

RCM Pensions Briefing

July 2014

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Introduction

This paper summaries the changes to the NHS Pension Scheme that will come into force from April 2015. The RCM consulted with members in the UK about these changes in Spring 2012.

The 2015 NHS Pension Scheme

Following the Hutton Review into public sector pensions (published in March 2011) all public sector pension schemes will be changed. The NHS Trade Unions were in negotiations with the Departments of Health and NHS Employers from the summer of 2011 and the Government made their final proposed offer in March 2012. You can read the final proposed agreement [here](#).

The main elements of the offer are:

- A career average pension with an accrual rate of 1/54
- Retirement age equal to state pension age
- Average pension contributions of 9.8% (currently 6.5%)
- All accrued rights to be protected.



- Protection for all those within ten years of their retirement age on 1st April 2012
- Some protection for those between 13.5 years and 10 years away from their retirement age. (referred to as 'tapered protection')

The new scheme will start from 1st April 2015; apart from the rise in pensions contributions started in April 2012, with further rises in 2013 and 2014.

A Career Average Pension

Currently, your pension is based on your final salary, so for every year you work you earn a proportion of your final salary (this is called an 'accrual rate'). Under a career average scheme for every year you work you will earn a proportion of your career average salary.

To work out the career average salary each years salary will be uprated by inflation then added together and divided by the number of years worked.

The accrual rate in the new scheme is 1/54 so for each year you work you earn 1/54 of your career average salary. This is better than the 1995 scheme (1/80) and the 2008 scheme (1/60).

In essence, you will earn a bigger proportion of a smaller amount. The vast majority of midwives and MSWs should see no difference in the amount of pension they earn.

Working till State Pension Age

The final offer is that the retirement age of the NHS Pension Scheme will be equal to your state pension age currently between 60 and 68 depending on your date of birth.

It is likely that the state pension age will increase in the future; if it does the retirement age will automatically increase.

If members retire earlier than the retirement age their pension is reduced by 'early retirement factors' - this is about 5% for each year.

However, as all current members of the scheme will have 'accrued rights' i.e. the pension they earned before the new scheme will be based on their existing retirement age, they may be able to retire earlier than their state pension age. We recommend you visit: www.dh.gov.uk/health/agenda-calculator and use the pensions calculator—this will show you the effect of your 'accrued rights' and tell you how long you need to work to earn the same pension.

Increased Contributions

The average contribution will be 9.8%. NHS staff pay different contribution rates dependent on how much they earn (which is based on your whole time equivalent salary).

The contribution rates as of April 2014 are:



Tier	Whole Time Equivalent Pensionable Pay	Contribution Rate
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 £49,472.99	9.3%
5	£49,473.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

Protection of Accrued Rights

All 'accrued rights' are protected. This means everything you have earned up until the start of the new scheme (for most members it will be 1st April 2015) will be protected; so it will still be linked to your final salary when you retire and will be linked to your current retirement age. Therefore it will only be the pension you earn in the new scheme that will be based on your career average salary and linked to your state pension age

Protection for those nearest their retirement age

All employees who are within ten years of their retirement age (of the NHS scheme) on 1st April 2012 will not move into the new scheme, they will keep their existing retirement age and final salary pension, however they will have to pay the increased contributions.

To qualify for protection if you have special class status your retirement age is 55 so you will need to be 45 or over on 1st April 2012; if you are in the 1995 scheme but do not have special class status your retirement age is 60 so you will have to be 50 or over on 1st April 2012; and if you are in the 2008 scheme your retirement age is 65 so you will have to be 55 or over on 1st April 2012.

Tapered Protection

For those employees who are between 13.5 and 10 years away from their retirement age on 1st April 2012 they will move into the new scheme later than 1st April 2015. Therefore they will earn more 'accrued rights' in the old scheme. If this applies to you the date that you will switch to the new scheme can be found on the briefing paper ['Tapered Protection'](#).

Pensions consultation

Following the results of the RCM's consultation with members over the Government's final offer for the NHS Pension Scheme, the RCM Board decided to reluctantly accept the final offer.

The results of the consultation were that 71.8% of the respondents accepted the offer and 28.2% rejected the offer on a turnout of 20%.



Jon Skewes, Director of Employment Relations said: "It is very clear that RCM members have made a pragmatic decision, albeit it with a heavy heart, to accept the offer following the Government's threats to impose a worse scheme which could have resulted in losing the protection for those closest to their retirement age."

"We are still disappointed that the Government would not compromise on age. The retirement age in the new scheme is equal to state pension age which means that midwives and other NHS employees could be working till they are nearly 70 and later if the state pension age goes up. We are concerned that midwives and other NHS employees will not be able to meet the demands of their profession and this could impact on the service. We will seek to work in partnership with the Government and NHS Employers on this important issue and on the full implementation of the new scheme."

Pensions calculator

We recommend that you visit the NHS Pension Scheme calculator to work out what this means for you.

As all current members of the scheme will have 'accrued rights' i.e. the pension they earned before the new scheme, and the improved accrual rate, they may be able to retire earlier than their state pension age.

You should enter the details into the calculator – pay particular attention to the guidance as entering incorrect information will give you an incorrect result!

This shouldn't be taken as an actual pensions statement – it is just an estimate to show you the difference between the old and the new scheme.

It can be found by clicking the link: www.dh.gov.uk/health/agenda-calculator/

Current Retirement Ages

The Government's final offer for the NHS Pension Scheme sets the retirement age of the 2015 scheme equal to members state pension age. As state pension age goes up so will the retirement age of the NHS pension scheme.

There are currently three retirement ages in the NHS: 55, 60 and 65.

Midwives who started with the NHS before March 1995 had special class status - the ability to retire at 55. Special class status ended in March 1995 so employees who started after this date do not have special class status. Midwives who left the NHS for a period of more than five years and restarted after 1995 lost their special class status.

The link below is a document produced by the NHS Pension Agency which explains special class status:



http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/Special_Class_Status_Member_FAQs.pdf

NHS employees who started between March 1995 and April 2008 entered into the 1995 pension scheme, which has a retirement age of 60.

NHS employees who started after April 2008 entered into the 2008 pension scheme, which has a retirement age of 65. Anyone who took the choice to move to the 2008 pension scheme during the choice exercise has a retirement age of 65.

Working Longer Review

When the new NHS Pension Scheme starts in 2015 it will result in NHS staff working longer with an automatic increase in pension age if and when State Pension age increases. The final pensions agreement included a review into the impact of working longer on both the workforce and the service the NHS delivers. The review is conducted in partnership with both employers and trade unions.

The RCM is one of the seven NHS trade unions sitting on the review. If you would like to read more about the RCM's position you can read the article in the Midwives Magazine '[Call the 70 year old Midwife](#)' and the RCM's submission to the call for evidence [here](#).

The purpose of the review is to gather and examine evidence to determine the impact of the whole workforce working to State Pension age and the impact on the delivery of healthcare to patients and clients. We need to identify any categories of worker for whom an increase in Normal Pension age would be a particular challenge in respect of their health and wellbeing.

The review group will look at positive employer practices and behaviours which support the development of age diversity practices in the NHS and to determine the scope of pension scheme design flexibilities to support staff working to State Pension age and in particular support flexible retirement.

On 3rd March the Working Longer Review published their report. There are eleven recommendations including (among others) that the review group should be made a permanent group of the NHS Staff Council to implement the recommendations and to explore further flexibilities in the pension scheme; that pensions communications are more accessible and easily understood; that health, safety and wellbeing recommendations as set out in the Boorman Report be implemented. You can read the report by clicking [here](#).