

# NHS Pension Scheme Overview

## Pensions Basics Masterclass

isio.

# Today we will run through...

1. An overview of the NHS Pension Scheme
2. The new retirement flexibilities
3. The McCloud Remedy
4. How you can support your staff to understand the NHS Pension Scheme



# An overview of the NHS Pension Scheme

# What you get for being a member

## Benefits for YOU



A pension - payable for life on retirement, with increases each year



Tax-free cash lump sum



Ill health pension benefits (usually enhanced)



Tax relief on pension contributions (and your employer helps pay for benefits)

## Benefits for OTHERS



Life cover protection (generally 2 x annual earnings)

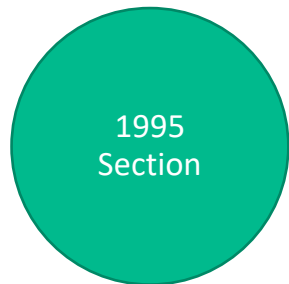


Benefits for adult dependants (up to 50% of your pension, usually with enhancements if you die before Normal Pension Age)



Benefits for children (up to 25% of your pension, usually with enhancements if you die before Normal Pension Age)

# Different NHS Pension Schemes

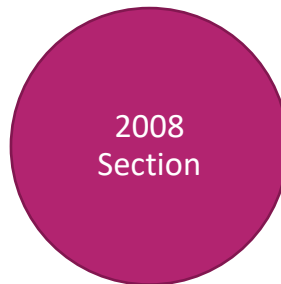


1995  
Section

Final salary

1/80 (1.25%) pension  
plus lump sum

Normal Pension Age = 60  
(different rules apply for special class  
and mental health officer status  
holders)

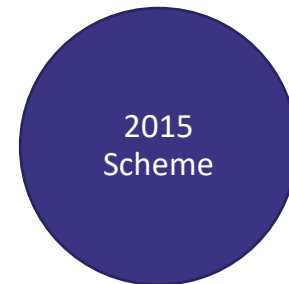


2008  
Section

Final salary

1/60 (1.67%) pension

Normal Pension Age = 65



2015  
Scheme

CARE  
(Career Average Revalued Earnings)

1/54 (1.85%) pension  
(plus inflation, plus 1.5%)

Normal Pension Age = State Pension  
Age (minimum 65)

# Some key facts about your NHS Pension



## What happens when I take my pension?

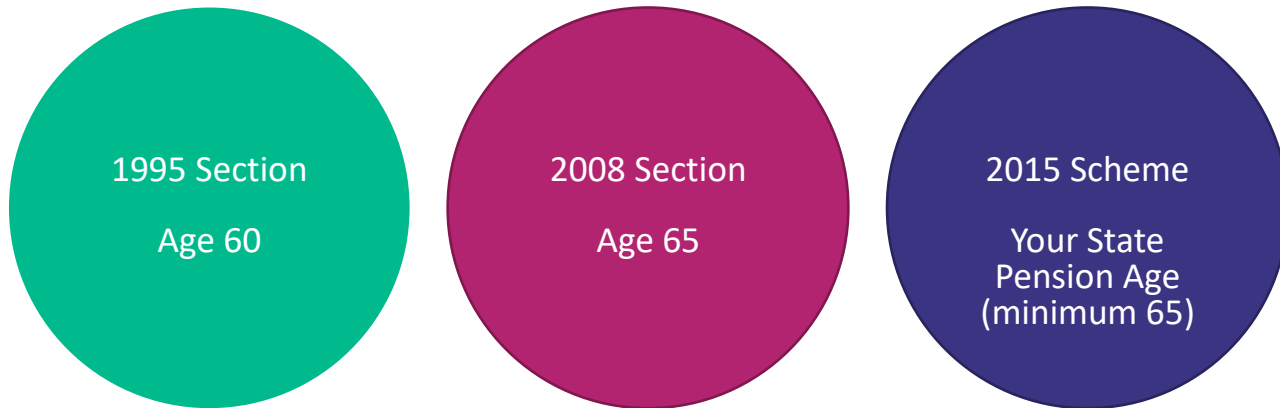
- It's paid for the rest of your life.
- It's increased each year, by inflation.
- You can take some tax-free cash when you retire (sometimes by swapping it for pension).

