 2008 section for entrants joining the scheme for the first time on or after 1 April 2008. Each section has separate benefits. To help determine which section a member is in, NHS Pensions has published a decision-making tree in their Member guide to the NHS Pension Scheme.

Members of both sections are entitled to:

- a pension linked to pay and length of membership. Benefits are fully guaranteed and pension increases are applied each year to keep pace with inflation
- immediate life assurance of twice annual pay from the first day of joining - this is usually a tax-free lump sum payable to a member’s spouse, civil partner, qualified unmarried partner, nominee or estate
- pensions and allowances for the member’s spouse, civil partner, qualifying unmarried partner\(^1\), and dependent children upon death
- a tax free lump sum (optional in the case of members of the 2008 section)
- voluntary early retirement\(^2\) from age 50\(^3\) (1995 section) or 55 (2008 section). Members will receive an actuarially reduced pension because the pension will be paid earlier and for longer.

In addition, members:

- do not pay administration costs
- may transfer pension benefits into and out of the scheme (if a member changes jobs in the NHS their membership will normally continue)
- can increase their contributions to get bigger benefits.

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1 Nominated qualifying partners in exclusive long-term committed relationships of at least two years and are either financially dependent or inter-dependent.
2 Restrictions apply – see the Members Booklet - SD Guide (PDF 1521kb) Early Retirement section.
3 For members joining the 1995 section on or after 6 April 2010 the minimum retirement age is 55. This change came into effect on 6 April 2010 and may also apply to members who are returning to the scheme after this date.
Benefits at retirement

Pension and lump sum
In both sections of the scheme, members will receive an annual pension. In the 1995 section, members will also have an automatic lump sum. This will normally be three times their annual pension. There is no basic lump sum entitlement in the 2008 section but members have the option of receiving a retirement lump sum by giving up part of their pension. Members of both sections are able to give up some of their annual pension in exchange for a larger lump sum. For details of how the benefits are calculated in each section of the scheme, please refer to the Member guide to the NHS Pension Scheme (pages 14-19).

Illness, injury, insurance and family benefits

Ill health retirement
If a member has at least two years’ membership and is too ill to work in their present job, they may be able to retire early and take their pension benefits. There are two tiers of ill health retirement and the benefits they get will depend on whether or not they are capable of undertaking employment elsewhere. The minimum pension age does not apply in the case of ill health retirement. Pension increases are applied to ill health pensions in April each year.

Deferred members who become too ill to undertake regular employment may apply to take their pension early without reduction but any benefits accessed will not be enhanced.

Life insurance and family benefits
The scheme provides lump sum and pension benefits to members’ dependants in the event of their death. The benefits payable will depend on their circumstances at the time of their death.

Payment of lump sum
The lump sum will be paid to the member’s spouse, registered civil partner or qualifying partner. A form to nominate who members want to receive this benefit can be downloaded from NHS Pensions website at www.nhsbsa.nhs.uk/pensions. If the member does not nominate a person to receive a lump sum and does not have a spouse, registered civil partner or qualifying partner, the lump sum will be paid to their estate.

Payment of dependants’ pensions
These are payable for life to the member’s legal spouse, registered civil partner, or qualifying partner from the date of their death. If the member is not in a legally recognised relationship, they and their partner are required to complete a form to register their relationship, available from www.nhsbsa.nhs.uk/pensions. Members can also choose to give up part of their own pension to provide a bigger pension for any dependant on their death. This can be to a spouse, civil partner, qualifying partner, or child.

Children’s pensions
Children’s pensions are paid until the age of 23. If the child remains unable to earn a living due to a condition which existed at the date of the member’s death, the children’s pension can be paid indefinitely.
Each section of the scheme provides slightly different benefits. The following tables show the benefits that are payable from each section.

### 1995 section of the NHS Pension Scheme

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Death in membership (with at least two years’ membership)</th>
<th>Death after retirement</th>
<th>Death with deferred pension</th>
<th>Death within 12 months of leaving membership if benefits remain in scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lump sum</strong></td>
<td>2 x annual pensionable pay or average uprated earnings for practitioners</td>
<td>The lesser of: 5 x pension less pension already paid or 2 x pay less any retirement lump sum</td>
<td>3 x pension payable if member had retired on date of death</td>
<td>3 x annual pension the member would have received had they retired on the date of death</td>
</tr>
<tr>
<td><strong>Widow’s pension</strong></td>
<td>½ of notional upper tier ill health retirement pension</td>
<td>½ of pension in payment; Short-term pension payable at rate of member’s pension paid for first three months or six months if there is at least one dependent child</td>
<td>½ of pension at the date of death</td>
<td>½ of notional upper tier ill health retirement pension at date of leaving</td>
</tr>
<tr>
<td><strong>Widower’s/ Civil partner’s/ Nominated partner’s pension</strong></td>
<td>½ of notional upper tier ill health retirement pension, based only on membership from 6 April 1988*</td>
<td>½ of pension in payment, based only on membership from 6 April 1988*; Short-term pension payable at rate of member’s pension paid for first three months or six months if there is at least one dependant child</td>
<td>½ of pension at the date of death, based only on membership from 6 April 1988*</td>
<td>½ of notional upper tier ill health retirement pension at date of leaving, based only on membership from 6 April 1988*</td>
</tr>
<tr>
<td><strong>Children’s pension</strong></td>
<td>¼ of notional upper tier ill health retirement pension for 1 child ½ shared equally if 2 or more</td>
<td>¼ of pension for 1 child ½ shared equally if 2 or more</td>
<td>¼ of pension for 1 child ½ shared equally if 2 or more</td>
<td>¼ of notional upper tier ill health retirement pension for 1 child ½ shared equally if 2 or more</td>
</tr>
</tbody>
</table>

*These benefits may be higher if Additional Survivor Pension cover for dependants has been purchased.

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4 A death gratuity lump sum is payable for members with less than two years’ membership.

