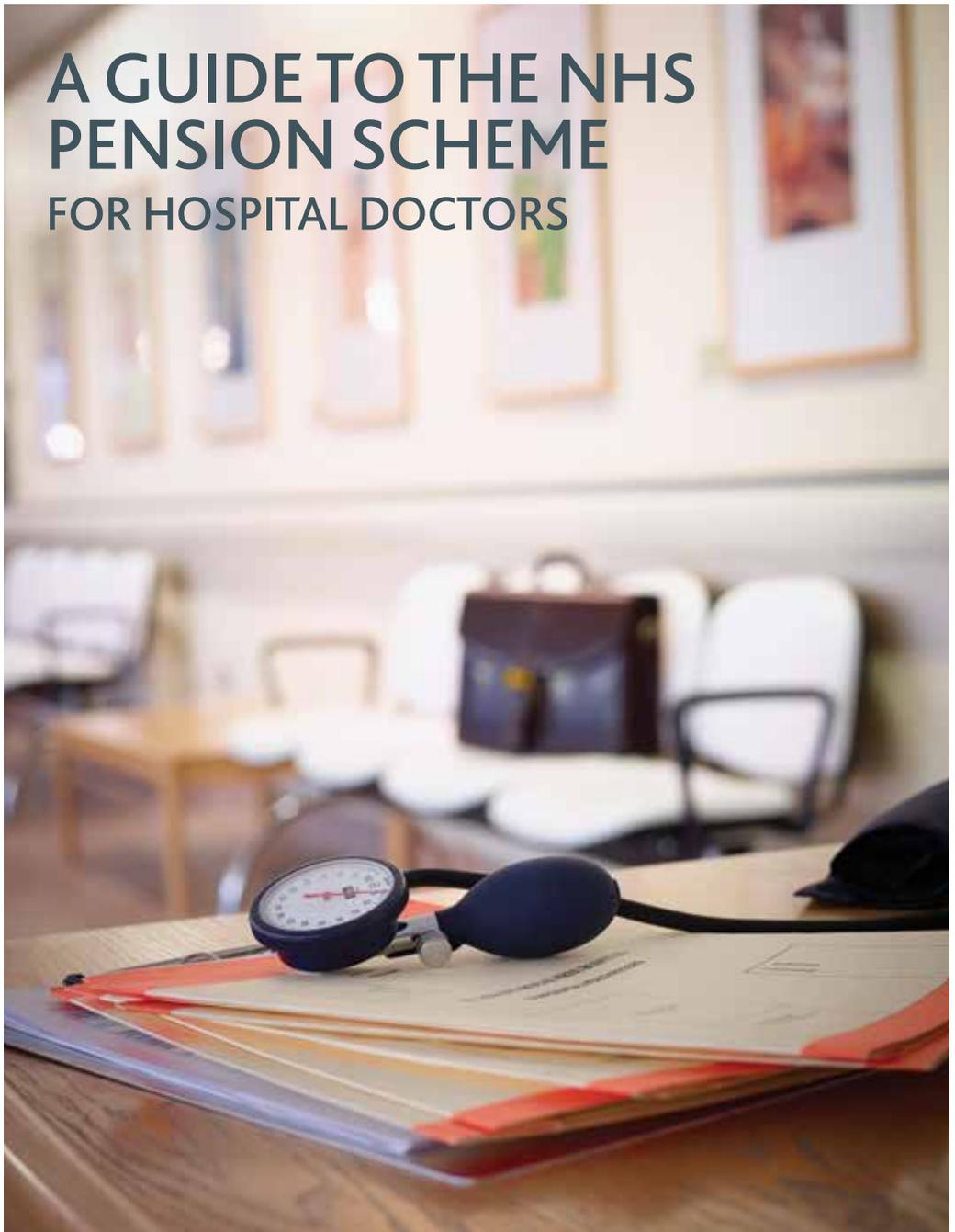


A GUIDE TO THE NHS PENSION SCHEME FOR HOSPITAL DOCTORS



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A GUIDE FOR HOSPITAL DOCTORS WHO ARE MEMBERS OF THE NHS PENSION SCHEME

This document explains important information for members of the NHS Pension Scheme (NHSPS). You should read this document carefully so that you understand what the NHSPS means for you.