## Is my NHS Pension guaranteed?

- Your pension does not depend on investment markets.
- Your defined benefit pension in the NHS Pension Scheme is backed by the government.

# When can benefits be taken?

NHS Pension Scheme benefits are designed to be taken from Normal Pension Age.  
Normal Pension Ages differ by scheme.



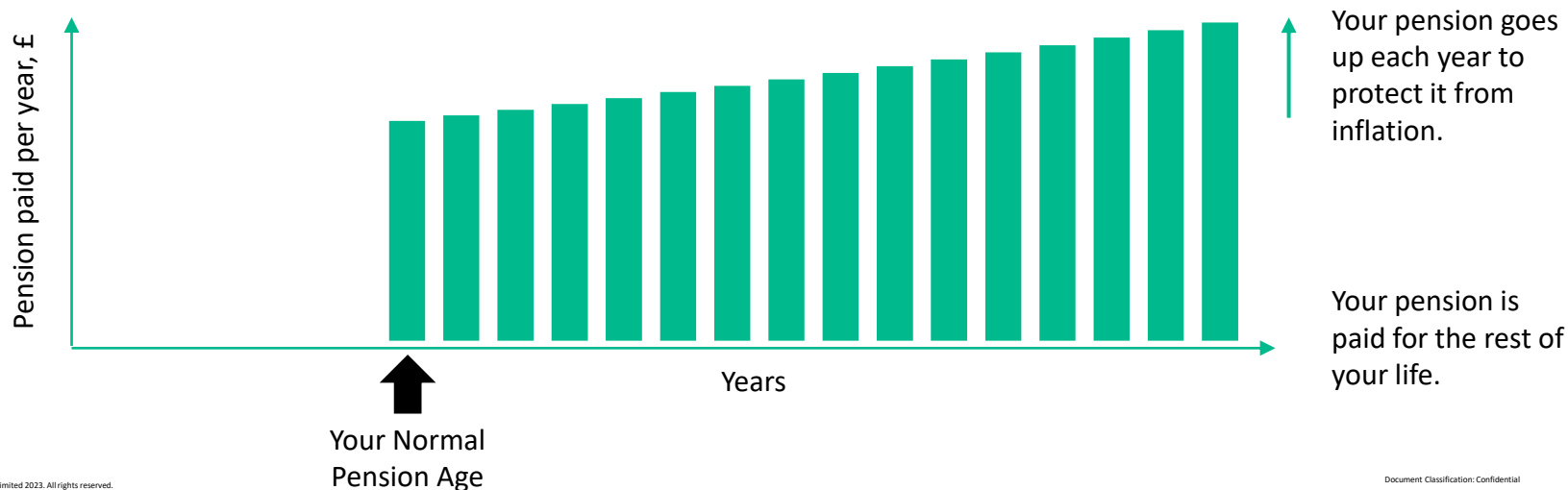
Benefits in different schemes can be taken separately.  
Benefits can also be taken early.



# When can benefits be taken?

If taking benefits from Normal Pension Age, your pension is paid monthly for the rest of your life. It increases in line with inflation each year.

So it looks like this:



# Taking your benefits early

Benefits are designed to be taken from Normal Pension Age, but...



Benefits can be taken early (within limits) if you want to.



If they're taken earlier they are paid for longer.



Therefore, they'll be reduced to make your pension last those extra years.

