

TALKING POINT

THE PLAN TO END NHS PENSION DISCRIMINATION



WHAT DOES THIS MEAN FOR YOU AS A DOCTOR?

The Government has published a set of proposals, which it says should alleviate age discrimination against those who were moved into the reformed NHS Pension Scheme in 2015. This Talking Point answers some common questions you may have about the proposals and what it could mean for your finances.

WHAT IS THE BACKGROUND TO THESE CHANGES?

In April 2015, public sector pension schemes were reformed, with most members moved into new career average arrangements.

Following consultations with member representative's, transitional protections were put in place to protect those close to retirement. These protections meant that members within 10 years of retirement on 31 March 2012, would not move into the reformed schemes, usually referred to as the 2015 schemes. It also meant that those between 10 and 13½ years from retirement would move to the reformed schemes, but later.

In December 2018, the Court of Appeal found that these transitional protections unlawfully discriminated against younger members of the judicial and firefighters' schemes. In July 2019 the Government accepted that the judgment applied to all the main public service pension schemes, including the NHS. This consultation is the Government's remedy to remove this discrimination from all public sector pension schemes.

WHO IS AFFECTED?

The proposals will apply to the following:

- ▶ All members who were in service before 31 March 2012 and on or after 1 April 2015. This includes members who were in service on 31 March 2012 and then took a qualifying break of less than five years. This includes members who left pensionable service, or who took their pension benefits, after 1 April 2015.
- ▶ All public sector schemes including NHS, Teachers', Local Government, Armed Forces and Judicial.

WHAT CHANGES ARE BEING PROPOSED?

As some members will benefit from moving to the reformed scheme, rather than moving all members back to the legacy schemes, the Government is proposing to give members a choice. This choice is which schemes they wish to receive benefits from during the period from 1 April 2015 to 31 March 2022, also known as the 'remedy period'.

The Government are considering two possible approaches to this:

- ▶ An immediate choice, where members will be asked to make a choice over which scheme they wish to receive benefits from, for the relevant period within 12 to 24 months after 31 March 2022.
- ▶ 'Deferred Choice Underpin', where members will be asked to make their choice when they access benefits.

In both cases, those members who have already taken benefits will be asked to make their choice as soon as possible after 31 March 2022. Their choice will then be applied retrospectively.

The Government is also proposing that all active members are moved into the reformed schemes on 1 April 2022. This will mean that anyone still contributing to the scheme on 1 April 2022, will be moved into the 2015 schemes.

WHAT WOULD THESE PROPOSALS MEAN FOR DOCTORS WHO WERE MOVED FROM LEGACY SCHEMES TO THE 2015 SCHEME?

Doctors who were moved to the 2015 scheme, will need to decide whether they want their benefits to be based on the legacy scheme or the reformed 2015 scheme, for the remedy period between the 1 April 2015 and 1 April 2022. Members will not need to make their decision until after the 1 April 2022.

Depending on the outcome of the consultation, the decision will either need to be made within 12-24 months of April 2022, or when the member retires after this date. Members who retire before April 2022, will need to make their decision shortly after the April 2022 and any changes to benefits taken will be backdated.

Each doctor impacted by the consultation will need to make a choice between their legacy scheme and the 2015 scheme, based on their own circumstances and needs.

WOULD THERE BE ANY IMPACT ON DOCTORS ALREADY DRAWING PENSIONS PRE-2015, OR JOINING AFTER APRIL 2012?

Doctors who took benefits before April 2015, will not be impacted by the changes proposed, nor will those who joined the NHS Pension Scheme after 1 April 2012. In the latter case, members who joined after April 2012 would not have been eligible for protection no matter how close to retirement they were and are therefore excluded from the consultation.

HOW DID THE 2015 REFORMS AFFECT DOCTORS SPECIFICALLY?

Those doctors classed as Officers by the scheme will have seen big changes in how their pensions accrue. Although the normal retirement ages are different, both the 1995 and 2008 sections of the legacy NHS Pension Scheme, were based on service and the member's salary close to or at retirement. The benefits were calculated as follows:

- ▶ In the 1995 section the pension was based on 1/80th of their final salary (the highest salary in the three years before retirement) for each full year of service.
- ▶ In the 2008 section the pension was based on 1/60th of their reckonable pay (the average of the best consecutive three years in the last 10) for each full year of service.

In comparison the 2015 scheme pension at retirement is based on salaries across a member's membership. In this scheme, 1/54th of each doctor's earnings are added to the pot each year, which is uprated by 1.5%, plus the Consumer Price Index (CPI). The member will get the pot as a pension at the normal scheme pension age.

Apart from how the pension accrues, members still received the similar types of benefits in both the final salary schemes and the 2015 scheme. For example, both offer ill health retirement, a lump sum if the member dies in pensionable employment and a spouse's pension on death.

Some benefits have changed between legacy and reformed schemes. Doctors in the 2015 scheme would not, for example, receive an automatic lump sum on retirement, which members of the 1995 section do. The 2015 scheme also offers the members the option to buy out their early retirement reduction so they can retire after age 65 without penalty as well as other ways to allow the member flexibility in retirement.

WHERE CAN I GO FOR FURTHER GUIDANCE?

With areas as complex as this, it pays to obtain advice. Your local Wesleyan Financial Services Consultant can advise on how the nuances of this issue affect you now, plus into the future.

A no obligation appointment can be arranged at a time and date that fits best around your busy schedule.

Contact your local Wesleyan Financial Services Consultant, using the details below:

Name:



If you would like this document in Braille, large print or audio format, please contact **0345 351 2352**.

Follow us for regular updates on social media



@wesleyan



facebook.com/
wesleyanAS



linkedin.com/
company/wesleyan

Advice is provided by Wesleyan Financial Services Ltd.

'WESLEYAN' is a trading name of the Wesleyan Group of companies.

Wesleyan Financial Services Ltd (Registered in England and Wales No. 1651212) is authorised and regulated by the Financial Conduct Authority and is wholly owned by Wesleyan Assurance Society. Wesleyan Assurance Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Incorporated in England and Wales by Private Act of Parliament (No. ZC145). Registered Office: Colmore Circus, Birmingham B4 6AR. Calls may be recorded to help us provide, monitor and improve our services to you.