The information in this document is based on how we understand the current NHS and it may change in the future particularly regarding the development of the 2015 Scheme. For more information, you should read the Scheme Guide which you can get from your NHS employer or visit www.nhsbsa.nhs.uk/pensions.

In this document, certain words have special meanings.

- ▶ **'Deferred member'** – someone who has left the NHS but has not started taking their pension.
- ▶ **'Final salary'** – the best of your last three years' pensionable pay before retirement.
- ▶ **'Index-linked'** – a payment or build up of pension benefits which increases each year in line with the Consumer Price Index (CPI). This CPI calculates how much goods and services are going up by as a percentage using the average price increase of 600 different goods and services.
- ▶ **'Pensionable pay'** – salary and any extra income you receive (for example, bonuses, overtime, maternity, paternity or adoption pay, Statutory Sick Pay, or any shift allowance).
- ▶ **'Reckonable pay'** – the average of the best three consecutive years' pensionable pay received over the last 10 years before retirement.

Your NHS Pension Scheme

The NHSPS currently has two sections; the 1995 Section and 2008 Section. The section you belong to will depend on when you joined the Scheme, if you transferred out of a Section or if you have rejoined the Scheme at some point.

- ▶ 1995 Section – this Section is for members who were in the Scheme before 1 April 2008. Deferred members may be able to rejoin this Section under specific circumstances.
- ▶ 2008 Section – this Section is for members who joined the Scheme on or after 1 April 2008. Members of the 1995 Section were given the opportunity to move to this Section through the NHS Choice Exercise.

If you are eligible to join the NHSPS you will automatically be made a member. However, Scheme membership is voluntary and you can opt out or leave at any time. Your contributions are taken before you are taxed, so you pay lower income tax on your earnings.

It would be difficult and costly to replace the benefits you get from the NHSPS. It usually makes good financial sense for hospital doctors working in the NHS to remain a member of the Scheme.

2015 Scheme

From April 2015 the existing Scheme (1995 and 2008 sections) will close and the new 2015 Scheme will open. All new members will join the 2015 scheme, with all existing members automatically transferring to the new scheme, unless they have full or tapered protection.

The key difference with the 2015 Scheme is that this will be a Career Average Revalued Earnings scheme (CARE). In a CARE scheme your pension is based on your pensionable pay across your career. Each year a portion of your pay is added to a pot which is then increased by inflation. When you take benefits from the scheme the pension will be based on the pot you have built up.

The existing 1995 and 2008 Sections are final salary schemes. In the 1995 Section this is based on the best of the last three years pensionable pay. For the 2008 Section, this is the best three consecutive years within the last 10 years.

Choice 2 Exercise

The Choice 2 Exercise provides another opportunity for members of the 1995 Section to transfer into the 2008 Section. Due to the introduction of the 2015 Scheme, the choice exercise is being rerun, beginning September 2014 for England and Wales, with all packs being issued by November 2014. The exercise is expected to run until March 2015, Scotland will not run their Choice 2 Exercise until after April 2015. Further details will be published on www.nhsbsa.nhs.uk/pensions.

Normal retirement age

Normal retirement age is 60 for members of the 1995 Section and 65 for members of the 2008 Section. For the 2015 Scheme, the normal retirement age will be 65 or state pension age if higher. The pension benefits you receive will depend on which Section and scheme you are in.

1995 Section

You will receive a pension based on 1/80th of your final salary for each year you have been a member. For example, if you have been a member for 40 years, your pension will be half your final salary. You will also get a tax-free lump sum of three times your pension. You can if you wish, give up some of your pension in exchange for a higher lump sum. The table below shows how much pension you would get today if you retire at the normal retirement age.

