



LUCAS FETTES
& PARTNERS

NHS Pension Presentation
'And then there were two'

Gavin Tansey



LUCAS FETTES
& PARTNERS

Retiring From The NHS....

Used to be quite simple

- You decided to retire between 60 and 65
- If 40 years had been achieved, you got the maximum pension available and in addition you received a one off tax free lump sum of 3 times the pension.

Well, as the Life and the NHS evolves- change happens

- The pension scheme is changing along with peoples attitude to what they require in retirement.



LUCAS FETTES
& PARTNERS

So; What Do You Get?

- Example of retirement benefit

Quick calculation of current scheme pre April 2008

- Member pensionable earnings are £100,000 (best of last three years)
- Achieved 36 years service
- Pension will be £43,750 per annum indexed linked
- &
- Tax free lump sum of £131,250



LUCAS FETTES
& PARTNERS

What Are The Changes

- From 1st of April there will be 2 schemes and the following will apply:

Firstly the current scheme will be updated version



LUCAS FETTES
& PARTNERS

Current Scheme

- Current Scheme terms that will remain

Updated version

- NRA (normal retirement age) will remain at 60. Age 55 special classes actuarial reduction, early retirement available from 50 increasing to 55 in 2010
- Member in payment or deferred benefit will remain the same. Your preserved service will remain
- 2 additional voluntary contribution pension partners (Standard Life & Prudential)
- 2 times death in service benefit**
- Special classes-nurses, midwives, health visitors, physiotherapists, MHO qualified pre 6/3/95



LUCAS FETTES
& PARTNERS

Current Scheme Changes

- This scheme will be closed to new members at 1st April 2008
- Contribution levels will increase in line with salary 5% - 8.5%
 - Up to £19,166 - 5%
 - £19,166 to £63,416 - 6.5%
 - £63,416 to £99,999 - 7.5%
 - £100,000 plus 8.5%
- Employee contribution limited to 100% of pensionable pay
Previously 15%
- Additional pension provider may be required



LUCAS FETTES
& PARTNERS

Changes Continued

- No earning cap/limit for future service (previously capped at £115,800)
- Future service allowed up to 45 years
- Increase to tax free lump sum

25% tax free cash available based on cash equivalent calculation.

- Abatement
No abatement after age 60 or 50 if actuarially reduced on VER.
(voluntary Early Retirement)

Member can retire and return to work, without reduction in pension

- 6th April 2010 early retirement to age 55
Added years no longer available



LUCAS FETTES
& PARTNERS

Changes Continued

- Current contact honoured along with Half added years (member who took a refund before 6th April 1978)
- Option to Buy annual pension up to £5,000 per annum* in more depth
- All qualified partners eligible for pension/partners keep survivor benefits when remarry or co-habit
- Dependant children up to 23 in all cases
- Ill-Heath under review
- An option to join the new scheme for existing member will be between 1st July 2009 – 30th June 2010



The New Scheme

LUCAS FETTES
& PARTNERS

Available for 1st April 2008- all new members will automatically join/Deferred member who return from 1st Oct 2008 more than 5 years out

- Early retirement 55 (NRA 65)
- Same tiered contribution rate as current scheme
- No special classes
- 1/60 final salary scheme
- Pension based on average of best 3 consecutive years pensionable in the last 10 years. All re valued by RPI
- Option to Buy annual pension up to £5,000 per annum* in more depth
- Re-join the scheme after retirement
- Draw down- take part pension

Continue in a less demanding employment

- Immediate increase to pension if taken later than NRA 65
- No Abatement after 65
- 2 times death in service**



LUCAS FETTES
& PARTNERS

*Purchase of Extra Pension**

- Members may buy in instalments or by a lump sum payment. Where they buy in instalments they will be required to pay a fixed amount each month and commit to the purchase over whole years, up to a maximum of 20, or to normal retirement age if earlier. Employers buying on a member's behalf can only do so by a lump sum payment.
- The cost of this facility will depend on how much additional pension the member wants to achieve, and the length of time over which they are prepared to make the extra contributions.
- The minimum commitment will be for extra contributions that will provide additional pension of £250 a year on retirement. Payment by this method normally attracts tax relief.
- An additional pension calculator will be available on this from the end of March 2008



LUCAS FETTES
& PARTNERS

Benefits from the Pension Scheme

Death benefits**

- In future, scheme members will be able to make multiple nominations for the death in service benefit rather than a single nomination as at present. Either:
 - evenly to one or more individual parties
 - or in specific proportions to more than one individual parties.
- From March the new death benefit nomination form will be available to download.



LUCAS FETTES
& PARTNERS

Quick Example of increased tax free lump sum

Step 1: Enter the standard pension and lump sum (this is the gross pension before any income tax is deducted)

Standard Pension	£40,000
Standard Lump Sum	£120,000

Step 2 (optional): Click 'calculate' to see the maximum additional lump sum allowed

Maximum Additional Lump Sum	£94,284
Pension Required to be given up	£7,857

Therefore your pension would be £32,143 with a tax free lump sum of £214,284

Example from nhspa.gov.uk/nhspa



LUCAS FETTES
& PARTNERS

So What's the Difference?

The Basic Difference

- NRA
- Pension calculation
- Seems small, but may have massive impact on your financial planning



LUCAS FETTES
& PARTNERS

Points to Consider

- On retirement income may reduce by 50% or less
- Tax Free cash options- reduce liabilities, increase income or capital growth
- Are added year right for you
- Which scheme is best for you
- Additional pension purchase
- How to take the benefits- Income/TFC
- Over funding Life Time Allowance
- How the new scheme will calculate service (current 1/80 new 1/60)



LUCAS FETTES
& PARTNERS

Summary

Every member even if they have a similar service and salary history will have different financial needs and priorities. Consideration needs to be made and all options reviewed before a decision is made.



LUCAS FETTES
& PARTNERS

Legal terms

Legal

All information is supplied by the NHS Pensions Agency. Changes described in this document are subject to parliamentary approval.

NB

NHS PENSIONS DIVISION CANNOT BY LAW ADVISE YOU OR YOUR OPTIONS. FOR ADVICE YOU ARE RECOMMENDED TO CONTACT AN INDEPENDENT FINANCIAL ADVISOR

This presentation can be emailed on request. I also have NHS Pension Agency notes our Financial Service brochure and our recent client magazine Arena for your reference.

Lucas Fettes & Partners (Financial Services) Ltd is an Independent Financial Adviser authorised and regulated by the Financial Services Authority (FSA).



LUCAS FETTES
& PARTNERS

And Then There Were Two !

Thank You