5 Higher rates may be payable if there is no survivors pension payable.
2008 section of the NHS Pension Scheme

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Death in membership (with at least two years' membership)</th>
<th>Death after retirement</th>
<th>Death with deferred pension</th>
<th>Death within 12 months of leaving membership if benefits remain in scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lump sum</strong></td>
<td>2 x reckonable pay or average uprated earnings for practitioners&lt;sup&gt;6&lt;/sup&gt;</td>
<td>The lesser of; 5 x pension less pension already paid; or 2 x reckonable pay less any retirement lump sum taken</td>
<td>2.25 x annual pension the member would have received had they retired on the date of death assuming they did not take a lump sum</td>
<td>2.25 x annual pension the member would have received had they retired on the date of death assuming they did not take a lump sum</td>
</tr>
<tr>
<td><strong>Adult dependant's pension</strong></td>
<td>37.5% of notional upper tier ill health retirement pension</td>
<td>37.5% of pension in payment*</td>
<td>37.5% of pension at the date of death*</td>
<td>37.5% of notional upper tier ill health retirement pension at date of leaving.</td>
</tr>
<tr>
<td></td>
<td>Short-term pension payable at rate of pensionable pay for the first six months</td>
<td>Short-term pension payable at rate of member's pension paid for first three months or six months if there is at least one dependant child</td>
<td>No short-term pension</td>
<td>No short-term pension</td>
</tr>
<tr>
<td></td>
<td>*May not include any additional pension being paid.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Children's pension</strong>&lt;sup&gt;7&lt;/sup&gt;</td>
<td>18.75% of notional upper tier ill health retirement pension for 1 child 37.5% shared equally if 2 or more</td>
<td>18.75% of pension for 1 child 37.5% shared equally if 2 or more</td>
<td>18.75% of pension for 1 child 37.5% shared equally if 2 or more</td>
<td>18.75% of notional upper tier ill health retirement pension for 1 child 37.5% shared equally if 2 or more</td>
</tr>
</tbody>
</table>

Members with short service

If a member has less than two years’ membership and dies before they leave or retire, their spouse, civil partner, or nominated qualifying partner would receive a lump sum payment and a short-term pension payable for six months.

<sup>6</sup> A death gratuity lump sum is payable for members with less than two years’ membership

<sup>7</sup> Higher rates may be payable if there is no survivors pension payable
A factsheet summarising the NHS Pension Scheme retirement flexibilities

This factsheet summarises changes to the NHS Pension Scheme, introduced in April 2008, and outlines flexibilities and key pension benefits.

Background

There are now two sections of the NHS Pension Scheme:

- The updated 1995 section, which continues to link benefits to final salary and has a normal pension age of 60 years and 55 for special classes with an accrual rate of 1/80th. It includes new benefits such as the option to take more pension as a tax-free lump sum.

- A new 2008 section for new entrants joining the NHS on or after 1 April 2008. This section also links benefits to final salary but has a normal pension age of 65 and more flexibilities, particularly in the run up to retirement, and an accrual rate of 1/60th with the option to commute pension to lump sum.

- The NHS Pension Choice exercise began in January 2010 and will run for three years, giving members of the 1995 section of the NHS Pension Scheme the opportunity to move to the new 2008 section.

NHS Pension Scheme arrangements introduced in April 2008 have responded to the reality that people often value the opportunity to work for longer, but with increased flexibility in the transition period between work and retirement. With employer agreement, staff can now take advantage of pension flexibilities intended to help them better adjust their work-life balance in the run up to full retirement. This might include stepping down into a less demanding role and taking part of their pension. For employers this is an opportunity to retain skills in the healthcare service for longer.

What is flexible retirement?

Flexible retirement is defined as flexibility regarding the age at which an employee retires, the length of time an employee takes to retire or the nature and intensity of work in the lead up to final retirement. Flexible retirement arrangements will deliver one or more of the following benefits:

- retention of experienced staff with valuable skills
- greater choice for employees
- the creation of a wider pool of expertise for recruitment (by including those aged over 55)
- a strategic and effective response to demographic change
- equality of opportunity and fairness for all employees.
The key flexible working options can be described as follows:

- **Wind down**: as an alternative to retiring, staff can opt to wind down by working fewer days or hours in their current post.

- **Step down**: staff who would like to give up the pressure and responsibilities of their current role can opt to step down into a less demanding and lower graded (paid) post, which still makes use of their skills and experience.

- **Retire and return to the NHS**: staff who have reached the normal retirement age can opt to retire, take all their pension benefits and return to NHS employment. Options available include registering for the staff bank by taking retirement, then opting to work on an ‘as and when’ basis, giving an opportunity to pick and choose the hours worked.

- **Draw down**: this is only open to members of the 2008 section of the NHS Pension Scheme. Draw down allows members to take part of their pension benefits while continuing in NHS employment.

- **Late retirement enhancement in 2008 section**: if the member chooses to retire later than their 65th birthday, the pension benefits earned up to their 65th birthday will be increased by the application of late retirement factors.

More detail about each of these options is outlined below with a summary of how each option applies in both sections of the NHS Pension Scheme.

1. **Wind down**

As an alternative to retiring, staff can opt to wind down by working fewer days or hours in their current post.

**Impact on benefits**

Pensions for part-time staff are calculated on the whole time equivalent salary, so moving from full-time to part-time work, rather than retiring, should not reduce the level of pensionable pay for the calculation of pension benefits. However, it will reduce the rate at which members build up future membership.

- **1995 section**
  
  Benefits are calculated on the basis of 1/80th of the best of the last three years’ pensionable pay for each year of pensionable membership.

- **2008 section**
  
  Benefits are calculated on the basis of 1/60th of annual average of best three consecutive years’ pensionable pay, in last ten years.
2. Step down

Staff who would like to give up the pressure and responsibilities of their current role can opt to step down into a less demanding and lower graded (paid) post, which still makes use of their skills and experiences.

Impact on benefits
The level of pensionable pay is protected for the calculation of pension benefits for staff who are over the minimum retirement age.

1995 section
If a member has reached the minimum retirement age of 50 (or 55 for some members) and their pay is reduced by a minimum of 10 per cent they can apply for their benefits up to the date of the change to be protected. The member must apply within 15 months of reduction.

Benefits are calculated on the basis of 1/80th of the best of the last three years’ pensionable pay for each year of pensionable membership.

2008 section
If a member has reached the minimum retirement age of 55, they can consider moving towards retirement by switching to a less demanding role. The member’s reckonable pay will still consider any higher earnings they may have had in the ten years prior to their retirement date.

