

What's new from April?

Suzanne Allen, managing director of Heritage Financial Advisers, explains some of the key changes in the NHS Pension Scheme and highlights many of the benefits

Although there are a number of changes that affect all members of the NHS Superannuation Scheme, when compared with other professions – and certainly in comparison with the private sector – the continues to offer excellent value for money, especially for existing members, from April 2008.

There will no longer be a GDP earnings cap, so potentially you could benefit from a higher NHS pension if your NHS pensionable earnings exceed £115,800 per annum. Member contributions are currently six per cent of pensionable earnings but will increase on a sliding scale, tiered from five per cent to 8.5 per cent.

You may increase the maximum tax-free lump sum from three times your pension up to 25 per cent of the capital value of your pension. Your pension can be commuted on a 12:1 basis.

The 'normal' retirement age will increase to 65 for new members, but will remain at 60 for existing members. There will be the option for existing members to transfer to the new scheme up to 30 June 2010.

The accrual rate of 1.4 per cent of Career Average Related Earnings (CARE) remains the same for the existing scheme but increases to 1.87 per cent for the new scheme. It will therefore now be possible for GDPs to earn pension benefits beyond age 60 and is likely to be an incentive for active members who work beyond age 60 to defer taking benefits until their actual retirement.

Pensionable earnings will be re-valued at RPI + 1.5 per cent rather than in line with the annual GDP increases. *This is an underrated benefit.* Dentists who no longer operate in the NHS quite probably have deferred NHS pension benefits, but the rate of re-valuation of their accrued benefits only increases by RPI. In other words, their pensions are accruing at 1.5 per cent less each year than active NHS members.

The facility to buy 'added years' is finishing although existing arrangements will be honoured. Instead, dentists will be able to buy additional pension of up to £5,000 per annum. At present the cost of buying the extra benefits hasn't been announced so we are not able to say if they will represent better value than added years.

Since the new pension rules were introduced from 'A' Day in April 2006, dentists have been able to contribute up to 100 per cent of their net profits to a personal pension or SIPP. In future,

dentists will be able to contribute up to 100 per cent of pensionable pay (not to be confused with your net profits) towards the purchase of an additional pension,

or the Money Purchase Additional Voluntary Contributions (MPAVC) and Stakeholder pension arrangements that are already in place.

These changes are likely to have a marked impact for dental practitioners and represent an ideal time to undertake a review of your financial circumstances. **DI**



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