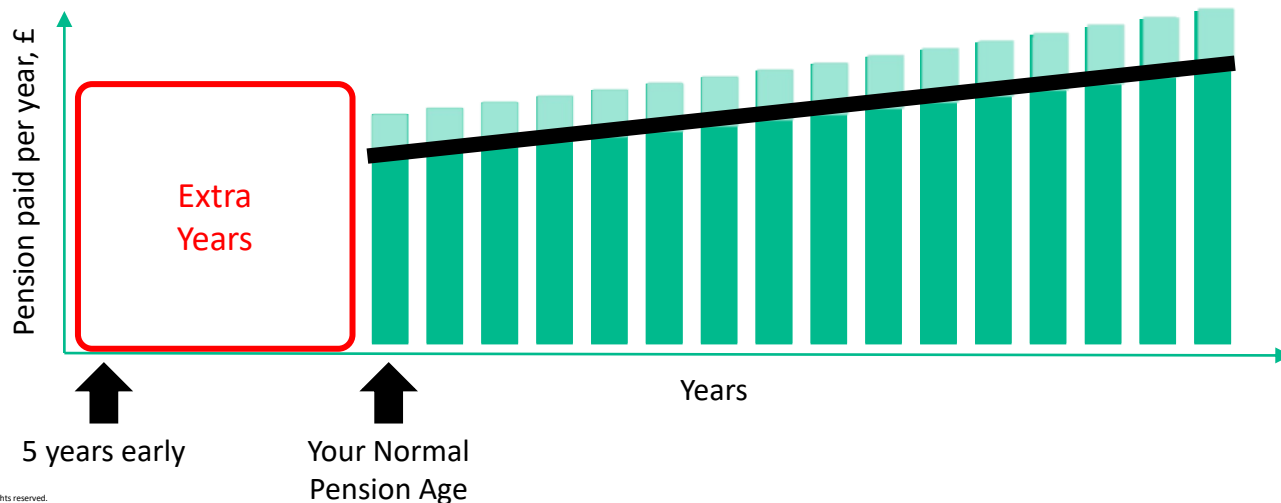
We'll show you how this works next.

# What if benefits are taken early?

For example, if you're taking your pension 5 years before Normal Pension Age, your pension needs to be paid for 5 extra years.

Your pension is rearranged so this is possible.

This is like some of your future pension being paid earlier, to cover the extra years.