Benefits are calculated on the basis of 1/60th of annual average of the best three consecutive years’ pensionable pay, in last ten years.

3. Retire and return to NHS

Members who have reached the normal retirement age can also opt to retire, take all their pension benefits and return to NHS employment. Options available include registering for the staff bank by taking retirement, then opting to work on an ‘as and when’ basis, giving an opportunity to pick and choose the hours worked.

1995 section
The normal retirement age is 60. Pensionable re-employment is not generally available, but if the member retired between 1 April 2008 and 30 September 2009 (the day before the NHS Pension Choice exercise started) they will be eligible for pensionable re-employment in the 2008 section, but they must wait at least two years after retirement before they can join.

The member must take a 24-hour break before returning back to employment and work less than 16 hours per week in the first calendar month to avoid their pension being suspended.

Abatement does not apply to members who are over age 60.

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1 For members joining the 1995 section on or after 6 April 2010 the minimum retirement age is 55. This change came into effect on 6 April 2010 and may also apply to members who are returning to the scheme after this date.

2 Practice of reducing a pension if the combined amount of the pension and salary in the NHS re-employment exceeds the pre retirement level of pensionable pay.
2008 section
The normal retirement age in the 2008 section is 65. Pensionable re-employment is generally available.

The member must take a 24-hour break before returning back to employment.

Abatement does not apply to members who are over age 65.

4. Draw down
This is only open to members of the 2008 section of the NHS Pension Scheme. This option allows members to take part of their pension benefits while continuing in NHS employment.

If members are over the minimum retirement age of 55 and their pay is reduced by a minimum of 10 per cent, they can partially retire and take some pension benefits. Members can take 20 to 80 per cent of their pension entitlement and continue to build up future membership.

The member’s benefits would be reduced if they are paid before their 65th birthday. Pensionable pay must remain reduced for at least a year, otherwise they will cease to be eligible for the pension they have taken.

Members can draw down benefits twice before retiring completely.

5. Late retirement enhancement in 2008 section
If the member chooses to retire later than their 65th birthday, their pension benefits up to their 65th birthday will be increased by the application of late retirement factors.

Further information can be found at the NHS Pension website.
A factsheet on engaging with independent financial advisers

This factsheet for HR directors focuses on independent financial advisers. It outlines the risks and opportunities for NHS organisations in providing information for staff, but not advice, relating to the NHS Pension Scheme.

Why is it important that employers do not provide advice?

HR directors and their teams need to be aware of their role and responsibilities in relation to the NHS Pension Scheme. All members of the scheme will need to be well informed in order to make sound decisions, as those decisions could affect their income for the future.

By law, NHS pensions officers may not provide financial advice to scheme members. This caveat also applies to HR staff, NHS trade unions and NHS pensions staff. So, while they have a duty to provide information about the scheme and options, they may not advise.

Can employees seek independent financial advice?

Yes. If employees are in any doubt about their pension arrangements, they are able to seek independent financial advice. Before they ask for independent advice, employees should be certain they know what type of adviser they are dealing with.

Under the Financial Services and Markets Act 2000, all financial advisers have to decide whether to be independent, tied or multi-tied. A financial adviser who is independent can offer a range of financial services and products, whereas a financial adviser who is tied or multi-tied can only offer the products from one, or a selection of, companies.

Most financial advisers will also charge a fee. The charge may be in the form of a fee payable by the employee, or commission payable by any company that they decide to invest in. If the adviser they choose charges on a commission basis, they should ask how any investments made will be affected by the charges.

Risks of pension mis-selling during the NHS Pension Choice exercise

On occasion, some NHS organisations provide staff with access to independent financial advisers within the workplace. NHS Pensions is advising employers that this practice should not take place during the NHS Pension Choice exercise due to the risk of pension mis-selling.

The Choice exercise began in January 2010, giving members of the 1995 section of the NHS Pension Scheme the opportunity to move to the new 2008 section.
NHS Pensions will provide comprehensive information to support scheme members to make informed decisions, and staff can also seek independent financial advice if they wish to arrange this for themselves. Employers can assist by signposting staff to the following websites:

- IFA Promotion
- The Personal Finance Society
- Moneymadeclear

It is important to note that, during the NHS Pension Choice exercise, scheme members are not being asked to make an investment decision. When choosing whether to remain in the 1995 section or move to the new 2008 section, members are likely to think not only about the overall benefits of each section, but also about their own personal circumstances, lifestyle and career aspirations. Members may find it useful to refer to the pension calculators, available from the NHS Pensions website.
Part 2: Guidance
This will help NHS organisations to ensure that the benefits of the NHS Pension Scheme are maximised to support the recruitment and retention of staff.

Background

Improving productivity in the NHS will be brought about by employing the right staff who are highly motivated. The NHS Pension Scheme is a substantial aid to recruitment and retention. As an integral part of the staff reward package, the scheme can help employers to achieve the right mix of skills and talent in the healthcare workforce.

The following table contains guidance on how to integrate the NHS Pension Scheme into workforce policies and procedures. It covers recruitment, induction, career planning, management development, appraisal and pre-retirement processes.

Guidance table: How to integrate the NHS Pension Scheme into workforce policies and procedures

| **Recruitment** | • In attracting new entrants to the NHS, the NHS Pension Scheme compares very favourably with similar schemes offered by other employers.  
• Members pay a contribution of between 5-14 per cent of salary and the employers contributes 14 per cent.  
• Current members express a high level of satisfaction with the scheme and it is a factor in staff staying in the NHS.  
• It is of relevance to candidates of all ages as membership provides life assurance and family benefits.  
• It is helpful to mention the scheme and its benefits in recruitment advertising as well as during the selection process.  
• To derive full benefit, the employer’s commitment to flexibility will need to be outlined. This could be the aspect that has most attraction for candidates. |
| **Induction** | • New staff must be informed that they automatically gain membership of the NHS Pension Scheme on appointment. This can happen within the trust induction course or during line manager’s induction.  
• It is a golden opportunity to describe how a trust supports staff throughout their career and the role that the NHS Pension Scheme flexibilities can play in this. |
| Career planning | • Career planning provides an opportunity for the individual to look at what they value in their workplace and what they would not wish to give up. The NHS pension is part of the package to be considered.  
• Decisions made at every stage of the working life will impact on subsequent retirement plans.  
• Individuals will need to review privately their anticipated pension income, their financial requirements and how long and in what way they want to work in their later career.  
• Line managers need to handle such discussions sensitively including how they would consider any changes in role and responsibilities to accommodate flexible working arrangements such as step down or wind down.  
• The line manager or career coach needs to be well informed about the fundamentals of the NHS Pension Scheme, providing information and signposting but not advice. |
| Management development | • The NHS Pension Scheme should be referenced in any management development activity entailing interview skills, including recruitment, performance appraisal, career and retirement planning.  
• Managers need to be aware of the NHS Pension Scheme and how to implement the flexibilities for staff of all ages. |
| Performance appraisal and review | • Older staff may be wary of introducing the topic of retirement during appraisal interviews for fear it will give the impression that they are no longer committed to the organisation.  
• It may be helpful if the line manager brings into the discussion the NHS Pension Scheme, flexibilities and retirement policy as part of the appraisal review about hopes and aspirations, future development needs and career plans. |
Pre-retirement courses

