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PENSIONS – HOW THE GOVERNMENT’S PROPOSED CHANGES MAY AFFECT YOU.



Sara Hunt

Unless you have been working flat out, or holidaying on a remote island with no contact with the outside world, most of you reading this article will be aware the Government is proposing drastic changes to the NHS pension scheme. There is a need for pension reform as the change in demographics (more retirees, less active workforce) means a shortfall in pension funds.

At present the Government have put a hold on further review, apparently as a result of civil servants voting for strike action over the proposals. Following this they backed down on the pensionable age for civil servants being raised to 65. The cynics amongst us would say that the halt in negotiations has more to do with the small issue of the general election on May 5th...

For hospital doctors the proposals include two major negative changes:

1. Increasing the pensionable age from 60 to 65.
2. Changing the final salary scheme to a “Career Average Revalued Earning Scheme” or CARE scheme.

The Government is keen on the CARE scheme as it feels that lower paid workers with flat career salary structures will benefit. Undoubtedly this is the case, but it would severely disadvantage those with significant increases in salary during their career progression.

At present your NHS pension is based on an average of your final three years of salary. Most hospital doctors’ basic salary (on call excluded) as juniors is relatively small, but towards the end of their careers, as consultants, they receive significant increases in salary.

The difference in monetary terms between the two schemes seems to be somewhere between a 15 - 27% drop in pensionable salary with the CARE scheme. If you try to correct this deficit by buying an additional private pension it could cost you nearly £500,000. The following table is from the NHS Pension Scheme review consultation published in January 2005;

The present pension scheme works on an 80ths rule. You receive 1/80th for every year worked. If you work from age 25 to 65 you accrue 40/80th (or half) and therefore your pension will be 50% of the average of your final three years salary. You will also receive a tax-free lump sum 1.5x your final salary. The absolute maximum is 45/80ths, but the only way you can achieve this as a doctor is to buy added years, as you don’t join the scheme at 18.

The Government wants to change the “80ths” scheme for a “60ths” scheme. This scheme will deliver a maximum of 40/60th of your CARE as a pension (1/60th per year of service). Part of this pension can be taken as a tax-free lump sum, but this will result in a smaller pension. Interestingly, last year MPs voted for improvements in their own pension scheme using the 40ths rule!

The Government is also proposing that the retirement age increases from 60 to 65 years. There is a well demonstrated decline in life expectancy for doctors who retire later. Anaesthetics and ITU is a more physically demanding and stressful job, with a more onerous on-call than some other specialties. Although it would be a nice idea, it is unlikely that the Government would be prepared to negotiate

Example career paths and benefits earned				
Career - Grade and Earnings History	Part Time Hours	Final Pensionable Salary	Final Salary Benefits at 65	CARE Benefits at 65
Full time Consultant Age 24: PRHO: £19,703 Age 25: SHO: £24,586 Age 28: Specialist Registrar: £28,875 Age 33: Consultant: £69,243	Full time throughout	Point 8 with 12 CEAss £126,441	£86,400	£63,000
Part time Consultant Age 24: PRHO: £19,703 Age 25: SHO: £24,587 Age 28: Specialist Registrar: £28,875 Age 40: Consultant (no on call) £67,133 Age 45: Consultant: £81,004	Age 24: Full time Age 30: Career break Age 33: 50% hours Age 40: 75% hours	Point 8 with 10 CEAs £121,037	£67,100	£46,000

different retirement ages for each specialty (however, a precedent was set for Mental Health Officers in the past).

Historically, and likely to continue at least in the short term, any anaesthetist fortunate enough to receive a Clinical Excellence Award has done so later in their careers than almost all other specialties. This would reflect in a boosted pension using the final salary scheme but will have little effect on their CARE pension. The effect will be less in Wales under the new Contract as Consultants as all specialties are eligible for the awards every 7yrs.

Those of you who were privileged enough to be able to take time out from your SpR rotation and spend a year in foreign climes will, I am sure, have gained invaluable experience. If the CARE scheme is implemented, in future trainees may have to think twice before embarking on a year abroad as they face losing an increment in their pay scale, which will affect final pension. (It is worth discussing this with your trust's pension officer if you are thinking of taking a year out). It could be argued that this will have an impact on training and future consultant skills, as we may no longer be bringing new skills and ideas from other countries.

Those trainees who choose, for whatever reason, to train flexibly will also be disadvantaged – so much for Mr Blair's 'family friendly' policies!

Financially, under the new consultant contract, the higher up the seniority scale you start the better, and if a CARE pension were introduced this would apply even more so.

As Labour were re-elected on 5th May, the pensions issue will be re-opened.

If one accepts that there is not enough money in the pot, and that something will have to change, one option may be to campaign for those already within the NHS to stay in the existing scheme until their retirement and for new starters to be placed in a new and different scheme. Another option would be to increase pension contributions, which is likely to be an unpopular move.

Whatever the options, I urge you all to be pro-active and show the Government the weight of feeling from ordinary doctors behind this issue, and not allow these changes to be implemented unchallenged. The Judges, although admittedly a smaller group, managed to modify the proposals for their pensions.

You can email your views to the BMA at info.pensionsreview@bma.org.uk/pensions or write to your local MP.

Sara Hunt

If you would like to discuss this topic further, go to the AAGBI forum on www.doctors.net.uk. The forum can also be accessed using the AAGBI website on www.aagbi.org.



GE Healthcare

Association of Anaesthetists of Great Britain and Ireland

**GE HEALTHCARE
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With the generous support of GE Healthcare, the Association of Anaesthetists provides a Fellowship to support a major Research Programme to be undertaken in Great Britain or Ireland in a subject related to anaesthesia or intensive care. The application should be made on behalf of a Department of Anaesthesia in the UK or Ireland by a senior member of that department who is a member of the Association of Anaesthetists of Great Britain and Ireland.

The grant is worth a maximum of £100,000 over a two-year period. The primary object of the award is to encourage clinical anaesthetists, in particular trainee anaesthetists, to become involved in research with a view to training the academic anaesthetists of the future. The money would most appropriately be used to provide a salary for an anaesthetist undertaking research towards a higher degree but may also be used to fund or part-fund a salary for scientific or technical personnel, to purchase equipment or for other support.

Closing date: Friday 5th August 2005

Further information and application forms are available from:

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THE ASSOCIATION OF ANAESTHETISTS
of Great Britain & Ireland

Evelyn Baker Medal
An award for clinical competence

The Evelyn Baker award was instigated by Dr Margaret Branthwaite in 1998, dedicated to the memory of one of her former patients at the Royal Brompton Hospital. The award is made for outstanding clinical competence, recognising the 'unsung heroes' of clinical anaesthesia and related practice. The defining characteristics of clinical competence are deemed to be technical proficiency, consistently reliable clinical judgement and wisdom and skill in communicating with patients, their relatives and colleagues. The ability to train and enthuse trainee colleagues is seen as an integral part of communication skill, extending beyond formal teaching of academic presentation.

Dr John Cole (Sheffield) was the first winner of the Evelyn Baker medal in 1998, followed by Dr Meena Choksi (Pontypridd) in 1999, Dr Neil Schofield (Oxford) in 2000, Dr Brian Steer (Eastbourne) in 2001, Dr Mark Crosse (Southampton) in 2002, Dr Paul Monks (London) in 2003 and Dr Margo Lewis (Birmingham) in 2004.

Nominations are now invited for the award to be presented at the WSM in January 2006 and may be made by any member of the Association to any practising anaesthetist who is a member of the Association.

The nomination, accompanied by a citation of up to 1000 words, should be sent to the Honorary Secretary by 7 October 2005.