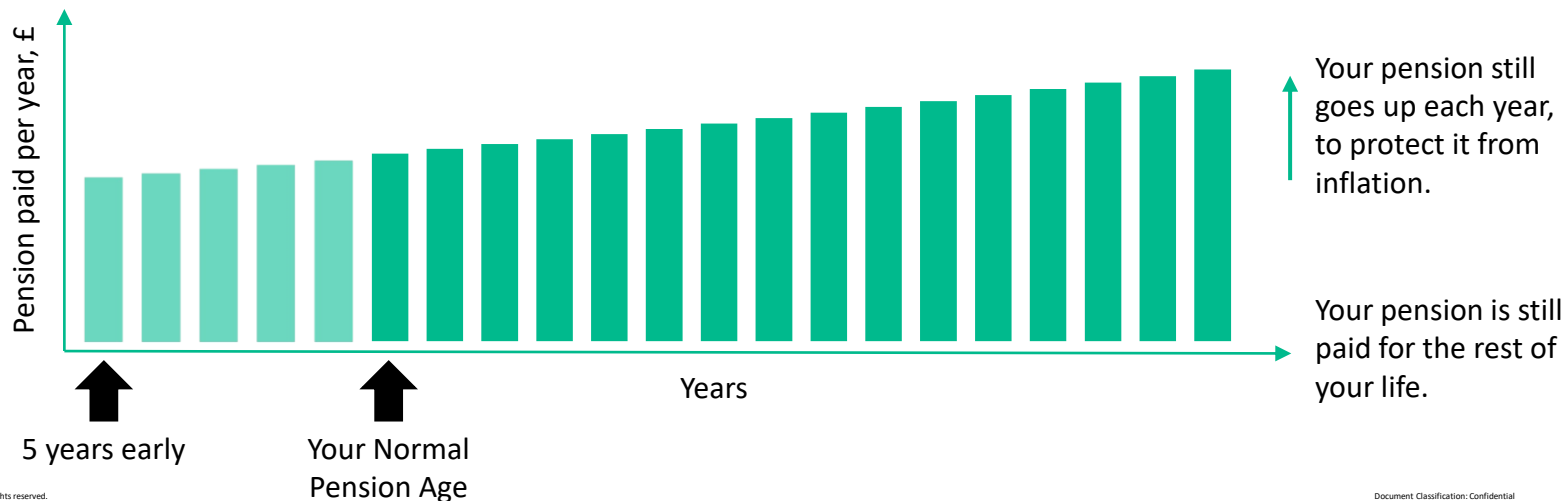


# What if benefits are taken early?

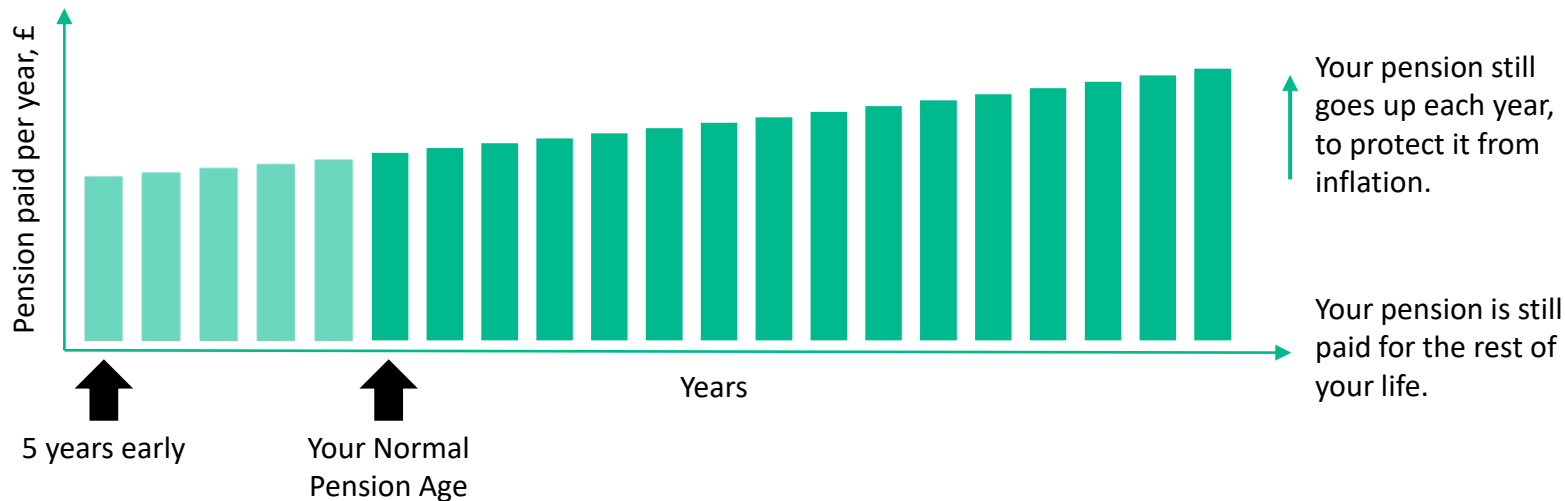
For example, if you're taking your pension 5 years before Normal Pension Age, your pension needs to be paid for 5 extra years.

Your pension is rearranged so this is possible.

This is like some of your future pension being paid earlier, to cover the extra years.



# What if benefits are taken early?



As some of your pension has been paid early, you start with a lower pension than what you would have had from Normal Pension Age.

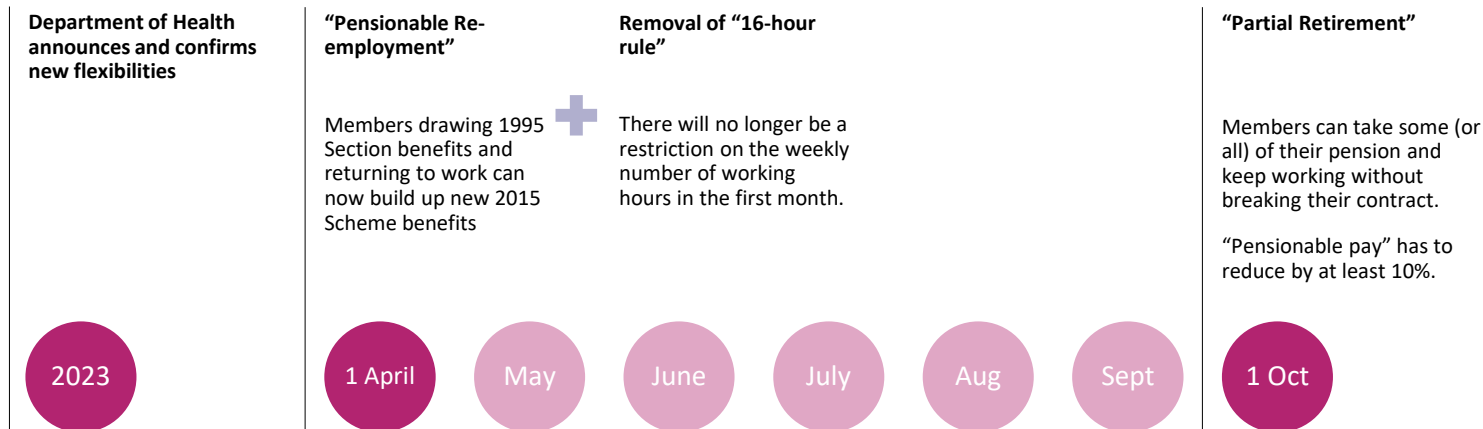
The earlier you take your benefits, the more years have to be paid early, so the lower the pension you'll start on.