- Pre-retirement courses can be run in-house, or staff may be encouraged to opt for externally run programmes. In both cases it is essential that those delivering the course have up-to-date and accurate information about the NHS Pension Scheme. Poor information at this stage could lead to ill-informed decision making.

- In many cases, attending a pre-retirement course within a year of planned retirement is too late. Some employers already provide awareness-raising events at regular intervals so that any staff member can self select at different career stages when choices will impact on future plans. It is also a good opportunity to describe how the NHS Pension Scheme is part of the whole employment package designed to attract and retain the best talent.

- Those delivering the course should provide information and signposting but not advice.

Flexible retirement case studies

NHS Employers gathers case studies about flexible retirement in the NHS, particularly where flexibilities included in the NHS Pension Scheme have been used to support staff and retain skills.

If you have any good practice to share in this area, or to view the case studies available to date, visit our flexible retirement case studies web page. Click here to view case studies in Part 4 of this pack.
Guidance: the NHS Pension Scheme and local partnership networks

This guidance provides information on how to raise awareness of the value of the NHS Pension Scheme within local partnership networks.

Background

In April 2008, changes came into effect that ensure the NHS Pension Scheme continues to meet the needs of a modern NHS and its staff. The reforms take account of changing demographics, including the fact that people are generally living for longer and saving less for retirement.

From the outset, the development and implementation of the revised scheme has been based on an ethos of partnership working between employers, trade unions and the UK health departments. By building on these positive relationships and ensuring staff involvement, NHS organisations will be in a stronger position to realise the benefits of the NHS Pension Scheme and its flexibilities.

What is partnership working?

According to the Social Partnership Forum, which brings together NHS Employers, NHS trade unions and the Department of Health, partnership working at a local level enables the strategic goals and vision of the hospital, trust or primary care trust to be jointly discussed and the workforce implications to be fully understood.

While recognising each partner’s role, it enables agreement to be reached on how the strategy is to be implemented in the best interests of staff, patients and service users. That strategy can then be explained fully to staff and rolled out through engagement with the workforce.

Partnership working can be challenging. It needs commitment, time and enthusiasm from senior leaders in a trust or hospital, and from trade union representatives. It needs structures in place to ensure that dialogue happens and that agreements reached are implemented.

It requires a commitment to work together and new behaviours that are built to deliver:

- trust and mutual respect
- openness, honesty and transparency
- top level commitment
- positive and constructive approach
- commitment to work with and learn from each other
- early discussion – no surprises
- confidentiality when needed.
How can a partnership approach help you communicate strategic messages?

- Work with staff-side representatives to review how partnership works in your organisation.
- Develop a shared view of the value of the NHS Pension Scheme as a part of the flexible reward in the NHS.
- Determine a programme of work to jointly communicate your flexible working arrangements.
- Jointly assess the age profile of your workforce by department, occupation and specialty.
- Analyse and understand where the workforce planning challenges will come.
- Plan together how you will approach and solve those challenges.
- Jointly consult staff about their needs for flexibility in the latter part of their careers in particular:
  - What would they need to see in terms of policies and practices to make them think about committing their skills for longer?
- Jointly communicate the flexibilities in the NHS Pensions Scheme sections so that your staff can have a shared understanding of the possibilities available.
- Review together the flexible working options to every age of your workforce, to ensure that they are fit for purpose and being applied effectively.
- There has been successful partnership working across the NHS. Make sure that you fully realise the potential for wider use of the partnership ethos that has been developed in your organisation.

Who are the ‘partners’?

There are many ways of involving staff, but it is only through involving NHS trade unions that staff involvement can be considered a democratically reliable process, founded on staff mandate.

Pay and pensions reform has required unprecedented levels of partnership working at national and local levels, with a variety of work streams all adhering closely to the concept of social partnership between employers and trade unions.

Partners inevitably have different views, sincerely and strongly held, on how to best meet business goals. Nonetheless having a shared commitment to the success of an organisation is extremely helpful, whatever the policy delivery context.

There may be capacity issues in both HR management and in the trade unions. Even large players such as Unison, Unite, the RCN and the BMA are dependent on one or two people in each place doing 80 per cent of the employment relations work. However, it is worth noting that studies emphasise that the quality, rather than just the volume, of the participation is vitally important.

Further information

Further information on social partnerships can be found on the Social Partnership Forum website. This includes case studies of partnership working at a local level.
Good information about the age profile of your workforce is an important aspect of workforce planning and will help to mitigate the impact of demographic change. It can be a useful tool to support the manager in deploying skills effectively and in guarding against skill shortages.

This introductory guide to age profiling does not substitute for a full appraisal of workforce demand or labour market analysis, but offers a basic starting point for assessing aspects of the age profile of people in the organisation.

Age profiling is not a one-off exercise. It should be part of a comprehensive workforce planning process that will raise questions for the organisation to consider and can inform decision making about staff of all ages and how pension scheme flexibilities can be used. In this sense, it needs to be an ongoing process and a source of information for continuous quality improvement.

Why do managers need this information?

It is particularly important for managers to have accurate information when discussing their future career and retirement plans with staff. The NHS Pension Scheme allows for a range of flexible employment options that will be attractive to potential new staff and form part of the organisation’s retention strategy.

