

APPENDIX 1

GMB COMMENTARY ON THE HEADS OF AGREEMENT

This briefing needs to be read in conjunction with appendix 2 (Heads of agreements)

Please take the time to read the notes in this bulletin. Pensions are a complicated, but very important topic. We have tried to make the details of the offer as clear as possible. If you have any questions or suggestions, you should contact your local GMB official in the first instance.

1 WHAT IS PROTECTED?

Accrued Rights

All members will see any pension built up before 1 April 2015 fully protected on their current terms. This means that you will retain a right to a pension linked to your final salary for these years of service.

- i) *For example if you are a member of the 1995 Section of the NHS Scheme, and have 20 years of service up to 1 April 2015, you would receive a pension, payable from your 60th birthday of 20/80 (one-quarter) of your final pay at the point of retirement. You would also get a tax free lump sum of 3 times this amount. You would also build up pension in the pension scheme that comes in from April 2015.*
- ii) *if you are a member of the 2008 Section of the NHS Scheme, and have 6 years of service up to 1 April 2015, you would receive a pension, payable from your 65th birthday of 6/60 (one-tenth) of your final pay at the point of retirement. You would also build up pension in the pension scheme that comes in from April 2015.*

Full Protection for older Members

Members who are within 10 years of their current Normal Pension Age at 1 April 2012 will be allowed to remain in their current pension arrangements until their current Normal Pension Age.

- i) *For members in the 1995 Section, with Special Class status, this means that if you are aged 45 and over as at 1 April 2012 (i.e. you were born before 1 April 1967), you will be allowed to remain in your current pension scheme, and continue to build up pension at the current rate after 1 April 2015. You will be able to draw on this whole pension (without reduction for early payment) at age 55.*
- ii) *For members in the 1995 Section, who don't have Special Class status, this means that if you are aged 50 and over as at 1 April 2012 (i.e. you were born before 1 April 1962), you will be allowed to remain in your current pension scheme, and continue to build up pension at the current rate after 1 April 2015. You will be able to draw on this whole pension (without reduction for early payment) at age 60.*
- iii) *For members in the 1995 Section, with Special Class status, this means that if you are aged 55 and over as at 1 April 2012 (i.e. you were born before 1 April 1957), you will be allowed to remain in your current pension scheme after 1 April 2015 and draw on your whole pension (without reduction for early payment) at age 65.*

Limited Protection for Slightly Younger Members

Members who are just outside the 10 year protection but are within 13.5 years of their NPA will receive some limited protection allowing them to remain in their current pension scheme beyond 1 April 2015, but they would switch to the new arrangements at a later date, before their current normal pension age.

This protection will taper off meaning that members would leave their current arrangements between 1 April 2015 and 1 April 2022 depending on their date of birth. Those closest to their current Normal Pension Age will benefit from the longest protection.

Date of Birth before			Date of Moving to New Scheme
Special Class	1995 section (non Special Class)	2008 section	
01/04/1967	01/04/1962	01/04/1957	-
01/05/1967	01/05/1962	01/05/1957	01/04/2022
01/06/1967	01/06/1962	01/06/1957	01/02/2022
01/07/1967	01/07/1962	01/07/1957	01/12/2021
01/08/1967	01/08/1962	01/08/1957	01/10/2021
01/09/1967	01/09/1962	01/09/1957	01/08/2021
01/10/1967	01/10/1962	01/10/1957	01/06/2021
01/11/1967	01/11/1962	01/11/1957	01/04/2021
01/12/1967	01/12/1962	01/12/1957	01/02/2021
01/01/1968	01/01/1963	01/01/1958	01/12/2020
01/02/1968	01/02/1963	01/02/1958	01/10/2020
01/03/1968	01/03/1963	01/03/1958	01/08/2020
01/04/1968	01/04/1963	01/04/1958	01/06/2020
01/05/1968	01/05/1963	01/05/1958	01/04/2020
01/06/1968	01/06/1963	01/06/1958	01/02/2020
01/07/1968	01/07/1963	01/07/1958	01/12/2019
01/08/1968	01/08/1963	01/08/1958	01/10/2019
01/09/1968	01/09/1963	01/09/1958	01/08/2019
01/10/1968	01/10/1963	01/10/1958	01/06/2019
01/11/1968	01/11/1963	01/11/1958	01/04/2019
01/12/1968	01/12/1963	01/12/1958	01/02/2019
01/01/1969	01/01/1964	01/01/1959	01/12/2018
01/02/1969	01/02/1964	01/02/1959	01/10/2018
01/03/1969	01/03/1964	01/03/1959	01/08/2018
01/04/1969	01/04/1964	01/04/1959	01/06/2018
01/05/1969	01/05/1964	01/05/1959	01/04/2018
01/06/1969	01/06/1964	01/06/1959	01/02/2018
01/07/1969	01/07/1964	01/07/1959	01/12/2017