But it's the same value of pension, just spread over longer to give you more flexibility on how you take it.

# New retirement flexibilities

**isio.**

# Timeline of flexibilities



These flexibilities are already available for 2008 Section and 2015 Scheme benefits.

# After the changes, what's available?



## Change of role

Keep working in the NHS but step down to a different role with a lower salary.

Benefits build up more slowly.

Past benefits unaffected with pay protections.



## Part-time working

Keep working in current role but do fewer hours.

Benefits build up more slowly.

Past benefits unaffected.



## Partial retirement (Draw down)

Take some (or all) of your pension, reduce pensionable pay and carry on working.

Future benefit build up based on new pay.



## Retire and return

Leave employment, take a (short) break, draw pension, and return to work.

Likely to be for where draw down doesn't work.

Keep building up new benefits.



# Voluntary protection of pay (1995 Section)



Benefits built up in the 1995 Section are linked to your final pensionable pay when you retire.



If you change role and your pensionable pay reduces, this could affect your future 1995 Section benefits.



So you might want to consider voluntary protection of pay.



This means that any benefits you haven't already taken are calculated using your pensionable pay before it was reduced.

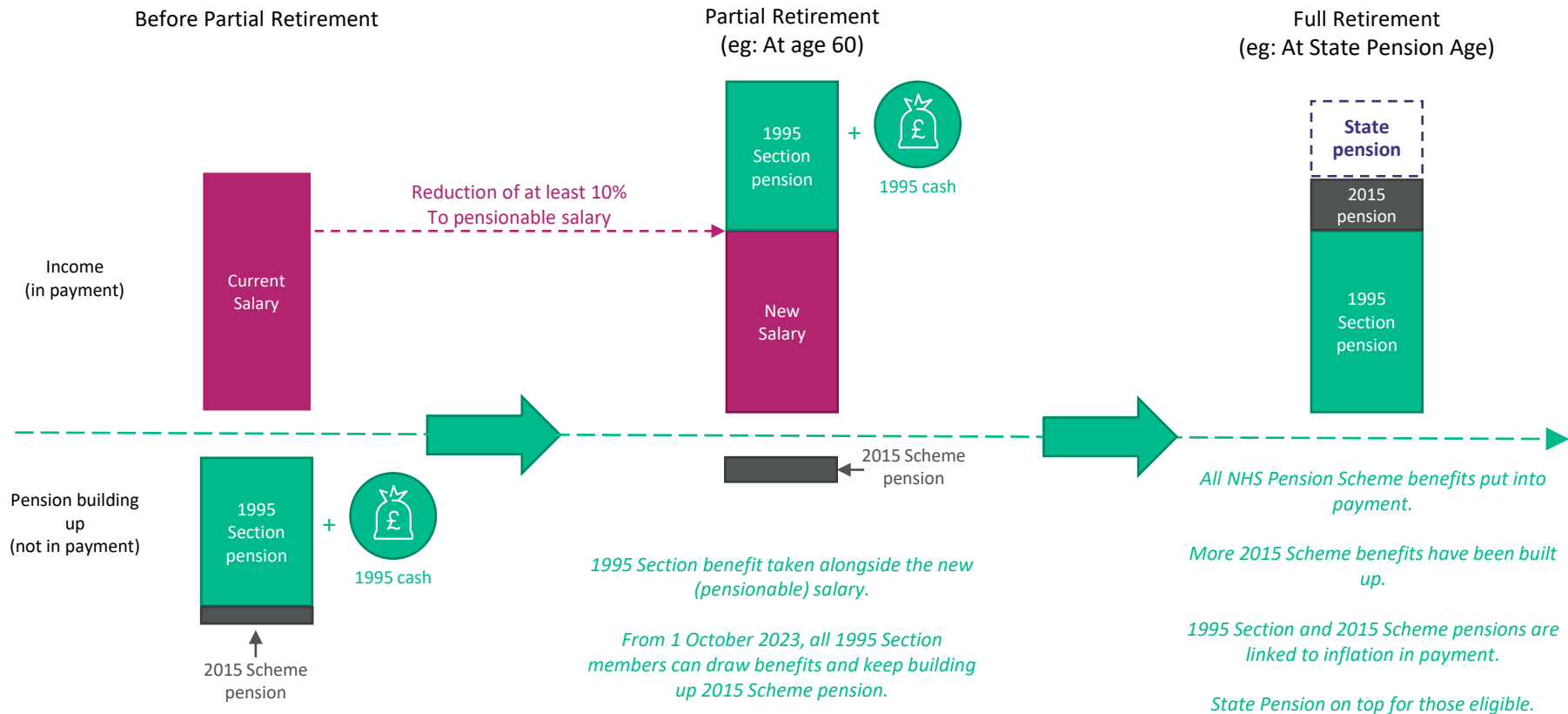
You can apply for voluntary protection of pay if:

