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Department

Pensions Update





NHS Pension Scheme Basics



Two sections

The 1995 section

Applies to joiners on or before 31 March 2008

The 2008 section

Applies to joiners after 1 April 2008 and those that transferred under the choice exercise



Two schemes in one

GPs (including partners, salaried, locums etc)

- Total career dynamised earnings (like CARE)

Everyone else (all hospital & community doctors)

- Final salary



‘Final salary’ pension

Pension =

$$\frac{\text{Years Days (scaled service)}}{80^*} \times \text{pensionable salary}$$

* 1/60 in 2008 section



Dynamising

Year	Pensionable Income (£)	Dynamising factor	Uprated income (£)
1983	19,500	4.499	87,731
1989	28,200	2.966	83,641
1994	40,200	2.104	84,581
2003	61,618	1.384	85,279
2004	80,000	1.226	98,080
2006	90,000	1.069	96,210

BMA Factsheet: General Practitioners





Basic GP Pension

Pension =
Total dynamised income x 1.4%*

* 1.87% in 2008 section

GP pension - worked example



Total career earnings = £2,500,000

Pension = 1.4% x £2,500,000 = **£35,000 p.a**

Uprating for pre- GP service

$$£35,000 \times \frac{36}{33} = \text{£}38,182 \text{ p.a}$$

Lump sum = 3 x £ 38,182 = **£114,546**

Lump sum (tax free)



3 x annual pension automatically, but flexibility for up to 25% of pension value

Unless: Married man with service before 25/3/1972 or, married woman who elected to obtain widower's pension on service before 6/4/1988

Commuting pension for extra lump sum

Pension = £50,000 p.a.

Maximum lump sum = £50,000 x 5.36 = £268,000

£268,000 - £150,000 = 118,000 / 12 = £9,833

Reduced pension = £40,167 p.a.



Improving your benefits

- buy unreduced lump sum
 - added years scheme
- } Maximum extra contribution – 9% of salary
- additional pension purchase
 - personal pensions / Stakeholder
 - employer AVCs
 - AVCs / FSAVCs



Retirement

Normal retirement: age 60

Late retirement: up to age 75

Maximum 45 years' service at any age

Voluntary early retirement: age 50 onwards

- age 55 from 2010 onwards
- enhanced pension (ill health, redundancy, etc)
- voluntary (with actuarial reduction)



Returning to work after retirement

There is no reduction to pension if:

- return over age 60 (or over age 50 on VER with actuarial reduction)
- break in service of at least 1 calendar month (or reduce to less than 16 hours per week)
- Abatement only applies to enhanced element of pension on return to work following ill health/redundancy retirement/MHO under 60

It is not possible to rejoin NHS pension scheme after retirement

Spouse's pension

Widow's pension

Death after retirement

- 50% of doctor's pension

Death before retirement

- 50% of ill health (ie enhanced) pension

Widower's pension

Same basis ie 50%, But calculated on post-1988 service only

Children's allowance



Big issues in pensions



Change from RPI to CPI indexation

Issue: The method by which pensions are increased in retirement and the basis for the calculation of the dynamising factor was linked to the Retail Prices Index (RPI) but is now linked to Consumer Prices Index (CPI).

Timescale: Introduced April 2011.

Reduction of pensions taxation limits.

Issue: Annual Allowance (AA) was reduced from £255k to £50k and Lifetime Allowance (LTA) will be reduced from £1.8m to £1.5m. Financial advisers will cover in detail later

Timescale: AA – April 2011, LTA – April 2012.



Increase to employee contributions

Issue: Government wants to increase contributions by 3.2% of public sector pensionable pay across all schemes. Doctors could see increase to up to 14.5%.

Timescale: April 2012 (up to 2.4% increase, 2013 (2.4%) & 2014 (1.2%))





Recommendations by Lord Hutton

Issue: IPSPC report published March 2011. 27 recommendations including linking normal pension age to state pension age and final salary/GP equivalent being replaced by CARE.

Timescale: Consultation in autumn 2011, implementation by 2015?



HMT announcement 2 November 2011

- 1/60 CARE scheme
- Transitional protection 10 years from April 2012
- No change to CARE replacing final salary, NPA linked to SPA or increased contributions
- Government's final offer?



Most queries we receive
are from more senior
members

BUT...

Junior Doctors & medical
students are most affected!



Any questions?