Good age profiling information can help to safeguard critical skills and support local planning for current needs, in order to meet and maintain future capacity.

It is important to gather age profile data on a team by team or departmental basis, so that analysis can truly identify where actions are most needed.

Step 1 - Gathering age profiling data

The basic data you will require is about the numbers of people you employ in each age band. We suggest that you use the following age bands:

Under 20; 20 – 24; 25 – 29; 30 – 34; 35 – 39; 40 – 44; 45 – 49;
50 – 54; 55- 59; 60 – 64; 65 – 69; 70+

These categories map on to those used by the Government’s Office for National Statistics and the Department of Health and should therefore make comparison of local labour market and population data more straightforward.
Step 2 - Analysing the data

Once you have this information, these are the questions you should ask:

- Are current patterns of recruitment, retention and employment practice sustainable, given the changes in general demography?
- Does our age profile reflect the demography of the population and in particular are there parts of the labour market we are missing?
- Are we enabling staff to work more flexibly in the run up to retirement?
- What impact is this having on retention?
- What actions do we need to take to retain skills?
- What can we learn about attracting staff from this data?

You can plot numbers of people in post and numbers of leavers and joiners by age band over a time period, such as a specific year or as a yearly average from a number of years’ data if available. It will then be possible to see what effect current patterns will have on the age profile into the future. This can also be done on a year-on-year basis, to demonstrate the impact of any initiatives and to guard against skill shortages. The graph below shows how you can use an age profile projection to see what your organisation’s profile would look like over time if no changes were made.

![Age Profile Projection Model (Steady State)](image-url)

Click here to download the Excel spreadsheet and add your own figures.
This tool can be used to plot full-time and part-time staff and it may also be used to assess impact before and after any changes. It is a static model in that it does not forecast actual outcomes but suggests possible patterns. As such it is an aid to decision making and will help identify the questions to be asked.

Step 3 – Age and working hours analysis

It is important to know how the organisation is taking advantage of the opportunity to offer access to flexible working arrangements. For this reason you may wish to plot the age profile of individuals against the hours that they are contracted to work or the hours actually worked. An example of this is shown in the scattergram in which age is plotted against contracted whole time equivalent (WTE).

Questions to ask:
• Is there a relationship between part-time or full-time contracted hours and age?
• Are flexible or reduced hours available to all age groups equally?

Click here to download the Excel spreadsheet in order to add your own figures.

Follow the three easy steps to add your own employee data.
Step 4 - Age and retirement planning

The NHS Pension Scheme offers flexibilities that will encourage some staff to commit their skills to the NHS for longer and this can be helpful in retaining key skills. As a routine good business practice, and in preparation for the NHS Pension Choice exercise, NHS organisations will want to ensure that line managers are well equipped to have informed discussions with staff about retirement planning.

The NHS Pension Choice exercise allows staff of all ages (even new recruits) to think about their longer-term career plans. Managers will need to give clear guidance on the options and opportunities for extended working.

Employers can use all of the flexibilities currently available, including the default retirement age, which was introduced as part of the Employment Equality (Age) Regulations in 2006.

Employers can use this provision to legally insist that employees retire at 65. However, employees have a statutory right to request postponement beyond this point, and employers must consider all requests, using the extended working process laid down in the regulations. Use of the default retirement age requires that:

- the organisation applies an objective rationale and identifies the criteria used
- there are agreed records at each stage of the process
- the organisation communicates how it will manage retirement planning in this context
- the organisation can demonstrate that the retirement process is being applied fairly and consistently.

The default retirement age will be abolished in October 2011, as set out in Government proposals published on 29 July 2010. A summary of what this change will mean for employers is available from the NHS Employers website.
Part 3: Checklists
Checklist: disclosure obligations and the NHS Pension Scheme

This checklist includes some key pointers to help NHS organisations ensure that NHS Pension Scheme disclosure obligations are met.

Meeting disclosure obligations – key points to remember

Employers need to ensure that new employees are given basic information about the NHS Pension Scheme and information about their rights and benefits. Employees should be advised that membership of the scheme is voluntary, but if they are eligible to join the scheme they will automatically be made a member, unless they decide to opt out of joining.

These disclosure responsibilities are important at all times and any information about, or communications relating to, the pension scheme must be available to all.

HR departments should check with line managers about any of their staff who may not be on standard staff lists and consider how best to ensure that they are included in all communications about pensions and flexible working. This might include staff who are on career breaks, sabbaticals, secondments to other organisations, in the process of a TUPE transfer and on maternity leave. Similarly, staff who work shifts or compressed hours and staff who have term-time or part-time contracts may not be able to access events or meetings at regular times and care must be taken to be inclusive when organising these.

In addition to managing effective communications about pensions, employers are required to keep correct employee records so that staff are able to make informed career decisions.

As an employer, you should:

• ensure that pension data is up to date, this will help staff make informed decisions at all stages of their career
• ensure that you are able to identify all staff who are planning to retire within the next year
• ensure you are able to identify staff who are in the process of retiring on ill health grounds.

There are also special disclosure requirements relating to the NHS Pension Choice exercise. The Choice exercise began in January 2010, giving members of the 1995 section of the NHS Pension Scheme the opportunity to move to the new 2008 section.

During the exercise, employers must consider very carefully how material is distributed to employees. You should maintain records demonstrating the approach you have taken so that you are able to defend any future challenge.

Further information

Full information about disclosure obligations during the NHS Pension Choice exercise is available from the NHS Pensions website.
Checklist: assessing requests for flexible working arrangements

This is a checklist for use when assessing and implementing employees’ requests for flexible working. The checklist should be read in conjunction with relevant organisational policies.

Background

The NHS Pension Scheme and the flexibility it offers is a valuable part of the staff reward package. It is essential that line managers are well equipped to have informed discussions with staff about the scheme, how it operates and opportunities for flexible working.

Supporting staff to make informed personal choices about their retirement plans will result in positive outcomes for staff and the health service. The following checklist will help line managers to respond to requests for flexible working effectively. In addition line managers should familiarise themselves with the flexibilities contained within the NHS Pension Scheme.

