

NEWS RELEASE

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NHS Employers and trade unions announce proposals for new NHS pension scheme arrangements

NHS staff and employers are being asked to comment on proposed changes to the NHS pension scheme arrangements for England and Wales, unveiled jointly today by NHS Employers and healthcare trade unions.

The proposals would retain a pension age of 60 for existing members of the NHS Pension Scheme and retain a final salary pension for both existing and new staff.

Chair of the NHS Employers pensions negotiating team David Jordison said: "Today marks the culmination of a three year process in which we have worked closely with trade unions to design a modern NHS pension scheme fit for today's NHS that is both sustainable and affordable. We have listened carefully to what staff and employers have told us, and that is why we are proposing both the existing and the new scheme are final salary for all staff apart from GPs, who are already on a career average scheme.

"I believe the proposals will be good for both staff and their employers. We are proposing improvements to the existing scheme, in terms of benefits for surviving partners and increased flexibility in lump sum payouts. We have also designed a brand new scheme for new staff, and those existing staff who wish to transfer, that allows members much more control over how they save for their retirement and when, and how, they retire. At the same time, we have been careful to ensure that the proposals don't cost the NHS more."

Under the proposals, a new contribution rate system will be introduced that will have lower contributions for the lowest paid and higher contribution rates for the highest paid. We have also agreed that employer contribution rates will be capped at current levels.

David Jordison said: "While staff will be generally paying more for their pensions, the NHS Pension Scheme remains excellent value. By tiering contributions according to salary, we are also ensuring that contribution levels fairly reflect the benefits individuals will receive."

Eddie Saville of the Society for Chiropodists and Podiatrists and staff side chair said:

"At the start of this process back in 2003 the health unions objectives were to see existing staff's normal pension age of 60 honoured and to maintain the principal of a final salary pension for all who work in the NHS. I am delighted that we have achieved this and more on behalf of our members NHS unions have secured a pension package that is sustainable for the future and offers members added security in their retirement. The unions have worked closely to ensure that this package represents good value for money for members, whilst at the same time encouraging members to develop their careers. One of the greatest

breakthroughs has been the extension of survivor pensions for all couples in long-term relationships going back to 1988.”

Proposals for existing scheme members include:

- Keeping a normal pension age of 60 (or 55 for staff with special rights) and the right to take a pension after the age of 50
- Keeping a final salary pension with a 1/80th accrual rate and a 3/80th lump sum for each year of service based on the best of the last three years of work before the age of 60.
- A new option to take a larger lump sum, up to 25% of the value of the pension, in return for giving up some of the pension
- Survivor pensions extended to partners in addition to widows, widowers and civil partners

Proposals for new scheme members include:

- a normal pension age of 65 and the right to take a pension after the age of 55
- a final salary pension with a 1/60th accrual rate for each year of service based on the average of the best three consecutive years of membership in the ten years before retirement (allowing staff to take a lower paid job in the run up to retirement but have their salary calculated on the higher salary they had before stepping down)
- the choice to convert up to 25% of the pension into a lump sum
- a more flexible pension with the ability to take all or part of the pension while continuing to work and build up more pension

Both existing and new GPs will have a career average scheme, with the same benefits as other staff.

A three month consultation period on the proposals will run from September until November with each trade union consulting its own membership and NHS Employers gathering the views of employers. Staff may also respond to NHS Employers. NHS Employers and the trade unions will then make final recommendations to the Departments of Health, who will make a final decision.

It is proposed that the new scheme will start in 2007 and changes for existing staff from April 2008. From a date to be agreed, existing staff will be asked in 2007 whether they wish to transfer into the new scheme.

(ends)

Press enquiries: for more information please contact Gemma Jeffcoate on 020 7074 3308 or Emma Stafford on 020 7074 3307 in the NHS Employers' press office.

Notes for editors:

- The review of the NHS Pension Scheme began in 2003 at the request of the Department of Health and the National Assembly for Wales. It was run as a partnership review between the trade unions and the NHS Confederation. In November 2004, the NHS Confederation set up NHS Employers, which took over the role of reviewing the NHS pension scheme with the trade unions.
- In January 2005, the NHS pension scheme review partners launched a three month consultation based on the Government's proposals to change the normal pension age to 65. During that consultation, the Government announced it was prepared to negotiate with the trade unions on the issue of moving the normal pension age to 65. The subsequent discussions in the public service forum resulted in an

agreement that current pension scheme members could keep a normal pension age of 60, but new entrants would move to a normal pension age of 65.

- Under the proposals, most staff will pay an additional 0.5% on their contribution rate. The lowest paid NHS staff will pay a contribution rate slightly below the current rate, while the highest paid staff will pay an additional 1.5 to 2.5% on their contribution rate. See table below for full details:

Annual Pay (Full time equivalent)	Current Contribution	New Contribution
Agenda for Change pay point 9 and below (currently up to and including £15,107) <u>Non Agenda for Change</u> Up to and including £15,107	5% and 6%	5%
Agenda for Change pay point 10 up to 48 (currently £15,446 - £60,880) <u>Non Agenda for Change</u> Above £15,107 - £60,880	6%	6.5%
Agenda for Change pay point 49 and above (currently £63,417 up to £88,397) <u>Non Agenda for Change</u> Above £60,880 up to £100,000	6%	7.5%
Above £100,000	6%	8.5%

- These proposals relate only to England and Wales. The Scottish and Northern Irish health departments are consulting separately on similar proposals.
- Further information on the NHS pension scheme review, the full consultation document and details on how to take part in the consultation will be available on the NHS Employers website at <http://www.nhsemployers.org/pay-conditions/pension-review.cfm> from 1 August 2006.