Years as member of NHSPS	Final salary						
	£20,000	£30,000	£40,000	£50,000	£60,000	£80,000	£100,000
10	£2,500	£3,750	£5,000	£6,250	£7,500	£10,000	£12,500
20	£5,000	£7,500	£10,000	£12,500	£15,000	£20,000	£25,000
30	£7,500	£11,250	£15,000	£18,750	£22,500	£30,000	£37,500
40	£10,000	£15,000	£20,000	£25,000	£30,000	£40,000	£50,000

2008 Section

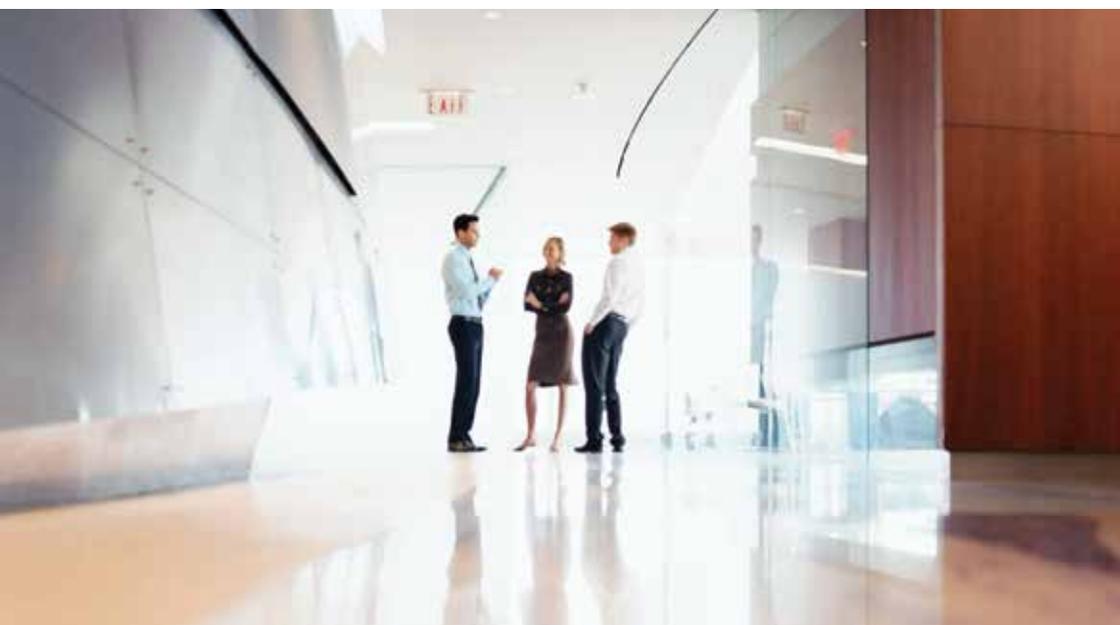
You will receive a pension based on 1/60th of your reckonable pay for each year you have been a member. For example, if you have been a member for 30 years, your pension will be half your reckonable pay. You can usually take up to 25% of the notional fund value as a tax-free lump sum, but you would receive a reduced pension. The notional fund is the estimated value of your NHS pension fund.

The table below shows how much pension you would get today if you retire at the normal retirement age, without taking a lump sum.

Years as member of NHSPS	Reckonable pay						
	£20,000	£30,000	£40,000	£50,000	£60,000	£80,000	£100,000
10	£3,333	£5,000	£6,667	£8,333	£10,000	£13,333	£16,667
20	£6,667	£10,000	£13,333	£16,667	£20,000	£26,667	£33,333
30	£10,000	£15,000	£20,000	£25,000	£30,000	£40,000	£50,000
40	£13,333	£20,000	£26,667	£33,333	£40,000	£53,333	£66,667

2015 Section

The 2015 section will be a CARE scheme and based on 1/54th of your pensionable earnings each year.



Early retirement

You don't have to wait until the normal retirement age to take your pension.