Obtaining details of a request for flexible working

- Line managers should discuss the different options with the member of staff who is considering working flexibly.
- The request should be submitted in writing to the line manager.
- Consideration should be given to whether the duration of the arrangements is permanent or temporary, what the proposed start date and end date (if applicable) is and whether there will be a trial period for the new arrangement.
- Does the employee have flexibility to alter their work arrangement on an ad-hoc basis to cover periods of increased work load? Ensure that the employee understands how changing their way of working may impact on their pay, annual leave and so on.

Assessing a request

- Maintain confidentiality, particularly in relation to the employee’s personal circumstances.
- Consider individual employee’s circumstances and reasons for their request.
- Consider employee’s skills and ability to manage their work role while undertaking a flexible work arrangement.
- How will work continuity be maintained?
- Is the nature of the work/job conducive to a flexible working arrangement?
- Consider the effect the employee’s request will have on the organisation’s needs.
- Consider the operational requirements, such as the cost implications and impact on service.
- Consider the impact on co-workers and how this will be managed.
- Consider equal opportunity legislation.
- Consider the advantages and disadvantages of the flexible working arrangement.
The decision-making process

- Assess requests on a case-by-case basis.
- Ensure that the employee and other affected parties have been involved throughout the decision-making process.
- Consult with HR.
- Consider the request in a timely manner.
- Ensure that the decision-making process is fair, transparent and capable of review.
- Ensure that the decision and accompanying factors are well documented.
- Advise the employee of the outcome of their request in writing.
- If the original request was not able to be accommodated, look into alternative arrangements that may suit the needs of all parties involved.

Further information and quick links

Further information is contained within the factsheet summarising the NHS Pension Scheme retirement flexibilities in Part 1 of this resource pack.
Part 4: Additional material
Using flexibilities to support workforce planning and development

This document provides illustrations of how organisations are using flexible employment practices to support workforce planning and development.

Many organisations find that flexible employment practices bring business benefits. The NHS has considerable experience of using flexibilities for the benefit of employees and to meet service delivery needs. The NHS Pension Scheme can be a positive tool in both attracting and retaining staff and an aid to good workforce planning. Here are some examples from the NHS and other sectors.

Please note the following case studies were published prior to the Government’s announcement regarding the abolition of the default retirement age1.

Case studies

- The East of England Ambulance Service NHS Trust has a policy to ensure that staff who are approaching retirement age are given the opportunity to prepare for the significant change in lifestyle that this involves. It offers a flexible approach to retirement, based on the understanding that some employees may prefer to alter their working pattern leading up to their retirement, or even request to extend their retirement date into the future. The trust has a standard retirement age of 70 for all staff, as well as the right to continue working beyond that date.

- To ensure that all staff approaching retirement age are aware of the benefits of the NHS Pension Scheme and their options at retirement, Plymouth Hospitals NHS Trust has introduced planning your financial future workshops. These are offered to staff of all ages. The sessions have increased the number of people showing interest in flexible retirement, and have helped the organisation to retain knowledge and valuable skills. In one example, a key member of staff (a biomedical scientist team leader) was planning to take early retirement. The employee sought increased flexibility in his working life and was finding that managerial duties were becoming onerous. He attended a workshop and then spoke with his line manager about stepping down into a less challenging role. The employee was able to gain the sort of flexibility he wanted, while committing his specialist scientific knowledge to the NHS for longer. The managerial elements of the role were covered using an existing vacancy.

- ASDA was a pioneer in the positive recruitment of older workers. As a result of creative policies such as Benidorm leave, which allows staff to take extended leave in the winter months and extending the right to request flexible working to all employees, over a fifth (21 per cent) of its staff are now aged 50 or over. Its Seasonal Colleagues scheme targets older workers, retirees and career changers and has proved very popular, not only with older workers, but also with students looking for temporary work. ASDA reports that as a result of employing older workers it experiences reduced staff turnover and recruitment costs; enhanced staff and customer satisfaction; and it has boosted its reputation as a responsible company.

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1 On 29 July 2010 the Government announced plans to abolish the default retirement age from October 2011.
• **Essex County Council** Children’s Services predicted a 25 per cent deficit in the number of qualified practitioners in social work. Essex had double the 11.3 per cent national social services vacancy rate, with particularly acute shortages among field staff and practitioners at the higher levels. There was also competition with other authorities to attract a small pool of qualified practitioners.

The Council explored opportunities to maximise the capacity of the current workforce. To do so, it surveyed its workforce and gathered basic information on roles, age profiles, recruitment and retirement trends, types of contracts and views on how the service might change and how staff would like to work, including using flexibilities. The information gained allowed senior managers to understand their current workforce more fully. The approach allowed the Council, in partnership with staff, to maximise the workforce for the delivery of client care.

• **First Group** has introduced a flexible decade policy that allows employees to work more flexibly between 60 and 70 and to start drawing their pension from the age of 60 onwards. It says that this has enabled it to retain skilled workers and to recruit older workers who are attracted by its flexible approach to retirement.

• **Hertfordshire County Council** offers several options to employees reaching retirement age. Those who want to retire when they reach the normal organisation retirement age of 65 years are entitled to do so. There are also options open to people who want to ease into retirement gradually or postpone it until a later date by extending their service. A flexible retirement period of five years is open to employees who wish to extend their service beyond the normal retirement age of 65. This allows employees to work up to the age of 70.

The Council runs a number of flexible working schemes, including a flexitime scheme, job sharing, term-time working, voluntary reduced hours, career breaks, compressed hours, annualised hours and location flexibility. Employees can also wind down in the run up to retirement by applying for a different or lower graded post, if they are interested in considering this option. A pension helpline is provided so that employees can discuss the implication of options discussed above on their pension entitlement and benefits.

• **Marks & Spencer (M&S)** has operated an older workers policy since 2001, which entitles all employees to continue working after the default retirement age and to work while drawing their pension from the age of 50. M&S values diversity and seeks to ensure that all decisions relating to employment practices are objective, free from bias and based solely on work criteria and individual merit. M&S store teams and workforces across the UK generally reflect national diversity averages and as of March 2009, 27 per cent of M&S employees were aged 50 or over.

**Flexible retirement case studies**

NHS Employers gathers case studies about flexible retirement in the NHS, particularly where flexibilities included in the NHS Pension Scheme have been used to support staff and retain skills. If you have any good practice to share in this area, or to view the case studies available to date, visit our flexible retirement case studies web page.

