

## Updated version

NHS Superannuation Scheme (Scotland)

Circular No. 8 /2007

NHS and other participating employers  
GP Practices  
NHS Trade Unions and Staff Associations

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Your ref:

Our ref:

24 October 2007

Dear Colleagues

## **CHANGES TO THE CURRENT NHS PENSION SCHEME AND INTRODUCTION OF A NEW NHS PENSION SCHEME FROM 1 APRIL 2008**

In the autumn of 2006, a consultation took place on proposals for the reform of NHS pensions in Scotland. These proposals had been reached in partnership through the Scottish Pensions Review Group (SPensiR)<sup>(1)</sup>.

Having considered the views expressed during consultation, SPensiR have concluded their discussions and agreed a set of pension reforms to take effect from 1 April 2008. The agreement has been endorsed by the Scottish Ministers.

The changes which will take place are detailed in the "Heads of Agreement" document which can be accessed from the Pension Reforms page of the SPPA website at [http://www.sppa.gov.uk/pension\\_reform/nhs.htm](http://www.sppa.gov.uk/pension_reform/nhs.htm).

### **A summary of changes to the current NHS pension scheme in Scotland**

The key aspects of the current pension scheme will remain largely unchanged-

- The normal retirement age will remain at age 60 (55 for Special Classes)
- Pension benefits will still be based on final salary (except for practitioners who retain their Career Average Scheme)
- A tax free lump sum of 3 times pension will continue to be automatically paid on retirement.
- The accrual rate will remain at 1/80<sup>th</sup> of final salary for every year of pensionable employment (for practitioners the accrual rate is 1.4%)

<sup>1</sup> SPensiR is a partnership group with representatives from NHSScotland employers, trades unions, professional organisations and the Scottish Government including SPPA



However, there are a number of improvements to the current scheme which will take effect from 1 April 2008:

- A new option for members to “top up” their tax free lump sum to up to 25% of their total pension fund.
- Partner pensions for eligible unmarried partners.
- Opportunity for paying into the pension scheme for a total of 45 years regardless of age.
- A new option for topping up pension which will replace added years
- Multiple nominations for death benefits.
- More flexibility in the run up to retirement.
- Earnings caps will be removed for service from 1 April 2008.

### **A new NHS pension scheme for new members of staff.**

Staff commencing employment in the NHS for the first time from 1 April 2008 will join the new pension scheme. The key features of this scheme will be:

- Normal pension age of 65.
- Pension benefits based on final salary (career average scheme for practitioners).
- Higher accrual rate of pension of 1/60<sup>th</sup> final salary (1.87% for practitioners)
- Partner pensions for full service
- No automatic lump sum but able to choose to commute up to 25% of pension fund as a tax free lump sum payment
- Final Salary will be based on the average of the best 3 years earnings in the last 10 years before retirement
- Ability to take part pension and continue working whilst accruing further pension

### **Changes to contribution rates**

From 1 April 2008 members’ contributions for both schemes will be based on whole time pensionable earnings as set out in the table below. (N.B. for the first year of operation the contribution tier will be based on pensionable earnings received in 2007/2008 and will not be adjusted during the financial year.) There is no change to the employer rate which remains at 14%.

<b>Annual Pensionable Pay (Full time equivalent)</b>	<b>Current Contribution</b>	<b>New Contribution</b>
<b>Up to £19,682</b>	<b>5% (manuals) or 6%</b>	<b>5%</b>
<b>£19,683 - £65,002 (Linked to AfC pay point 17)</b>	<b>5% (manuals) 6%</b>	<b>6.5%</b>
<b>£65,003 - £99,999 (Linked to AfC pay point 49)</b>	<b>6%</b>	<b>7.5%</b>
<b>£100,000 plus</b>	<b>6%</b>	<b>8.5%</b>

### **Choice**

Members in the current scheme will be given an option to transfer to the new scheme, on the basis that they will take all of their service with them.



It is anticipated that a choice exercise will take place early in 2009, at which time all members of the current scheme will be provided with sufficient information in order to make an informed decision. It should be noted however that neither the SPPA nor NHS employers are permitted under law to give financial advice. Members with deferred benefits in the current scheme who return to NHS employment on or before 30 September 2008 will rejoin the current scheme as amended. Those returning from 1 October 2008 after a break in their NHS employment of less than 5 years will also be able to choose to remain in the current pension scheme.

### **Ill health Consultation**

A separate but parallel review of ill health retirement pensions has also been taking place, again in partnership through SPensiR.

Agreement has now been reached on reform of the ill health retirement pensions, and it is planned to commence consultation on 24<sup>th</sup> October. A number of hard copy consultation documents will be sent to employers and trade unions and the document and response form will also be able to be accessed from the NHS pension reform pages of the SPPA website at [http://www.sppa.gov.uk/pension\\_reform/nhs.htm](http://www.sppa.gov.uk/pension_reform/nhs.htm). NHS staff and/or their representatives and NHSScotland employers are invited to send their comments and completed response forms to the above postal or e-mail address by 14<sup>th</sup> December 2007.

