NHS Pension Scheme Changes
(From 1st April 2015)

With all the big headlines surrounding changes to the Pensions Lifetime Allowance (LTA), Annual Allowance (AA) and the proposed changes that will allow individuals to access their entire pension pots with total flexibility with effect from 6th April 2015, GPs could be forgiven for not noticing some significant changes to the NHS Pension Scheme (NHSPS) that are expected to take place from 1st April 2015.

The impact these changes will have for individual GPs (or, indeed, any other members of the NHSPS), will depend on your age as at 1st April 2012 and your individual personal retirement plans.

What are the Expected Changes?

In summary, the main changes are as follows:

- The NHSPS will change from its current Final Salary format (for Employees/Officer Members) to a Career Average Re-valued Earnings (CARE) format. GPs were already in a CARE Scheme.

- The retirement age of the Scheme will be linked to State Pension Age (SPA) which will be age 67 by 2028.

- Members will accrue benefits at a rate of 1/54th (1.85% of lifetime re-valued earnings) for each year of service.

- Previous year’s earnings will be re-valued in line with the Consumer Prices Index (CPI) plus 1.5%.

- The Scheme will be called “The NHS Pension Scheme 2015”.

- Some members of the 1995 Section of the NHSPS will be offered a further Pension Choices Exercise (PCE2), which will enable members of the 1995 Section, who did not move to the 2008 Section during the first PCE, the option to move their benefits to the 2008 Section.

Existing Members

Not all members of the 1995 or the 2008 Section of the NHSPS will need to move to the new Scheme from 1st April 2015.
Members will fall into three categories.

**Full Protection**

Firstly, members who are within ten years of Normal Pension Age (NPA) as at 1st April 2012 will be fully protected and will be able to take their benefits from the NHSPS in line with the Scheme NPA.

This means that members of the 1995 Section who were 50 or over on 1st April 2012 will be able to continue to take their benefits at age 60 without penalty.

Members of the 2008 Section of the Scheme who are aged 55 or over as at 1st April 2012, will be able to take their benefits at age 65 without penalty.

Members of the 1995 Section who were in the Scheme on 6th April 2006 will be able to take benefits at any time from age 50 onwards, subject to Early Retirement Factors (ERFs) (actuarial reduction).

Those in the 2008 Section or those who were not in the 1995 Section before 6th April 2006 will be able to take their benefits from age 55 onwards, but, again, subject to ERFs.

**Tapering Protection**

There will be transitional arrangements for those within 13 years and 5 months of their respective NPA on 1st April 2012.

Tapering Protection is based on how many months beyond ten years you are away from your NPA as at 1st April 2012 and for each month beyond ten years, the protection period is reduced by two months.

For example, someone aged 49 on 1st April 2012 in the 1995 Section would (if the ten year period were to apply in full) not be moved to the new Scheme until age 59. However, as this GP is twelve months away from the Scheme NPA as at 1st April 2012, the ten year protection period is reduced by 24 months (i.e. two months for every one month before NPA) therefore, instead of moving to the 2015 Scheme at age 59, the member would move to the 2015 Scheme at age 57.

Therefore, the member would move to the new Scheme eight years after 1st April 2012 and would, therefore, start building up benefits in the NHSPS 2015 from 1st April 2020.

**No Protection**

Finally, those more than 13 years and 5 months from the Scheme NPA as at 1st April 2012 will move to the new Scheme on 1st April 2015.
Existing Benefits

Members who are moved to the new Scheme will then build up separate benefits under the NHSPS 2015, with benefits already accrued in either the 1995 or 2008 Sections being preserved.

This means that benefits from either the 1995 or 2008 Section can be taken at the Schemes NPAs (i.e. 60 for the 1995 Section and 65 for the 2008 Section) without penalty and the benefits that have been accrued up until members are switched to the new Scheme will be preserved (“Preserved Rights”) and the benefits from the date of moving will be increased by the increase in the Consumer Prices Index (CPI), plus 1.5% until age 60 for the 1995 Section, or 65 for the 2008 Section (or, indeed, later if benefits are not taken at NPA), at which point the benefits from these Schemes can be taken without penalty.

For members who wish to take their “Preserved Rights” at their Scheme’s NPA, they will have an option of taking the benefits from the NHSPS 2015 at the same time, however, the benefits from the 2015 Scheme will be actuarially reduced if they are taken before the Scheme’s NPA (which will be at least age 67) to take into account that they are being paid early.

Members should note that, in order to take their “Preserved Rights”, they will need to retire from the NHS and if they should wish to return to work (after the required break), they will not be able to continue to build up benefits in the 2015 Scheme if they were previously in the 1995 Section of the NHS, however, they will be able to re-join the 2015 Scheme if they were previously in the 2008 Section.

PCE2

Members of the 1995 Section (that do not have full protection) will be given a further Pension Choices Exercise (PCE) called a “PCE2”. This will give members a “one-off” opportunity to convert their 1995 Section membership to a Section 2008 membership, however, this is a “one-off” decision and is not reversible. The deadline for making the decision will generally be three months from the date that the PCE Pack is received.

By moving from the 1995 to the 2008 Section, the NPA is increased from age 60 to 65, therefore members will not be able to take benefits before age 65 without penalty. Members will need to consider their own circumstances and possibly take advice before making a final decision. However, the rate that members build up benefits in the 2008 Section is more generous than the 1995 Section.
Summary

In summary, a new NHSPS, the NHSPS 2015, will replace the existing NHSPS on 1st April 2015, with any new joiners to the NHS moving immediately into the new Scheme.

The new Scheme will have a Normal Pension Age (NPA) that is linked to the State Pension Age (SPA), which means that new joiners will have a minimum pension age of 67 for those retiring after 2028. SPA is expected to increase to age 68 some time in the 2030s and will continue to be reviewed and increased based on various factors such as longevity.

The Scheme will be a “Career Average Re-Valued Earnings” (CARE) Scheme.

Members will have to wait longer in order to take the benefits without penalty, due to the later NPA of the Scheme.

Current members of the NHSPS will move to the new Scheme on 1st April 2015 if they are more than 13 years and 5 months from the Scheme’s NPA on 1st April 2012. Those with less than 13 years and 5 months to the Scheme’s NPA of 60 or 65 will move to the 2015 Scheme on a gradual (tapering) basis.

Any members within ten years of the Scheme’s NPA of 60 or 65 will be fully protected and will not, therefore, move to the new Scheme. They will be able to take benefits without penalty at the Scheme’s NPA.

Members of the 1995 Section, who do not have full protection, will be given a further opportunity to transfer their benefits to the 2008 Section under PCE2. Member Packs should be sent out later this year. Members will then have three months to make a decision, after which time the option will no longer be available. The decision once made, cannot be reversed.