Further information can be found at the NHS Pension website.
Overview of the NHS Pension Scheme

Scheme reviewed jointly by NHS Employers and NHS trade unions with changes introduced in 2008.

Designed to help meet the long-term needs of the NHS:
- Retention of skills, knowledge and experience
- Recruitment of new staff from a wider pool
- Help retain the older workforce longer
- Mitigate the risk of future rising costs to the scheme

What has changed?

Existing members remain in 1995 section of the scheme; new staff automatically join 2008 section.

The 2008 section retains core benefits plus new ones.

There is a one-off choice to move to 2008 section.

In 1995 section:
- normal pension age 60 (special classes 55)
- 1/80th pension and 3/80th lump sum
- final salary, best year in last three
- partner pensions
- survivor pensions for life

2008 section at a glance

Highly flexible: step down, wind down, retire and return
Normal pension age: 65
Final salary: average of best three years in last ten
1/60th (flexible benefits)
Flexible options in run-up to retirement
Actuarially enhanced service post age 65

Why change was needed?

Worldwide demographic change.
Increasing life expectancy with people living longer and in relatively good health.
By 2030 half the UK population will be over 50, with one third over age 60.
People are saving less for retirement.
Life cycle changes with different patterns of work, education and leisure.

The changing face of retirement

“...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.”

Ken Dychtwald, Age power: how the 21st century will be ruled by the new old.
Why is it important?

NHS Pension Scheme helps attract and retain staff.
Valued part of the staff reward package.
Supports Quality Productivity Challenge agenda.
Flexibilities can better match staff aspirations.
Employing well motivated and skilled staff to improve productivity.

What is flexible retirement?

Flexible retirement is defined as:
“Flexibility regarding the age at which an employee takes to retire or the nature and intensity of work in the lead up to final retirement”

Benefits of flexible retirement

• Retention of experienced staff with valuable skills
• Greater choice for employees
• Creation of a wider pool of expertise for recruitment (by including those aged over 55)
• Strategic and effective response to demographic change
• Equality of opportunity and fairness for all employees

Flexible options in the NHS Pension Scheme

Step down: downgrade to a less demanding role and apply for voluntary pension protection.
Wind down: opting to work fewer days or hours in current post without reducing pensionable pay for the calculation of pension benefits.
Draw down: switching to a lower paid job or reducing hours of work and taking part of pension benefits whilst continuing in NHS employment (only available to members in 2008 section).
Retire and return: at minimum retirement age can opt to retire, take pension benefits and return to NHS employment e.g. staff bank to work on ‘as and when’ basis with opportunity to pick and choose the hours worked.

Age profiling – does it help?

Age profiles provide basic workforce data.
Gather and analyse this information at team and departmental levels.
Line managers need this to make informed decisions about flexible working, to deploy skills effectively and to guard against skills shortages.
It is particularly important for managers to have accurate information when discussing with staff their future career and retirement plans.

Case study – acute trust

Rob: Biomedical Scientist
Team leader Band 7
Age: early fifties
Issue 1: desire to relinquish managerial role
Issue 2: desire to spend more time on hobbies
Rob’s plan: take early retirement

At in-house seminar learned about step down
Option: Specialist Biomedical scientist band 6
Rob’s decision: step down and continue working
Case study – PCT

Pat: public health consultant
Age: mid to late fifties
Issue 1: work pressure
Issue 2: desire to spend more time with partner
Pat’s plan: stop work early and take pension

Pat’s boss needs to keep Pat’s expertise
Pat’s decision:
Issue 1: Step down
Issue 2: Go part time

NHS Pension Choice exercise

• The NHS Pension Choice exercise has already started.
• It gives staff a one-off chance to move to updated section of the scheme.
• For employers it is an opportunity to support staff to make informed personal choices about their retirement plans.
• It is the employer’s role to provide information not advice.
• Should lead to positive outcomes for the workforce and health service.

Making the most of scheme flexibilities

“I would value it most if my employer offers flexibility (step down and so on) and I can trust that arrangements will be honoured.”

A member of the NHS Pension Scheme at an NHS Employers focus group in 2009

For further information

NHS Employers
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview

The NHS Pension Scheme
www.nhsbsa.nhs.uk/1082.aspx

Pension flexibilities
www.nhsbsa.nhs.uk/Pensions/RetirementBenefits.aspx

The NHS Pension Choice exercise for employers
www.nhsbsa.nhs.uk/Pensions/2998.aspx
Frequently asked questions – HR managers and line managers

FAQs: Questions that HR managers may raise

The following frequently asked questions (FAQs) include questions that HR managers may raise in relation to the NHS Pension Scheme and the wider workforce agenda.

To support good workforce planning NHS organisations will want to ensure that HR managers are well equipped to have informed discussions with board members and senior managers about the strategic implications of NHS Pension Scheme reforms.

FAQs

Q. What are the key things we need to know about the NHS Pension Scheme?
A. That it is a valued part of the staff reward package; that staff of all ages should have opportunities to discuss their career plans and that there are new flexibilities that may be attractive to staff and helpful to employers. It is also helpful to know the timetable for the NHS Pension Choice exercise and what the plans are for managing this process within the trust.

Q. What are the strategic benefits of the NHS Pension Scheme?
A. The scheme can help to facilitate flexible working, recruitment and the retention of scarce skills and knowledge.

Q. How can employers make the most of these benefits?
A. Employers can make the most of these benefits by ensuring that the NHS Pension Scheme is included in the development of a workforce strategy, aimed at continuous improvement, productivity and efficiency.

Q. How can the flexibilities included in the NHS Pension Scheme help us while we have quality and cost improvements to make?
A. In this period of tighter financial constraints, every opportunity to add value to the staff reward package must be taken – this includes ensuring that the flexibilities in the NHS Pension Scheme are put to best use.

As part of the quality, innovation, productivity and prevention (QIPP) challenge, the NHS is looking to save around £20 billion by 2014. NHS Employers’ report, Leading the NHS workforce through to recovery, argues that savings on this scale cannot be met by tweaking around the edges, but will require a transformation of the way that NHS organisations work. Staff should be seen as part of the solution and a focus on quality, safety and value for money will be paramount.

