



SCOTTISH PUBLIC PENSIONS AGENCY

NHS Superannuation Scheme (Scotland)

Superannuation (Health Service) Circular No. 11/2003

NHS and other participating employers
NHS Trades Unions and Staff Associations

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24 November 2003

Dear sir or madam

NATIONAL HEALTH SERVICE SUPERANNUATION SCHEME (SCOTLAND) PENSIONS GREEN PAPER – PUBLIC SECTOR PENSION AGE

The purpose of this circular is to inform National Health Service staff of the implications for members of the National Health Superannuation Scheme (Scotland) (“NHSSS”), following the Government’s consultation on its Green Paper “Simplicity, Security and Choice: Working and Saving for Retirement”. An information leaflet outlining the Government’s proposals, as they affect members of the NHSSS – including “frequently asked questions”- is attached at annexe A. Please circulate the leaflet to all staff.

The proposals which will have the biggest effect on members of the NHSSS relate to retirement ages. Specifically, it is proposed that the normal retirement age of the scheme will rise from 60 to 65. Similarly, it is proposed that the minimum retirement age for any members of the NHSSS – with exception of ill health retirement – will be raised from 50 to 55.

As well as the changes to the minimum and normal retirement ages, the NHS Confederation are taking this opportunity to design a new and more flexible NHSSS - with improved benefits - which meets the needs of a 21st century staff. We hope to have the new scheme in place for all new entrants by late in 2006. Transitional arrangements will be put in place for existing staff, to the effect that the new scheme will not apply to them until 2013 at the earliest. We are working closely with the NHS Confederation and consultation with Scottish staff and employer representatives will commence shortly through the Scottish Health Service Consultative Group on Pensions. We hope to have an outline of the proposed changes available by Autumn 2004, with formal consultation taking place in sometime early in 2005.

Further information will be issued as the proposals take shape and the way forward becomes clear. If you have any queries regarding this circular or the information leaflet please contact either John Provan on 01896-893231 or Sharon Liptrott on 01896-893228.

Yours sincerely

Ian Clapperton
Senior Policy Manager



APPENDIX A

PENSIONS GREEN PAPER: PUBLIC SERVICE PENSIONS AGE

Information for Members of the National Health Superannuation Scheme (Scotland) (“NHSSS”)

Background

The Government published a Green Paper in December 2002 entitled “Simplicity, Security and Choice: Working and Saving for Retirement”. It contained a package of reforms, designed to ensure that people are adequately provided for in retirement and to encourage greater participation of older workers in the labour market to meet the challenge of increasing life expectancy. Following consultation, the Government has announced that it will proceed with the proposals contained in the Green Paper. The proposals which will have the biggest effect on members of the NHSSS are the increasing of the minimum retirement age from 50 to 55 (with the exception of ill health) and the increasing of the normal retirement age from 60 to 65.

As well as the changes proposed in the Green Paper, the NHS Confederation are taking this opportunity to design a new and more flexible NHSSS - with improved benefits - which meets the needs of a 21st century staff. Details of how and when the changes will come into effect for new and existing staff are currently being worked out.

The main effect of the proposed changes will be on new entrants. Benefits entitlements which have already been built up by existing employees will be fully protected. Benefits based on service up to the date of change in normal retirement age will be unaffected and existing staff will retain the right to retire and take those benefits at the present normal retirement age of 60. It is expected that service after a certain date will accrue benefits based on a normal retirement age of 65. Existing staff would still be able to take the pension at any time after age 60, with an adjustment for early payment.

We are sure that you will have many questions which you want to ask and we have tried to anticipate these in the “frequently asked questions” information notice, which is attached.

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FREQUENTLY ASKED QUESTIONS

Why is the normal retirement age for the superannuation scheme being raised to 65?

The Green Paper proposed a package of reforms to ensure that people are adequately provided for in retirement. Raising the normal pension age in the NHSSS from 60 to 65, reflects the fact that, in our modern society, life expectancy has increased. In addition, many people actually want to work longer and build up a better pension.

When will the changes take effect?

Not immediately. It looks likely that the changes will be in place for new entrants late on in 2006. And for existing staff, 2013 at the earliest.

Does this mean I cannot retire before age 65?

No. You will be able to retire at 60 – 55 if you enjoy special class or mental health officer status - or after, just as you can do now. The service which you have accrued up to the date when the pension scheme changes will be secured on the existing terms. Even where future service is based on a pension age of 65, you will still have a choice at which age you take your retirement benefits. However, improvements may be made to the NHSSS which will reward people who decide to work on a bit longer.

You mention special classes and mental health officer status. How will the changes affect me if I fall into one of these categories?

Special class status and mental health officer status effectively disappeared for any members who joined the NHSSS from 1st April 1995. There are existing staff who still enjoy the provisions of special class status and mental health officer status, and can retire under the current rules of the superannuation scheme at 55 without any reduction in pension. It is unclear at this stage how the change in the normal retirement age will affect this group of NHSSS members. This is one of the issues which the NHS Confederation, in conjunction with employees representatives, will look to address when they design the new NHSSS.

But if I retire before 65, does that mean I will lose some of my benefits?

It may be the case that your benefits will be reduced if you retire before age 65. This will only affect the pensionable service you accrue after the changes in the superannuation scheme are introduced – remember that this is not likely to be until 2013 at the earliest for existing NHSSS members.

What if I take ill and cannot work up till 65?

Ill health retirement will not be affected by the change in normal retirement age. Rules similar to what we have at the moment will remain in place for those whose health dictates that they cannot work any more.

Would I be better opting out of the NHSSS now?

Absolutely not. Remember that the changes will only affect future service and will not be introduced for existing NHSSS members for a number of years yet. Any reduction in pension benefits as a

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result of you retiring before age 65 will be far less than those which you will lose out on if you leave the NHSSS now. In addition, you will not be able to access any of the improvements or increased flexibilities which we hope to introduce under the new scheme.

If I move from one NHS employer to another after the superannuation scheme rules change for new entrants, will I be regarded as a new entrant, or an existing member of staff?

If, after the new scheme is introduced in 2006, you move from one NHS employer to another, you will be regarded, for NHSSS purposes, as having been in continuous NHS employment. That means that you will be regarded as an existing member of the NHS, not a new entrant and the NHSSS rules as they are at present will continue to apply to you. If you are returning from a career break, or a period of secondment, you will also not be considered a new entrant.

Are the changes being introduced as a cost cutting exercise?

No. Raising the normal retirement age from 60 to 65 is only part of a package of reforms which are planned for the NHSSS. Increasing the pension age from 60 to 65 will help ensure that pensions remain affordable – in that respect the only other option would be to increase significantly the contributions which are made by employees and employers. In addition, we want to increase the flexibilities available to members of the NHSSS who want to work on a bit longer, including scope to vary working patterns as retirement approaches.

So what other changes to the superannuation scheme will take place?

It is really too early to say for certain. The NHS Confederation are looking to design an NHSSS which meets the needs of modern, diverse, 21st century NHS employees. This will include ways in which staff can enhance their benefits and have greater flexibility in the ways in which they make the change from work to retirement.

Scottish Public Pensions Agency
24 November 2003