



## **NHS PENSION SCHEME – CHOICE EXERCISE IN ENGLAND AND WALES**

You will remember that one of the provisions for the NHS Pensions Agreement (signed in 2007) was that when the New NHS Pension Scheme was established, members of the existing NHS Pension Scheme would be given the chance to join the New Scheme. Members who elect to move to the new scheme would have the pension they have already built up prior to 1 April 2008 and any pension they build up after this date calculated based on the New Scheme's provisions.

The New Pension Scheme is known as the 2008 section of the NHS Pension Scheme (as this is the year it was established) and the existing Pension Scheme is known as the 1995 section of the NHS Pension Scheme (for similar reasons).

These two sections offer differing levels of pension benefit; a summary of the provisions of each section can be seen in the table attached to this bulletin.

### **Terms to be offered to Members in Choice Exercise**

Extensive discussions have been ongoing since early 2008 on the terms on which members can choose to transfer 1995 section benefits into the 2008 section. The focus has been on finding the right balance between presenting attractive terms for members interested in working towards age 65 without generating any additional costs for the pension scheme, or create any undue benefit to transferring members which might arise solely by a member choosing to transfer to the 2008 section.

These discussions have only recently concluded and terms have been provisionally agreed. The factors which will apply to the conversion of service built up prior to 1 April 2008 from the 1995 section into the 2008 section are based on members' ages at 1 October 2009 and are:



Age at 1 October 2009	Conversion Factor
Under age 60	100%
60-61	100% - 98%
61-62	98% - 96%
62-63	96% - 94%
63-64	94% - 92%
64-65	92% - 90%
65-66	90% - 86%
66-67	86% - 82%
67-68	82% - 78%
68-69	78% - 74%
69-70	74% - 70%
70-71	70% - 66%
71-72	66% - 62%

The conversions terms will gradually decrease from 100% from the age of 60. So for example

- A member aged under 60 will receive 100% of their pensionable service prior to 1 April 2008 if they transfer it into the 2008 section. So if they had built up 13 years of pensionable service in the 1995 section, they would be treated as having 13 years of pensionable service in the 2008 section (in addition to any service they have built up from 1 April 2008).
- A member aged 62 will receive 96% of their pensionable service prior to 1 April 2008 if they transfer it into the 2008 section. So if they had built up 16 years and 8 months of pensionable service in the 1995 section, they would be treated as having 16 years of pensionable service in the 2008 section (in addition to any service they have built up from 1 April 2008).
- A member aged 68 will receive 78% of their pensionable service prior to 1 April 2008 if they transfer it into the 2008 section. So if they had built up 33 years and 4 months of service in the 1995 section, they would be treated as having 26 years of service in the 2008 section (in addition to any service they have built up from 1 April 2008).



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As well as having their pensionable service (potentially) changed on transfer, a few restrictions have been developed which members need to be aware of. These restrictions have been designed to ensure that no member receives any undue benefit through Choice, which would place an extra burden on the NHS Pension Scheme and may have to be funded by other members through the cost sharing arrangements. These include:

- Even though there is no obligation on members to take any lump sum in the 2008 section, transferring members will be required to take a minimum level of lump sum in line with what they have built up in the 1995 section.
- Members who move to the 2008 section and retire on ill health grounds within one year will not get the benefit of the extra five years to normal retirement age.
- Members who currently hold Special Class status within the 1995 section can not transfer this status across to the 2008 section. These members will be subject to exactly the same terms as other members of the 1995 section.

### **Delivering the Choice Exercise**

It has been agreed that Choice will be delivered in two stages – those aged 50 and over at 1 October 2009 will be allowed to make a Choice first, and then the exercise will be offered to those aged under 50. The main exercise will be preceded by a sampling set of some 1,500 early adopters, which is needed to test the resources and systems of the NHS Pensions Agency. Throughout the whole process anyone who comes to retire from 1 October 2009 onwards should be offered a Choice before their retirement date. In order that these members have sufficient time to make a Choice, statements will be sent out to these members from 1 July 2009.

