



CAVENDISH MEDICAL

Losing your award FAQs June 2015

ACCEA awards have been increasingly more difficult to come by in recent years with the number of new awards being cut along with the introduction of a much stricter renewal process for existing awards.

There is an increasing number of existing awards that are not being renewed and the consequences of this can be of huge importance both from a financial and pension perspective. Previously if an award was lost 'pay protection' would mean that the individual would still be paid at the same level. However, pay protection was abolished in March 2015 meaning if an award is lost the individual loses all awards and their pay for CEA points drops to zero.

For example, a national bronze award is currently worth £35,484 gross per annum. If this was not renewed the individual does not revert to a local level 8 with pay of £29,570 gross per annum. They lose the full £35,484 for the national bronze.

This would have a major impact on the vast majority of individuals but there is an added sting in the tail. Currently, CEA awards are pensionable so count towards total pensionable pay each year. If an award is lost the individual runs the risk of a significant reduction in pensionable pay which would have financial consequences for their life and the life of their spouse.

A simplified example would be as follows:

- A consultant in the 1995 section of the NHS scheme retires at age 60 with service of 35 years in the scheme and a pensionable pay of £140,000 (inc. his national bronze). This would entitle him to a standard pension of £61,250 gross per annum and a pension commencement lump sum of £183,750. The consultant dies while in receipt of the pension and his spouse then receives up to £30,625 gross per annum for the remainder of her life.
- His colleague with whom he went to medical school is also retiring this year. He used to have a bronze award but lost this when he was age 55. He also has 35 years' service but his pensionable salary dropped to £104,000 after the bronze was lost. As the bronze award was lost more than three years ago (i.e. did not fall within his best of the last 3 years' salary definition) his standard pension is £45,500 and a pension commencement lump sum of £136,500. The consultant dies while in receipt of the pension and his spouse then receives up to £22,750 gross per annum for the remainder of her life.

The important point to note here is that if an award is lost it may still be counted within the pensionable pay for the next three years so planning is critical should the worst happen. The rules are slightly different for those in the NHS 2008 scheme & USS scheme.

In addition to the above some individuals may qualify for 'step-down' which would protect the higher pensionable pay for pension purposes up to the point the award was lost.

Each situation is different and will be down to the individual's circumstances. If an award is lost and you are unsure of your options it is important to seek independent financial advice sooner rather than later.



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