

## **SoR Briefing – NHS Pensions**

### **Update: Choice 2, 2015 Scheme Regulations, Risks of Salary Sacrifice Schemes.**

#### **1. Choice 2 update**

All staff in the groups affected by “Choice 2” should have received their Choice 2 letter from their employer. This affects those who opted to stay in the 1995 scheme under Pensions Choice and who are not in the fully protected group, i.e. at some time on or after 01-04-2015 will be automatically transferred into the 2015 CARE scheme. If you think you should have had a letter and have not had one in the first place contact your employer’s Pensions Officer. If you have left NHS employment but still have investment in an NHS pension contact either your most recent employer or the NHS BSA at Fleetwood quoting your National Insurance number. See their web site for contact details.

Originally we understood that the deadline for your Choice 2 decision was three months after receiving your letter. For simplicity this has now been revised by NHSBSA to a common date for all of 16 March 2015. This is an absolute deadline.

This is just under one month away. The SoR would urge you to keep this decision at the top of your “to do” list. If you do not respond the default decision is that you stay in the 1995 scheme and that may not be the best decision. Make your decision a distinct action under your control based on thoughtful consideration.

#### **2. 2015 Scheme Regulations**

The formal consultations on 4 Statutory Instruments going before parliament over the next few months to bring the 2015 Scheme regulations and the associated transition arrangements into force have now been issued.

SoR and the other trades unions are scrutinised these highly technical documents. The consultations closed mid-December in order to meet consultation requirements and fit the parliamentary timetable ahead of May’s general election.

One of the new provisions in the 2015 scheme that may be attractive to some members is “ERRBO” – Early Retirement Reduction Buy Out – where you can enter into a contract to pay additional contributions so that you can retire up to 3 years earlier than your 2015 pension age (your State Pension Age) without your 2015 pension being actuarially reduced.

#### **3. Salary Sacrifice**

Salary sacrifice schemes are fairly common across the public sector and are trumpeted as a benefit for staff. The facility lets you give up part of your salary in exchange for non-cash items such as child care or lease cars on favourable terms negotiated by your employer or the company they contract with to provide the facility. There may be tax advantages.

The sacrificed salary however reduces your pensionable pay. Both you and your employer pay pensions contributions on a lower gross sum and if that keeps you below a contributions tier threshold then it may be significant. Under the 1995 and 2008 final salary schemes the negative impact on the pensionable pay on which your pension benefit is calculated can be removed by withdrawing from the salary sacrifice arrangement in your final years of working thus maximising your “final” salary.

You need to be aware that in the 2015 CARE based scheme you can never “rescue” that negative impact and the reduced pensionable pay will reduce your CARE pension pot for good and your loss will be index linked at CPI+1.5% until you retire.

Those considering entering into new salary sacrifice or continuing existing arrangements beyond your transfer date to the 2015 scheme should consider the balance of the immediate pros and long-term cons carefully.

Paul Bromley  
NHS Staff Council and Pensions Scheme Advisory Board representative.