

## **Understanding pension changes**

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- Most members of the NHS Pension Scheme will have membership in the 1995 or 2008 section of the pension scheme before moving to the new 2015 scheme.
- All new members from 1 April 2015 or those without protection will join the 2015 scheme.

### **Issues to consider:**

1. Current position
2. 2015 scheme changes
3. Contributions
4. Pensionable Pay
5. Improving benefits
6. Choice 2
7. Impact of Lifetime and Annual Allowance reductions on your pension plans

## **1: Current Position:**

### **Current pension for hospital doctors – 1995 section ‘final salary scheme’**

- Members who joined before 1 April 2008 are in the 1995 section
- 1/80<sup>th</sup> of final pensionable pay for each year of service
- Automatic tax free lump sum
- Normal Pension age of 60

### **Current pension for hospital doctors – 1995 section ‘final salary scheme’**

- Members who joined after 1 April 2008 or switched via the Choice exercise are in the 2008 section
- 1/60<sup>th</sup> of reckonable pensionable pay for each year of service
- No automatic tax free lump sum
- Normal Pension age of 65
- No MHO status
- No Added Years

## **2: Moving to the 2015 Scheme:**

### **Transitional protection**

- Full protection applies to members who were within 10 years of their current Normal Pension Age (NPA) on 1 April 2012.
- Tapering protection applies to members who were between 10 - 13.5 years from their current NPA on 1 April 2012:
  - 1995 section – age 46.5 and over
  - 2008 section – age 51.5 and over
  - 1995 section MHOs – age 41.5 and over
- Tapering protection delays the date at which you join the 2015 scheme.
- For 2008 section members with tapering protection there will be an option to move to the 2015 scheme before protection ends. More details will be available soon on the NHS Pensions website

### **2015 scheme**

- 1/54 Career Average Revalued Earnings (CARE) scheme
- Revaluation of pensionable earnings by CPI + 1.5%
- Full transitional protection of NPA and current accrual for anyone within 10 years of current NPA on 1 April 2012
- Tapering protection for those within 13.5 years of their current NPA – delayed switch to new scheme
- Normal Pension Age linked to State Pension Age
- Option to pay further contributions to remove actuarial reduction after age 65
- Increased contributions
- “Guaranteed for 25 years”
- Retention of ‘Fair Deal’ and commitment to allow members who are TUPEd out to remain in the NHSPS

## Accrued benefits

- All accrued benefits (pension and lump sum) earned up to 1 April 2015 (or later date of move if transitionally protected) will be protected
- Hospital doctors will retain their accrued pension in either section (1995/2008) and these benefits will be based on actual final pensionable pay at retirement
- These benefits can be taken from current NPA

### 3: Contributions for 2015 scheme

Tier	Pensionable Pay (whole-time equivalent) paid in 2014-15	Contribution Rate in 2015-16
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21,387.99	5.6%
3	£21,388.00 to £26,823.99	7.1%
4	£26,824.00 to £47,845.99	9.3%
5	£47,846.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

## **4: Pensionable Pay**

*Final pensionable pay* - pay on which pension is based

- The best of the last 3 years notional whole-time pay
- Usually the 12 months before retirement

*Pensionable pay* – pay on which contributions are based

- Basic salary up to 10 PAs
- Merit awards and Discretionary Points
- Clinical Excellence Awards
- Intensity payments
- Availability supplements
- London weighting

### **Working less than full time**

- Members working less than full time will pay contributions based on the whole time equivalent pay.
- This will continue in the 2015 section for hospital doctors.
- Reckonable or scaled service refers to service which has been reduced to take account of part-time working.
- If you work for 10 years at 50% of whole-time you will have accrued 5 reckonable/scaled years of service.

## **5: Improving Benefits**

### **Added Years**

- Added Years are not available in 2015 section
- Current contracts in the 1995 section can continue and will accrue further service in the protected 1995 section
- These are available at contract end date
- Final salary link includes added years accrual
- Can terminate added years at any time

### **Additional Pension**

- From 1 April 2008 a facility was introduced to allow members to purchase additional annual pension in units of £250 up to a maximum of £5,000 per annum.
- Any existing Additional Pension contracts can continue on moving to the new scheme.
- Any lump sum purchase bought before moving to the 2015 scheme will form part of your accrued benefits in the 1995/2008 sections.
- Additional Pension will attract CPI increases.
- You will also be able to purchase Additional Pension in the 2015 scheme.

## **6: Choice 2 Exercise**

- This was a second opportunity to move 1995 section accrued benefits into 2008 section
- This option was for members who did not have full protection from 2015 scheme only
- You will still join the 2015 section if you moved your benefits via Choice 2
- For those who retire later, switching from the 1995 Section to the 2008 Section could have increased benefits for pre-2015 service
- This option is now closed from 31 March 2015.

## **7: Impact of Lifetime and Annual Allowance reductions on your pension plans**

### **April 2014: reduction of pensions taxation limits**

- The Annual Allowance (AA) restricts the amount of growth your pensions can have before tax relief is clawed back. The AA has reduced from £50k to £40k.
- The Lifetime Allowance (LTA) restricts the amount of pension saving you can have without incurring an additional tax charge. The LTA has reduced from £1.5m to £1.25m.
- From 6 April 2016 the LTA will reduce to £1m.
- Fixed Protection is no longer available from HMRC in relation to the LTA reduction.
- Individual Protection is available to apply for up to 5 April 2017.
- This may be useful to those of you who are close to retirement.

### **Annual Allowance**

- April 2014 – Reduced to **£40,000** per annum
- This is the amount your pension can grow before taxation is applied
- This level of Annual Allowance means it is very easy for a member of the NHS pension scheme to have growth which exceeds the Annual Allowance
- Carry Forward
- Scheme Pays

### **Life Time Allowance**

- April 2014 - £1.25m
- This is the *total* amount of benefits you can access from all your pension provisions (excluding the State pension) without becoming subject to additional taxation.
- Benefits in excess of the Lifetime Allowance can be accessed but will be subject to additional taxation. Benefits exceeding the Lifetime Allowance are subject to the Life Time Allowance Charge.
- Benefits in excess which are taken as an annual pension are taxed at 25%.
- Benefits in excess which are taken as lump sum are taxed at 55%.

### **Individual Protection**

- Available for those with benefits above £1.25m at 5 April 2014
- Provides protection to value of total pension benefits capped at £1.5m
- Allows for further pension accrual
- Available from 6 April 2014 to 5 April 2017

### **Existing Protection**

- Enhanced Protection
- Fixed Protection 2012 & 2014
- For those with any existing Life Time Allowance Protection, moving to the new 2015 scheme from April 2015 could mean that you lose this protection.
- Auto Enrolment may also cause you to lose this protection

## **How to contact the BMA Pensions Department**

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