01/08/1969	01/08/1964	01/08/1959	01/10/2017
01/09/1969	01/09/1964	01/09/1959	01/08/2017
01/10/1969	01/10/1964	01/10/1959	01/06/2017
01/11/1969	01/11/1964	01/11/1959	01/04/2017
01/12/1969	01/12/1964	01/12/1959	01/02/2017
01/01/1970	01/01/1965	01/01/1960	01/12/2016
01/02/1970	01/02/1965	01/02/1960	01/10/2016
01/03/1970	01/03/1965	01/03/1960	01/08/2016
01/04/1970	01/04/1965	01/04/1960	01/06/2016
01/05/1970	01/05/1965	01/05/1960	01/04/2016
01/06/1970	01/06/1965	01/06/1960	01/02/2016
01/07/1970	01/07/1965	01/07/1960	01/12/2015
01/08/1970	01/08/1965	01/08/1960	01/10/2015
01/09/1970	01/09/1965	01/09/1960	01/08/2015
01/10/1970	01/10/1965	01/10/1960	01/06/2015

2 CONTRIBUTIONS

Government has not deviated from their intention to deliver savings by increasing member contributions by 3.2% on average. GMB has argued from the outset that contribution increases of this scale are not justified and would be unaffordable to many.

Government has confirmed their intention to implement the first stage of their contribution increases in April 2012. This would then be followed by further increases in April 2013 and April 2014.

As well as calling for all increases to be removed, NHS Unions have asked for alternatives, including the removal of the 2013 increase and delaying the 2014 increase. All of our requests have met with the same response; that Government is committed to implementing these increases.

The impact of the 2012 increase and a potential construction of the further increases are outlined in the table below:

Full Time Equivalent Pensionable Pay	Current Rate	Confirmed 2012/13 rate	Potential 2013/14 rate	Potential rate from 2014 onwards
Up to £15,000	5.00%	5.00%	5.00%	5.00%
£15,001 to £21,175	5.00%	5.00%	6.20%	6.50%
£21,176 to £26,557	6.50%	6.50%	7.70%	8.00%
£26,558 to £48,982	6.50%	8.00%	8.90%	9.50%
£48,983 to £69,931	6.50%	8.90%	10.50%	11.50%
£69,931 to £110,273	7.50%	9.90%	12.10%	13.25%
£110,273 +	8.50%	10.90%	13.30%	14.50%

The Heads of Agreement commits Government to conduct a review of the impact of the planned 2012 increase before taking decisions on how the further increases are to be delivered.

3 PENSION AGE

Government has confirmed that they intend for pension age in the 2015 pension scheme to be members' pension age.

All NHS trade unions have gone to great lengths to spell the difficulties this will present to NHS employees in delivering the service required, and the unfeasible demands that will be placed on older workers.