Many older workers have developed key skills, experience and knowledge essential to efficient service delivery and which are hard (and costly) to replace. Employers need to focus on developing a workforce strategy that will retain the skills of experienced staff. This can be achieved by ensuring that the NHS Pension Scheme flexibilities are integrated into policies and procedures, and by ensuring increased awareness of pension flexibilities during the NHS Pension Choice exercise.
Q. Why does the NHS Pension Choice exercise matter?
A. As well as having disclosure obligations to meet during the NHS Pension Choice exercise; employers also have a responsibility to provide staff of all ages with information (but not advice) to support career and retirement planning. For many employees this will be the first time that they have thought about their pension in conjunction with their future career plans. As a result, it is possible that some members of staff will choose to commit their skills to the NHS for longer while gaining the sort of flexibilities they want.

FAQs: Questions that staff may raise

To support good workforce planning NHS organisations will want to ensure that line managers are well equipped to have informed discussions with staff about the NHS Pension Scheme, how it operates, and opportunities for flexible working.

Supporting staff to make informed personal choices about their retirement plans will result in positive outcomes for staff and the healthcare service. Further guidance is available via the quick links provided at the end of this document.

Q. What is step down?
A. As a member of the 1995 section, if you decide to downgrade to a less demanding role and your pay is reduced by at least 10 per cent, you can apply for voluntary pension protection (step down). The level of pensionable pay is protected for the calculation of pension benefits for staff who are over the minimum retirement age.

Q. Will I benefit at retirement for protecting my pension?
A. Yes. This is because the pension you have already earned before the step down will be based on the higher pensionable pay. You will then start a second pension based on your stepped down pay. The first pension will also be kept up to date with cost-of-living increases. When you retire, both pensions will be added together.

Q. What is wind down?
A. As an alternative to retiring, you can opt to wind down by working fewer days or hours in your current post. Pensions for part-time staff are calculated on the whole time equivalent salary, so moving from full-time to part-time work, rather than retiring, should not reduce the level of pensionable pay for the calculation of pension benefits. However, it will reduce the rate at which members build up future membership.

Q. What is draw down?
A. Draw down is only open to members of the 2008 section of the NHS Pension Scheme. This option allows you to take part of your pension benefits, while continuing in NHS employment. On reaching age 55, members become eligible to take some of their pension if they reduce their pay by switching to a lower paid job or by reducing their hours of work. A break in employment is not required to take advantage of this provision to draw down some of your pension.
Q. Can I retire and then return to NHS employment?
A. If you have reached the minimum retirement age you can opt to retire, take your pension benefits and return to NHS employment. Options available include registering for the staff bank by taking retirement, then opting to work on an ‘as and when’ basis, giving an opportunity to pick and choose the hours you work.
Further information and quick links

The following list includes links to further information and guidance available from the NHS Employers website and the NHS Pensions website, this includes information about the NHS Pension Scheme, flexible retirement, the ageing workforce and the NHS Pension Choice exercise. A list of other useful sources of information is also provided.

NHS Employers publications and web pages

NHS Pension Scheme
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview

The Ageing Workforce
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/Age

NHS Pension Choice Exercise
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/PensionChoice

Scheme changes from 1 April 2008
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/SchemeChanges

Flexible retirement and the NHS Pension Scheme
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/PensionChoice

Flexible retirement case studies
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/PensionChoice

Improving Working Lives in the NHS – a framework developed by the NHS Staff Council
www.nhsemployers.org/SiteCollectionDocuments/Improving%20working%20lives_af080709.pdf

Health and safety essential guide
www.nhsemployers.org/HealthyWorkplaces/HealthAndSafety_new/HealthAndSafetyEssentialGuide/Pages/HealthAndSafetyEssentialGuide.aspx

Default retirement age FAQs
www.nhsemployers.org/PayAndContracts/NHSPensionSchemeReview/Age/Pages/DefaultRetirementAgeandtheNHSworkforce.aspx

NHS Pensions publications and web pages

NHS Pensions
www.nhsbsa.nhs.uk/Pensions

NHS Pensions Choice Exercise
www.nhsbsa.nhs.uk/Choice.aspx

NHS Pension Scheme flexibilities
www.nhsbsa.nhs.uk/Pensions/RetirementBenefits.aspx

Employer Choice FAQs
www.nhsbsa.nhs.uk/Pensions/2998.aspx
General NHS Pension Scheme FAQs
www.nhsbsa.nhs.uk/1082.aspx

Information for staff
www.nhsbsa.nhs.uk/Pensions

Member Choice FAQs
www.nhsbsa.nhs.uk/Pensions/2572.aspx

Other useful sources of information

The Advisory, Conciliation and Arbitration Service (Acas) aim is to improve organisations and working life through better employment relations. Acas provides advice and guidance on equality and age discrimination www.acas.co.uk/index.aspx?articleid=1841

The Department for Business, Innovation and Skills (BIS) believes employment matters and is working to promote best practice and effective employment. The BIS provides links to useful information on age discrimination http://webarchive.nationalarchives.gov.uk

The Department of Work and Pensions (DWP) leads the Government’s response to some of the biggest issues facing the country. DWP has produced useful publications on age discrimination www.dwp.gov.uk/age-positive

Business Link is a free business advice and support service, available online and through local advisers. Business Link provides useful information on employing older workers www.businesslink.gov.uk/bdotg/action

The Employers’ Forum on Age (EFA) is the UK’s leading authority on age. The EFA has some useful good practice employer policies that leading employers have adopted to both comply with age discrimination laws and set the standard on good practice www.efa.org.uk/pages

The Age and Employment Network (TAEN) works to promote an effective labour market that serves the needs of people in mid and later life, employers and the economy www.taen.org.uk

You may also wish to read

Leading the workforce through to recovery
www.nhsemployers.org/PlanningYourWorkforce/Pages

The NHS quality, innovation, productivity and prevention challenge (QIPP)

Pension Choice? Career and retirement options for the NHS
www.nhsemployers.org/Aboutus/Publications/Pages/PensionChoice.aspx
NHS Employers

supporting • promoting • representing

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.

Contact us

For more information on how to become involved in our work, email getinvolved@nhsemployers.org

www.nhsemployers.org

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