### **Action for Employers**

Employers are asked to ensure that staff are made aware of the changes affecting their pension and of the consultation on ill health proposals. A Notice to Staff is attached at Appendix A for this purpose and SPPA will also be providing a booklet detailing the changes which will be forwarded to payroll managers for distribution to individual staff at the end of November. Full details of the changes, information for those retiring soon and deferred members is also available on the Pension Reform pages of the SPPA Website at [http://www.sppa.gov.uk/pension\\_reform/nhs.htm](http://www.sppa.gov.uk/pension_reform/nhs.htm)

SPPA Operations Branch aim to provide employers with revised employer guidance, updated staff booklets and forms in time for the implementation date of 1 April 2008.

Yours faithfully



Sharon Liptrott (Mrs)  
Policy Officer NHSSS



## NOTICE TO STAFF

### NHS PENSION SCHEME CHANGES FROM 1 APRIL 2008

Staff will wish to be aware that following consultation on proposed changes to the current scheme and the introduction of a new NHS pension scheme in Scotland, Scottish Ministers have approved changes which will be introduced from 1 April 2008.

The key aspects of the current pension scheme will remain largely unchanged-

- The normal retirement age will remain at age 60 (55 for Special Classes).
- Pension benefits will still be based on final salary (except for practitioners who retain their Career Average Scheme)
- A tax free lump sum of 3 times pension will continue to be automatically paid on retirement.
- The accrual rate will remain at 1/80<sup>th</sup> of final salary for every year of pensionable employment (for practitioners the accrual rate is 1.4%).

However, there are a number of improvements to the current scheme which will take effect from 1 April 2008:

- A new option for members to “top up” their tax free lump sum to up to 25% of their total pension fund.
- Partner pensions for eligible unmarried partners.
- Opportunity for paying into the pension scheme for a total of 45 years regardless of age.
- A new option for topping up pension which will replace added years
- Multiple nominations for death benefits.
- More flexibility in the run up to retirement.
- Earnings caps will be removed for service from 1 April 2008.

#### Changes to contribution rates

Staff should be aware that from 1 April 2008 members’ contributions will be based on whole time pensionable earnings as set out in the table below. (N.B. for the first year of operation the contribution tier will be based on pensionable earnings received in 2007/2008 and will not be adjusted during the financial year.)

<b>Annual Pensionable Pay (Full time equivalent)</b>	<b>Current Contribution</b>	<b>New Contribution</b>
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<b>£65,003- £99,999 (Linked to AfC pay point 49)</b>	<b>6%</b>	<b>7.5%</b>
<b>£100,000 plus</b>	<b>6%</b>	<b>8.5%</b>



Full details of all the changes can be found on the Pension Reforms section of the SPPA website at [http://www.sppa.gov.uk/pension\\_reform/nhs.htm](http://www.sppa.gov.uk/pension_reform/nhs.htm) Each member of staff should also receive a booklet setting out the main changes by the end of November or December.

### **A new NHS pension scheme for new members of staff.**

Staff commencing employment in the NHS for the first time from 1 April 2008 will join the new pension scheme. The key features of this scheme will be:

- Normal pension age of 65.
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### **Choice**

Members in the current scheme will be given an option to transfer to the new scheme, on the basis that they will take all of their service with them. It is anticipated that a choice exercise will take place early in 2009, at which time all members of the current scheme will be provided with sufficient information in order to make an informed decision. It should be noted however that neither the SPPA nor NHS employers are permitted under law to give financial advice. Members with deferred benefits in the current scheme who return to NHS employment on or before 30 September 2008 will rejoin the current scheme as amended. Those returning from 1 October 2008 after a break in their NHS employment of less than 5 years will also be able to choose to remain in the current pension scheme.

### **Added Years Contracts**

Members should note that the current facility to purchase added years will be removed under the new arrangements. **Members in the current scheme who wish to take out an added years contract at their next birthday will need to notify SPPA of their intention by 31 March 2008.** Existing added years contracts taken out before the facility is removed will be honoured to buy service in accordance with the current terms.

### **Ill health Consultation**

A consultation on changes to the ill health provisions contained in the NHS pension scheme is intended to take place from 24<sup>th</sup> October and NHS staff are invited to send their comments and completed response forms to the SPPA by 14<sup>th</sup> December 2007. The document and response form will be able to be accessed from the NHS Pension Reform pages of the SPPA website at [http://www.sppa.gov.uk/pension\\_reform/nhs.htm](http://www.sppa.gov.uk/pension_reform/nhs.htm)

### **Enquiries**

If you have any enquiries in respect of the forthcoming pension changes or the consultation on ill health arrangements you can contact your pension administrator either by



Telephone on 01896 893100,

In writing to:

NHS Pension Reforms  
Policy Branch  
SPPA,  
7 Tweedside Park  
Tweedbank  
Galashiels  
TD1 3TE

Or by e-mailing [nhsensionsreform@scotland.gsi.gov.uk](mailto:nhsensionsreform@scotland.gsi.gov.uk)

Sharon Liptrott  
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SPPA  
24 October 2007