The current timetable of State Pension Ages is set out below:

Male		Female	
Date of Birth	SPA	Date of Birth	SPA
Up to 06/12/1953	65	Up to 06/04/1950	60
06/12/1953 - 05/10/1954	Rising from 65 to 66	06/04/1950-05/12/1953	Rising from 60 to 65
06/10/1954 - 05/04/1960	66	06/12/1953 - 05/10/1954	Rising from 65 to 66
06/04/1960 - 05/04/1961	Rising from 66 to 67	06/10/1954 - 05/04/1960	66
06/04/1961 - 05/04/1977	67	06/04/1960 - 05/04/1961	Rising from 66 to 67
06/04/1977 - 05/04/1978	Rising from 67 to 68	06/04/1961 - 05/04/1977	67
After 05/04/1978	68	06/04/1977 - 05/04/1978	Rising from 67 to 68
		After 05/04/1978	68

This timetable can be reviewed by Government and expanded meaning that even later State Pension Ages are possible and earlier moves to these higher ages. Any changes to State Pension Age would impact on you whole NHS Pension built up from 1 April 2015 (or date of moving into the new scheme if you have protection).

NHS Trade Unions explored a number of potential changes to this proposal including linking pension age to State pension Age minus 3 years. However all of these alternatives (which could have been afforded and addressed Government concerns about risk and fairness across generations) were rejected by Treasury.

Early retirement (with an actuarial reduction) before Pension Age and Late Retirement (with enhancement) will continue to feature in the revised scheme. Trade Union exploration of allowing generous early retirement reductions were valued at such an expensive rate by Treasury so as to make such an option look unattractive, for the price they were asking.

Through sustained Union pressure, the Heads of Agreement contains commitment to review and address the impact of longer working on frontline, physically demanding and emergency service roles.

4 PENSION AMOUNTS

Government has confirmed that the proposed pension scheme will operate on a career average basis. This means that in calculating your pension, they take average career earnings into account, rather than your final salary. To ensure that early years earnings are not undervalued, these are revalued in line with inflation up to the date of your retirement.

Pension would be calculated as:

$$\text{Accrual Rate} * \text{Length of Service} * \text{Average Revalued Earnings}$$

Accrual Rate – initial Government proposals had set accrual rate at 1/65. Through negotiations this has been improved by 20% to 1/54 (i.e. you will get 20% more pension with a 1/54 accrual rate than you would under a 1/65 accrual rate).

Revaluation Rate – The rate at which earnings are revalued has been set to CPI + 1.5% each year between when they were earned and retirement.

Example –if you have average pensionable earnings of £20,000 and 13 years of service in the new section, your pension would be calculated as:

$$13 * 1/54 * £20,000 = £4,815\text{pa}$$

If a worse accrual rate of 1/65 was imposed, the equivalent pension calculation would be:

$$13 * 1/65 * £20,000 = £4,000\text{pa}$$

Pensions would be increased in payment and after leaving service in line with the Consumer Prices index.

Lump sum – in line with current arrangements, members will be able to exchange some of their annual pension for a tax free lump sum at retirement.

Retirement for Ill Health Reasons – a two tiered system of ill health retirement will continue to operate for anyone certified as being incapable of carrying out their job. A lower tier will continue to base pension on your accrued service, but with no reduction for early payment. A higher tier will continue to exist that provides credited additional service. However rather than providing 2/3rds of your potential future service, this higher tier will provide ½ of your potential future service.

Spouse and partner pensions – these will continue to be provided on the basis of 1/160th of members earnings for each year of service.

Death in Service – will continue as at present.

5 OTHER ELEMENTS

Government has confirmed the following in the Heads of Agreement:

- i) Fair Deal – the policy that provides for pension protection for outsourced public sector workers, will be retained, improved and extended.
- ii) Any deviations from the initial cost of the scheme should be mainly met through the flexibility to change State Pension Age
- iii) The overarching structure of the reformed pension schemes will be suitable to protect against any significant increases in cost through improved longevity. However if costs do increase, employers would pick up the first part of any increase. Similarly if costs reduce by more than a certain level, this would result in benefit improvements for the scheme.
- iv) The Government believes that these reforms will deliver enough security to prevent any significant changes for a period of 25 years.