If you were an active member of the 1995 section between 31 March 2000 and 5 April 2006 you can retire from age 50. The minimum age under the new 2015 scheme is expected to be 55.

If you were not an active of the 1995 section member between these dates or you are a member of the 2008 section then you cannot take your pension until age 55.

If you choose to retire before normal retirement age, your pension and your lump sum (for members of the 1995 Section and those who switch to the 2008 Section as part of either Choice Exercise), will be reduced.

The table below shows how much of the normal retirement age pension you will receive if you wanted to retire early.

		Age	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64
1995 Section	Pension (%)		63.9	66.5	69.2	72.2	75.4	79.0	82.7	86.7	90.9	95.4					
	Lump sum (%)		73.4	75.7	78.0	80.5	83.0	85.6	88.3	91.1	94.0	97.0					
2008 Section	Pension (%)							60.9	63.7	66.8	70.1	73.5	77.2	81.2	85.5	90.0	94.9

Early retirement benefits under the 2015 section are currently unconfirmed.

Late retirement

You do not have to take pension benefits at the Scheme normal retirement age. You can choose to remain an active member past this and continue to accrue benefits. This will then increase the pension benefits you are entitled to, when you decide to take them.

The maximum service under the 1995 section and the 2008 section is 45 years and the maximum retirement age is 75.

If you are an active member of the 2008 Section and remain a member past age 65, then the pension benefits you have accrued to age 65 will be increased. This will also apply to the 2015 Section, but does not apply to members of the 1995 Section.

The table below shows the factors to be applied to pensions in the 2008 Section if taking late retirement, based on the pension you would receive at a specific age.

Age	65	66	67	68	69	70	71	72	73	74
Factor	1.000	1.031	1.062	1.096	1.132	1.170	1.211	1.256	1.304	1.355

You can remain an active member of the NHSPS until you achieve 45 years service or reach age 75, whichever comes first. The amount you receive will depend on your pensionable pay and how long you have been an active member. The maximum age under the 2015 scheme is expected to be age 75.

Increasing your pension

You can increase your pension through buying Additional Pension (AP), taking out an Additional Voluntary Contributions (AVC) account or starting a personal pension.

You can buy up to £5,000 of AP in total. AP is index-linked before and after retirement. Contributions to AP can be paid as a lump sum or as regular payments for up to 20 years. In some circumstances your employer may wish to buy some AP for you via a single payment.

You can start an NHS AVC account, into which you can contribute lump sums or regular payments into a separate pension fund that has been chosen by you and the NHSPS managers. When you retire you can use this to provide extra income for you and your dependants.

You could also think about increasing your pension by investing in a personal pension plan. You would make regular or lump-sum contributions, which you can take as an income when you retire.

If you are a member of the 1995 Section, you may have taken out Added Years, which increases the amount of years' membership that you have in the Scheme. This can no longer be set up but half-cost Added Years can still be bought for those who are eligible. You can apply if you took a refund of NHS contributions for a period of membership before 1978. No new Added Years contracts can be started but existing ones can continue.

Ill health retirement

If you have been a member of the NHSPS for two years or more and you can't work because of ill health, you can apply for an ill health retirement pension.

There are two tiers used to work out how much pension you will get:

- ▶ **Tier one benefits** – if you can't do your current job.
The pension you get paid is based on how long you have been a member of the NHSPS at the date of retirement. Even though you will be receiving benefits before normal retirement age, they will not be reduced.
- ▶ **Tier two benefits** – if you can't work at all.
As well as receiving tier one benefits, you will also get an enhancement of two-thirds of your 'prospective service'. This is the number of years left before you reach normal retirement age.

If you are terminally ill you may be able to take your benefits straight away as a lump sum. You can apply for ill health early retirement by completing an application form which you can get from your employer.

Family benefits

Lump sum payment

The NHSPS will pay a lump sum payment (called a death benefit) if;

- ▶ you die whilst working for the NHS and you are an active member of the Scheme;
- ▶ you die within the first five years after your retirement; or
- ▶ you die as a deferred member.