A provisional timetable for delivering Choice has been circulated and is shown below. Please note that this is not final and is subject to some change.

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Date Sent	Choice Statements	Area of Membership
Jan – Mar 2010		South West Strategic Health Authority (50+) South Central SHA (50+) South East Coast SHA (50+)
Apr – June 2010		London SHA (50+) East of England SHA (50+) West Midlands SHA (50+)
July – Sept 2010		East Midlands SHA (50+) Yorks and North Humber SHA (50+) North West SHA (50+)
Oct – Dec 2010		North East SHA (50+) Wales (50+) South West SHA (<50)
Jan – Mar 2011		South Central SHA (<50) South East Coast SHA (<50)
Apr – June 2011		London SHA (<50) East of England SHA (<50) West Midlands SHA (<50)
July – Sept 2011		East Midlands SHA (<50) Yorks and North Humber SHA (<50) North West SHA (<50)
Oct – Nov 2011		North East SHA (<50) Wales (<50)

There will be a four month window in which members can make their Choice (in the form of a returned tick box form). One month of this is set aside to allow employers to distribute the statements. Any member who does not believe that the information presented in the statement is correct can query this information with NHS Pensions (see [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions) for more information). Whilst a query is being investigated the timescale for an individual's Choice is put on hold. If the query results in a new statement having to be sent, the timescale is re-set to four months.

The default position for a member who does not return a form is that they remain in the 1995 section.

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Key points to remember:

- There will be a wealth of information provided on the two pension sections and the Choice exercise. GMB is working with NHS Employers and NHS Pensions on the format and content of the communications.
- Choice may be seen by many employers as a way of resolving any future recruitment problems. They need to remember that Choice is a personal decision and members should not be influenced by employers.
- Similarly, GMB cannot give any financial advice in stating whether or not members will be better off under a particular option. Sufficient information will be made available to members which will enable them to make an informed decision.

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<b>1995 Section (Existing Scheme)</b>		<b>2008 Section (New Scheme)</b>
Final Salary	<b>Type of Scheme</b>	Final Salary
60	<b>Normal Pension Age</b>	65
1/80	<b>Accrual Rate</b>	1/60
Last years' pensionable pay or best pensionable pay in last 3 years	<b>Final Pensionable Pay</b>	Best 3 year average of pensionable pay in the last 10 years
Automatic lump sum of 3 times pension plus option to give up pension for extra lump sum at a rate of £12 lump sum per £1 of pension given up	<b>Lump Sum</b>	No automatic lump sum - option to give up pension for extra lump sum at a rate of £12 lump sum per £1 pension given up
Between 5% and 8.5% of pensionable salary depending on amount of full time equivalent pensionable pay	<b>Member Contributions</b>	Between 5% and 8.5% of pensionable salary depending on amount of full time equivalent pensionable pay
Death in service lump sum of 2 times pensionable salary. Partner receives pension based on enhanced service.  Children's pensions payable to age 23.	<b>Survivor Benefits</b>	Death in service lump sum of 2 times pensionable salary. Partner receives pension based on enhanced service.  Children's pensions payable to age 23.
50	<b>Minimum Pension Age</b>	55
Option to protect pensionable pay for over 50's (55's from April 2010) where this is reduced by at least 10%.	<b>Step Down/Flexible Retirement Arrangements</b>	Option to draw on a portion of pension and continue in lower paid employment.
Two tiered arrangement in place:	<b>Ill Health Pensions</b>	Two tiered arrangement in place:



<p>Tier 1 - Members certified as incapable of carrying out their employment before the age of 60 will receive an immediate unreduced pension.</p> <p>Tier 2 - Members certified as incapable of carrying out any employment before the age of 60 will receive an immediate unreduced pension with an enhancement to service.</p>		<p>Tier 1 - Members certified as incapable of carrying out their employment before the age of 65 will receive an immediate unreduced pension.</p> <p>Tier 2 - Members certified as incapable of carrying out any employment before the age of 65 will receive an immediate unreduced pension with an enhancement to service.</p>
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