

Gateway reference: 16834

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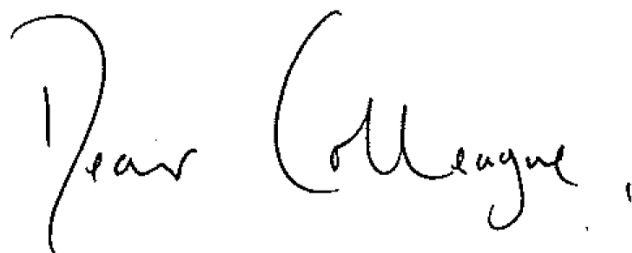
All Chairs in NHS Trusts in England  
All Chairs in NHS Foundation Trusts in England  
All Chairs in Primary Care Trusts in England  
All Chairs in Strategic Health Authorities in England  
All Chairs in Special Health Authorities in England  
All Chairs in Arm's Length Bodies in England

**Cc:**

All Chief Executives and Directors of Human Resources in NHS Trusts, NHS Foundation Trusts, Primary Care Trusts, Strategic Health Authorities, Special Health Authorities and Arm's Length Bodies in England

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## **NHS PENSION SCHEME REFORM**

I am writing concerning the Government's proposed changes to public service pension schemes, implementing the recommendations of the Independent Public Service Pensions Commission led by Lord Hutton and the associated increases in employee contributions.

The issue of pensions is understandably of great importance to all staff. As you will know, the Department of Health has been consulting on the proposed increases in employee pension contributions to be implemented in April 2012. At the end of the consultation period on 21 October, the Department of Health had received just short of 9,000 responses, both from individuals and representative organisations – underlining quite clearly the level of feeling about this important issue. We are considering all comments and will be responding to the consultation shortly.

In parallel, you will be aware that several NHS Trade Unions are balloting for potential continuing industrial action, starting with a day of action on 30 November. I appreciate the work that NHS organisations are taking forward to

mitigate the impact on patients of any industrial action. I recognise how challenging this will be for you and I have great regard for your professionalism and commitment in planning to maintain services for patients.

I want to reassure you that I am personally committed to reaching an agreement that is fair to staff and fair to taxpayers - a commitment that I have emphasised to the NHS Trade Unions during our constructive meetings. I strongly believe that industrial action in the NHS is in nobody's interest and is premature given that we are still engaged in meaningful talks.

The NHS Pension Scheme is and will remain an important part of the NHS reward package for its 1.4 million members. It is therefore very important that employers in the NHS engage directly with their workforce about the pension changes so that staff can make informed choices and fully understand the implications of change in relation to their current and future pension entitlements.

To support you in this, we are producing a range of materials including:

- A bespoke area on the Department of Health website, which will go live in mid November with links to other pension resources relevant to NHS staff. This will include an online calculator and other materials so individual staff can explore how the changes will affect them personally
- A fact sheet for NHS staff (attached with this letter) to support you in keeping your staff informed about the implications of change in relation to their current and future pension entitlements
- An interactive powerpoint presentation for organisations to use with their staff in local roadshows, general pension updates, surgeries or through local intranets. This will be sent to you in mid-November.

I would be grateful if you could highlight/distribute these products to staff through your various local communication channels including for PCTs to GPs and GP practice staff in your area. The attached fact sheet may be distributed as it is or, if you prefer, issued as a letter signed personally by the person you consider to be the most appropriate in your organisation. It is important, however, that it is made available to as many staff as possible as soon as possible.

As NHS leaders, I would like to draw your attention to some of the most pertinent issues that together we need to highlight to NHS staff and particularly to the Government's offer to the public sector workforce.

Although change needs to take place, for the contextual reasons set out in the attached fact sheet, many of your staff may be concerned about the impact of the changes on their personal entitlement. We therefore need to reassure them that we have taken considerable steps to protect everybody's accrued rights and ensure that those on low and middle incomes continue to receive broadly equivalent pensions at their new pension age and that future pension arrangements will continue to be excellent value.

On 2 November, the Government issued a revised pension offer to the public sector workforce. This is available at

[www.hm-treasury.gov.uk/tax\\_pensions\\_index.htm](http://www.hm-treasury.gov.uk/tax_pensions_index.htm)

This is a generous defined benefit pension offer that will ensure future generations of public service workers will continue to receive pensions among the very best available.

In return, the Government is asking that public service workers pay more towards their pensions and for most work a little longer so that they can receive pensions that are significantly more generous than their private sector counterparts.

This offer significantly exceeds Lord Hutton's minimum recommendation in relation to income replacement rates in retirement. The Government's offer is conditional on reaching agreement with the trade unions. If agreement has not been reached, the Government may need to revisit the current proposals.

Key elements of the offer include:

- **accrued rights will be protected** - so any pension benefits in the current scheme will be retained and will continue to be linked to their final salary on retirement at their current normal pension age. This means that the impact of moving to the new arrangements for all current members will be significantly mitigated,
- **public servants with less than ten years to their pension age will receive additional protection.** It is the Government's objective that those with 10 years or less to their current Normal Pension Age see no change in when they can retire, nor any decrease in the amount of pension they receive at Normal Pension Age. Schemes and unions have

been asked to discuss the fairest way of achieving this objective, taking full account of equalities impacts and legislation, while ensuring that costs to the taxpayer in each and every year do not exceed existing forecasts;

- the **new Career Average scheme** that the Government is proposing will have a **very good accrual rate** of  $1/60^{\text{th}}$ . This will mean that low and middle earners should receive broadly the same pension as now albeit at their new retirement age;
- **although contribution rates will increase, their impact is reduced by tax relief**. In 2012/13, the lowest rate of personal pension contribution will remain at 5%, representing a net cost of only 4% after tax relief. The largest group of members will be paying a net increase of only 1% and the highest earners will be paying only 1.5% more;
- the Government Actuary's Department have estimated that staff will see **a return of at least £3-£6 for every £1 of member contributions**. This is by any measure an excellent return

In summary, the Government has pledged that the NHS Pension Scheme will remain a very good value pension scheme and among the very best available.

Communicating these facts to your staff is of critical importance. It needs to be done quickly and no later than 18 November. Thank you for your support in achieving this.

A handwritten signature in black ink, appearing to read 'Andrew Lansley', with a large, stylized flourish at the end.

**ANDREW LANSLEY CBE**