The lump sum paid out if you die whilst retired or if you are a deferred member, will be less than if you were working when you die. The table opposite shows how much lump sum will be paid out if you die and you have been a member of the NHSPS for two years or more.

	While working in the NHS	After you retire	As a deferred member
1995 Section	2x pensionable pay	The lesser of; 5 x annual pension payments (less any pension paid)	3x the pension they would have received if member retired on date of death
2008 Section	2x reckonable pay	OR 2x final salary pension (less any lump sum taken)	2.25x the pension they would have received if member retired on date of death assuming they did not take a lump sum

Although not confirmed, it is expected that the death benefits under the 2015 section will be the same as under the 2008 section.

Dependant's pension

Your husband, wife, registered civil partner or nominated qualifying partner will receive a pension for life, after you die. A qualifying partner is someone who you are in a relationship with that is not legally recognised. You can register the relationship by completing the relevant form from your employer. To qualify, you and your partner must be:

- ▶ in a long-term committed relationship and living together for two years or more; and
- ▶ reliant on joint finances to support your standard of living; and
- ▶ free to marry or enter into a civil partnership with each other.

The amount that is paid out will depend on how long you have been a member of the NHSPS. For benefits paid to widows of male members, the service may include membership prior to 6 April 1988. The table below shows how much pension your dependant will be paid if you die and you have been a member of the Scheme for two years or more. It is based on membership from 6 April 1988, unless extra cover was bought before this date.

Section	1995	2008	2015 (expected)
% of tier two ill health pension payable	50%	37.5%	33.75%

If you have been a member of the Scheme for less than two years, your dependant or qualifying partner would receive the lump sum death benefit payment and a short-term pension (based on your pensionable pay) for six months.

Children's pension

If you die whilst working in the NHS your children will receive a pension until they reach age 23. If your child can't work because they have a physical or mental condition that they have at the date you die, their pension might be paid indefinitely.

The table below shows how much children's pension would be paid out if you die and have been a member of the NHS Pension Scheme for two years or more.

Number of children	Percentage of tier two ill health pension		
	1995 Section	2008 Section	2015 Section (expected)
One	25%	18.75%	16.88%
Two or more	50% shared equally	37.5% shared equally	37.75% shared equally

If there is no surviving partner, the children's pension differs slightly:

Children's pension (with no surviving partner)			
Number of children	1995 Section	2008 Section	2015 Section
One	One third of the pension	25% of the pension will be payable	Details not yet announced
Two or more	Two thirds of the pension divided equally between them	50% of the pension will be payable, shared equally	Details not yet announced

NHS Sick Pay

Your NHS Sick Pay is not related to the NHSPS. The amount of you receive depends on your employment status and how long you have worked in the NHS. Your employer will be able to give you more information about your sick pay entitlement.

Protecting what's yours

Your income

An NHS ill health pension could pay a lot less than what you currently earn. A Wesleyan income protection plan will pay a regular income if you can't work due to sickness or disability. Your income can be automatically increased each year in line with inflation, to help you meet your financial needs until normal retirement age.

Your family

A life insurance plan will help to protect your dependants from financial hardship if you die.

If you are interested in a protection plan with Wesleyan, your Financial Consultant can give you advice to meet your specific needs.

How to contact us

Our Financial Consultants have specialist knowledge of the NHSPS and can advise on all aspects of retirement planning.

If you have any questions, or want to talk to your local Financial Consultant about planning for your future, please contact us in any of the following ways:

- ▶ Call on 0800 107 5597. Our lines are open from 8.30am to 6.30pm, Monday to Friday and from 9am to 2pm on Saturdays
- ▶ Email financialreview@wesleyan.co.uk
- ▶ Visit www.wesleyan.co.uk/appointment

Please quote reference 47545 when contacting us.



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If you would like this document in Braille, large print or audio tape, please contact 0845 351 2352.

Head Office

Wesleyan
Colmore Circus
Birmingham B4 6AR

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