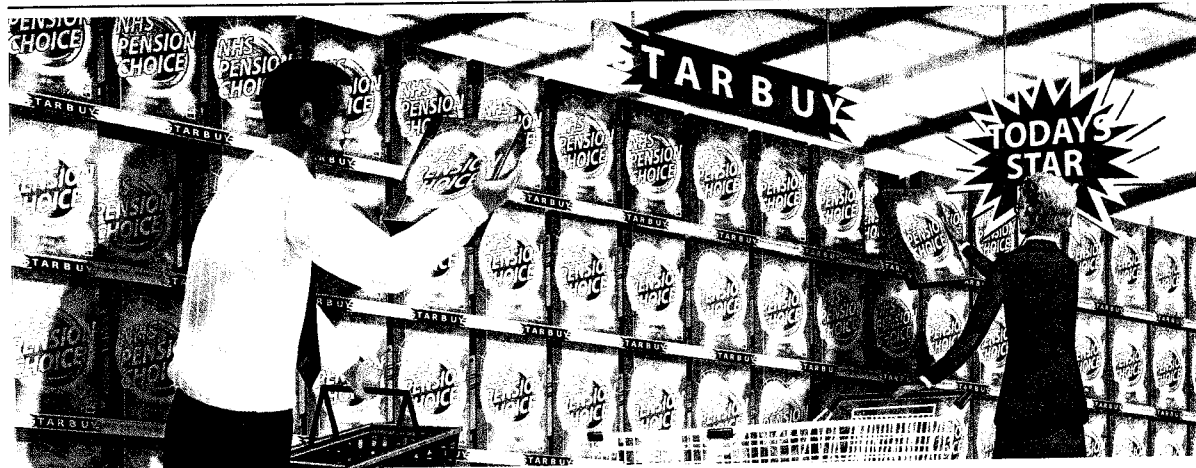


GP MEDECONOMICS



HOW TO...

Exercise your NHS pension choice

GPs in the pre-April 2008 scheme can move to the new scheme on 1 October 2009. Kevin Quinn explains

Confusingly, NHS Pensions have chosen to call the pre-April 2008 NHS Pension Scheme (NHSPS) the '1995 section' and the new scheme the '2008 section'.

GPs who joined the NHSPS before 1 April 2008 are in the 1995 section. Anyone joining for the first time on or after 1 April 2008 will be in the 2008 Section.

Choice exercise

1995 section GPs in NHS service on 1 October 2009 will be given a one-off opportunity to transfer existing and future membership to the 2008 section under the NHS Pension Choice Exercise (PCE).

PCE packs will be issued to eligible GPs on a phased basis. This is expected to start in January 2010 and end in December 2011. These will include personalised statements comparing the benefits GPs could receive at different ages from the 1995 and 2008 sections. A choice form will also be included for GPs to complete and return confirming their decision by the deadline stated.

GPs who do not return the form will remain in the 1995 section. However, if you join the 2008 section you cannot return to the 1995 section.

See the box above for the main differences.

Crucial differences

Normal retirement age is 60 for the 1995 section but 65 for the 2008 section. Undoubtedly the main factor that will determine

DIFFERENCES BETWEEN THE SCHEMES

Benefit/feature	1995 section (joined pre-April 2008)	2008 section (joined April 2008 or later)
Normal pension age (NPA)	60	65
Minimum voluntary early retirement age	50	55
Annual pension	1.4% of career average re-valued earnings (CARE)	1.87% of CARE
Minimum tax-free lump sum	Three times annual pension*	If transfer to the 2008 section must take lump sum equivalent to the minimum earned in 1995 section at 31 March 2008*
Voluntary early retirement	Benefits reduced if taken before age 60	Benefits reduced if taken before age 65
Late retirement factors	Not applicable	Pension earned up to age 65 increased if taken later than 65
Flexible retirement	Further pension build up not possible after benefits taken	Can build up further pension on return to NHS work after retirement.

*Minimum can be increased (within HM Revenue & Customs limits) by giving up £1 pension for every £12 extra lump sum.

whether a GP will be better or worse off in the 2008 section is their planned retirement age.

If you think you might want to take your NHS pension before age 55 note that this is not an option in the 2008 section.

GPs who want to retire before age 63 are likely to be better off remaining in the 1995 section, while those who plan to retire after age 64 would benefit from moving to the 2008 section.

For example, if a GP with re-valued ('dynamised') lifetime NHS pensionable earnings of £3 million retired at either age 60 or 65 their potential benefits

EXAMPLE: NHS PENSION BENEFITS AT AGES 60 AND 65

Assuming re-valued ('dynamised') lifetime NHS pensionable earnings of £3 million		
Retirement age	1995 section	2008 section
60	£42,000 pension £126,000 lump sum	£32,214 pension £126,000 lump sum
65	£42,000 pension £126,000 lump sum	£45,600 pension £126,000 lump sum

(assuming the same tax-free lump sum) would vary significantly as shown in the example.

GPs below age 60 receive a 'day for day' credit for the period of their 1995 section member-

ship transferred to the 2008 section. GPs aged 60 or over receive a reduced credit varying according to their age.

It is not possible to change to the 2008 section without trans-

RESOURCES

- England and Wales www.nhsbsa.nhs.uk/pensions
- Scotland www.sppa.gov.uk
- Northern Ireland www.dhsspsni.gov.uk

ferring section membership. Contributions are the same for both schemes.

The added years (AYs) top-up scheme is not available in the 2008 section: existing AY contracts cease on transfer and the GP receives a credit in the 2008 section for AYs already bought.

If you plan to return to NHS work after retirement, it may be worth moving to the 2008 section as, unlike the 1995 section, this will enable you to build up further pension benefits. When considering this, take into account the 2008 section's normal retirement age of 65.

Take advice

GPs who are unsure which section is appropriate for them personally should seek guidance from their financial adviser before making a decision.

What is clear, however, is that for GPs certain they will retire after age 64, transferring to the 2008 section is likely to be to their advantage.

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