- You have reached **minimum pension age**
- Your pensionable pay has reduced by at least **10% for 12 months**

Once you can show that your pensionable pay reduced by 10% for 12 months, you'll need to make your application within 3 months...

**You don't need to worry if you are moving to a part-time role as the 1995 Section is calculated using your "whole-time equivalent" pensionable pay.**

# An example – partial retirement



# The McCloud Remedy

Also known as 'Public Service Pensions Remedy'

**isio.**

# What is McCloud?

1995 or 2008 Section

2015 Scheme



2015



On 1 April 2015, the 2015 Scheme was introduced. Some members were moved into the scheme automatically, whilst some were offered “protection” and moved into the scheme at a later date (or not at all).



This “protection” was based on age and was later found to be age discriminatory.



The process of removing this discrimination is called the “McCloud Remedy”.

# Who is affected by McCloud?



Only some people are affected by McCloud.

To be affected, you needed to be a member of the NHS Pension Scheme, or another public service pension scheme, on or before 31 March 2012 and:

- You needed still to be a member of the scheme on or after 1 April 2015
- Or if you left the scheme after 31 March 2012, you needed to have re-joined the scheme within 5 years

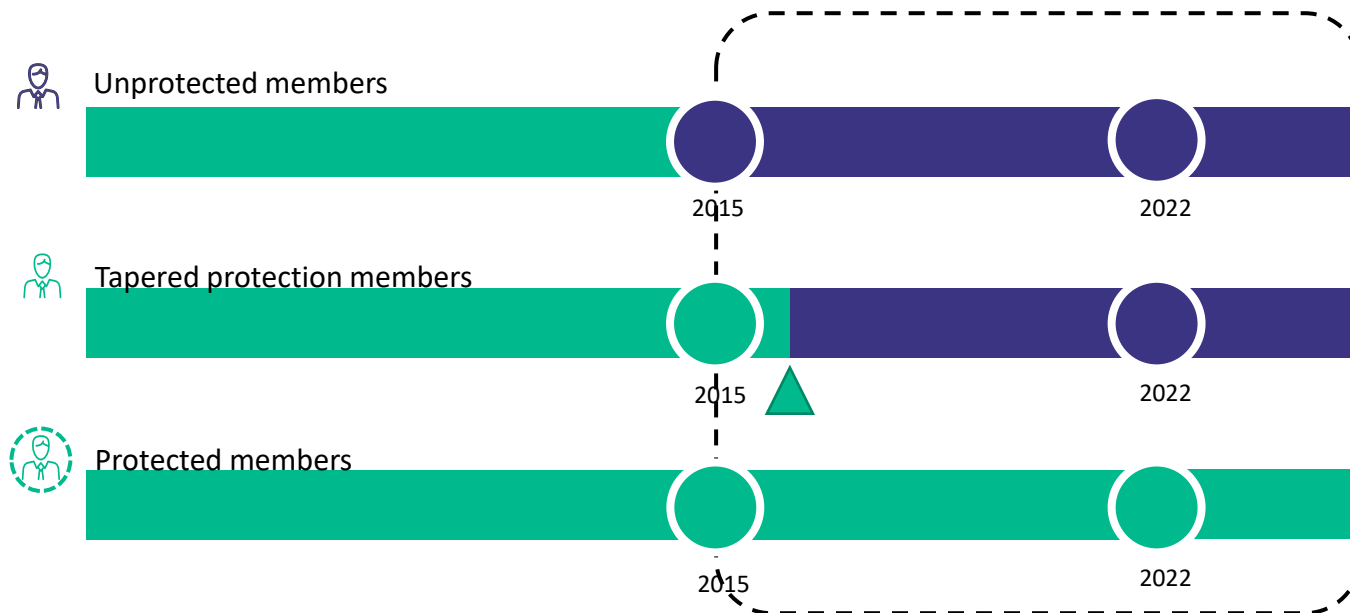
If you joined the NHS Pension Scheme for the first time after 31 March 2012, you are most likely not affected by McCloud

