



Talking Point

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Staying informed about the issues important to you

NHS Pension Choice: what does it mean for you?

NHS pensions are under the spotlight more than ever at the moment. The Hutton Report has put public sector pensions, including the NHS scheme, at the forefront of government cutbacks and we are in the middle of the NHS Pension Choice Exercise.

Wesleyan Medical Sickness conducted research to gauge health-care professionals' views on the exercise. The survey of 351 people showed that there is no clear understanding of what the NHS Pension Choice Exercise involves, although understanding increased among those who had received and read their NHS Pension Choice pack.

Background

NHS Pension Choice: the fundamentals

So what is happening? The NHS pension scheme is split into two sections: the 1995 section and the 2008 section.

If you joined the pension scheme on or before 31 March 2008 you will fall into the 1995 section; if you joined on or after 1 April 2008 you will automatically have been assigned to the 2008 section.

Between January 2010 and March 2012, members of the 1995 section will receive a choice pack offering a one-off option to transfer all pension benefits to the 2008 section.

NHS Pension Scheme	1995 Section	2008 Section
Normal retirement age	60 or 55 for special classes	65, no special classes
Minimum retirement age	50, other than ill health	55, other than ill health
Membership limits	16 – 75, 40 years at 60 & 45 years overall	16 – 75, 45 yrs overall
Accrual rate	1/80th final years pensionable pay	1/60th final reckonable pay (Reckonable pay = the average of the best 3 years payable in the last 10 years)
Retirement lump sum	3 x pension plus option to commute for higher amount	Up to 25% of total pension pot as lump sum. Lump sum equal to lump sum earned to 31 March 2008 must be taken.
Flexible retirement	Step down available	Draw down available
Late retirement	No increase in benefits if you retire after 60 other than through additional years service accrued.	Additional years service accrued plus pension earned up to 65 increases if benefit not taken at normal retirement age

Which Pension Scheme is best for you?

What age are you likely to retire?

Generally speaking, the age you are planning to retire will impact on which Scheme you choose. If you are planning to retire between 60 and 65 years of age, then the difference in projected benefits may be quite small and you should take other factors into consideration.

Is it likely that you'll want to retire before age 55?

If you are looking to retire before the age of 55, you should remain under the 1995 section, where early retirement is normally permitted from the age of 50 years – unless you joined after 6 April 2006 when the minimum retirement age was increased to 55 years of age. Under the 2008 section, early retirement is not available until 55 years of age.

Are you likely to leave the Scheme before taking benefits?

A deferred member does not accrue any further benefits; the benefits already earned are held under the Scheme and paid out when you eventually claim the retirement benefits.

If you move to the 2008 Section and leave the NHS before retiring (and do not return), your benefits are likely to be lower than somebody who remained in the 1995 Section. This is because unreduced benefits in the 1995 Section are paid from 60 but unreduced benefits in the 2008 Section are not paid until 65.

Therefore if you don't expect to remain in NHS employment, or retain NHS earnings, until retirement, you will be unlikely to benefit from transferring to the 2008 Section.

Remember that once you have made your choice, you will not be able to change your mind so it is important that you take time and expert advice, to reach the right decision for your needs.

For further information speak to one of our NHS Pension experts today, please call us on 0800 975 7951.

Wesleyan Medical Sickness

Wesleyan Medical Sickness specialise in providing financial advice for hospital doctors. All of our Financial Consultants are trained to understand the career path and financial needs of doctors.

For more details on how to arrange an appointment with one of our specialist Financial Consultants:

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