# Why is a remedy needed?



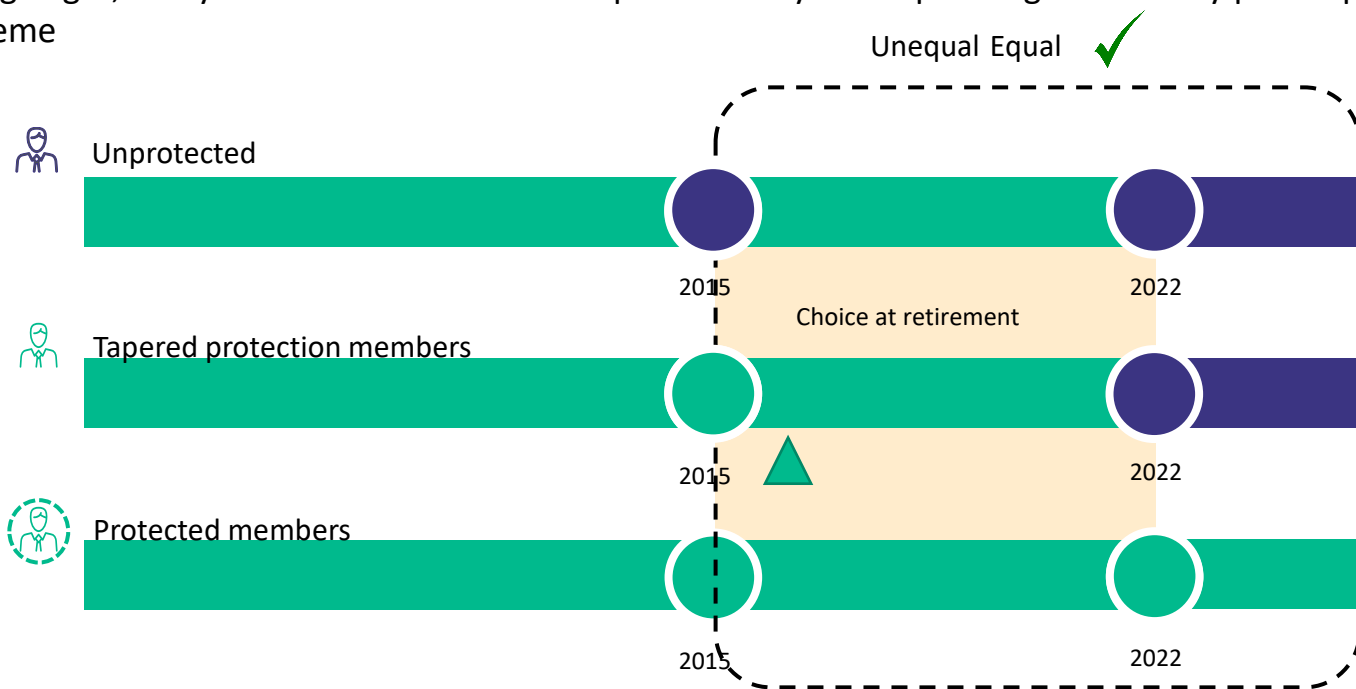
Key term – The “remedy period” refers to 1 April 2015 and 31 March 2022

When the 2015 Scheme was introduced, members were moved into the scheme at different points, depending on their age.

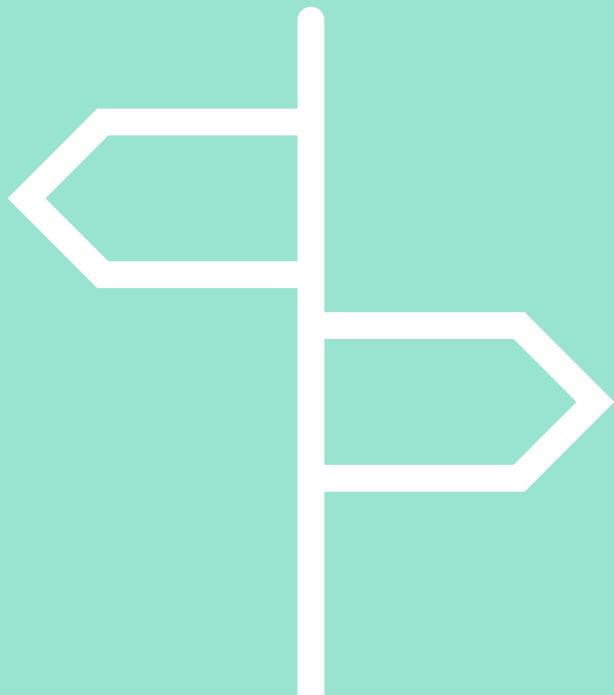


# What's going to happen

To put things right, everyone affected will have the pension they built up during the remedy period put into their legacy scheme



# Choice at retirement



- If you're affected, when you retire you'll be given a choice as to whether you want to take benefits from the 1995/2008 Scheme or the 2015 Scheme for the pension you built up during the remedy period.



- Your choice won't affect any benefits you built up before the remedy period. These benefits are unaffected by McCloud.



- NHS Pensions will provide you with the information you need to make your decision.



# What happens if I want to retire before 2024?

Can I retire before choice at retirement is available?

Yes, if you wish



NHS Pensions will be able to offer choice at retirement from April 2024.

If you retire before this, you'll still be given a choice. NHS Pensions will contact you as soon as possible after you retire and will offer you your choice retrospectively.



NHS Pensions expects to have contacted the majority of retired members by April 2025.



If your choice changes the amount of pension you receive, NHS Pensions will backdate all payments to your date of retirement. You won't miss out!

# Supporting your staff to understand their pension

# Explaining the NHS Pension Scheme to staff

Placeholder for slide on how employers can support their employees

The NHS Pension Scheme is a really important part of an employee's total reward, but is often not really understood.



Online webinars to provide training to HR/ Workforce colleagues to support conversations



Resource packs explaining the value of the pension



Flexible Retirement

*How your pension can support you to work flexibly*



Online webinars for staff



121s for staff affected by complex topics (e.g. the annual allowance)



Financial Wellbeing

*Tips to support employees to manage their finances during the cost-of-living crisis*

# Explaining the NHS Pension Scheme to staff

The NHS Pension Scheme is a really important part of an employee's total reward, but is often not really understood. You can help employees by providing:



Training to support HR/ Workforce colleagues to have conversations about the pension scheme with staff



Online educational webinars for staff on different pensions topics



121s for staff affected by complex pensions topics (e.g. the annual allowance)



Resource packs (e.g. videos, posters and flyers) to support total reward conversations

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Isio Services Limited is authorised and regulated by the Financial Conduct Authority FRN 922376

# Appendix

# McCloud and partial retirement



Choice at retirement could change the value of your future pension. This might affect how much pension you want to take on partial retirement.



If you want to take partial retirement before your choice is available, you might only want to take benefits you’ve built up before the remedy period as they won’t be affected by your McCloud choice.



NHS Pensions’ “McCloud Percentage Tool” will help you understand how much of your pension this is.

McCloud Percentage Tool

Input details in yellow boxes

Years

Days

Reckonable Membership to 31/03/2022

Were you full time or part time between 01/04/2015 and 31/03/2022?

How many hours/sessions per week did you work between 01/04/2015 and 31/03/2022?

What were the full time equivalent hours/sessions per week?

Maximum percentage that can be drawn down0 %