

GMB Guide to the NHS Pension Scheme (England and Wales)



A new NHS Pension Scheme – called the NHS 2015 Pension Scheme – will be introduced in England and Wales on 1 April 2015. The scheme’s introduction followed many months of intensive negotiations and industrial action from GMB members in 2011, which was successful in delivering improvements to the proposals for scheme reform.

Under the terms of the NHS Pension reforms, the scheme will continue to apply on a defined benefit basis, ensuring guaranteed levels of pensions payable in full from state pension age at the latest, and subject to index linked increases. The structure of the scheme will be kept under financial review in the future and changes to future costs could result in changes to the scheme benefits or contributions rates. GMB members would be consulted in the event of such proposed changes, and this guide would be updated accordingly.

This guide covers how the new NHSPS 2015 will work – who joins when; what you pay in, what you get out of it and when you can get it. It also covers the other, historic NHS Pension Schemes which will continue to apply beyond April 2015 to members with full or tapered protection (see Section 1.1).

Remember that contributions made to pensions, including all of those covered in this guide are tax free – you don’t pay income tax on your pension contributions.

Members seeking additional information on their NHS Pension Scheme should be aware of the Schemes’ website at www.nhsbsa.nhs.uk/pensions. This site contains a lot of comprehensive information, including calculators, guides and scheme regulations (the content of which would override any information found elsewhere).

Summary

The features of the new 2015 scheme are summarised in the table overleaf alongside those of the existing NHS Pension Arrangements:

	2015 Scheme	2008 Section	1995 Section
Membership	All Service from 1 April 2015 (except for protected members who will join later, or not at all)	For new employees from 1 April 2008 to 31 March 2015 (and for 1995 section members who elect to join under NHS Pensions Choice or Choice 2)	For employees joining NHS before 1 April 2008
Pension Type	Defined Benefit Career Average	Defined Benefit Final Salary	Defined Benefit Final Salary
Accrual Rate	1/54	1/60	1/80 (plus lump sum of 3 times pension)
Revaluation of Pension Already Built Up	Increased in line with CPI Price Inflation + 1.5%	Accrued pension based on final salary	Accrued pension based on final salary
Pension Age	Normal Pension Age is your State Pension Age (minimum 65). State Pension Ages can be seen in Section 2.3. Pension can be started anytime between age 55 and 75	65 Pension can be started anytime between age 55 and 75	60 (Members with Special Class status have a pension age of 55) Pension can be started anytime between age 55 (50 for some) and 75

Contributions	Across the three defined benefit schemes contributions are based on full time equivalent (FTE) pensionable salary:	
	<u>FTE Pensionable Salary</u>	<u>Contribution Rate</u>
	<£15,432	5.0%
	£15,432 – £21,477	5.6%
	£21,478 – £26,823	7.1%
	£26,824 – £47,845	9.3%
	£47,846 – £70,630	12.5%
	£70,631 – £111,376	13.5%
£111,377+	14.5%	

1. Which Scheme will apply to you

Prior to April 2015, which of the defined benefit pension schemes you are eligible for depends on when you started employment:

- a. If you started before April 2008, you would have joined the 1995 Section (see Section 4). You will have had a choice to move into the 2008 Section (see Section 3). You might move into the 2015 scheme (see Section 1.1 below).
- b. If you started between April 2008 and March 2015, you would have joined the 2008 Section (see Section 3). You might move into the 2015 scheme (see Section 1.1 below).
- c. However, if you start from 1 April 2015 onwards, you will join the 2015 Pension scheme (see Section 2)

1.1 Protection from Scheme Changes on 1 April 2015

From April 2015, the new 2015 Pension Scheme will come into effect. It will immediately apply to new joiners and members of the other NHS Pension schemes who are not subject to full protection. Full protection will apply if you were a member of a NHS Pension Scheme on 1 April 2012 and, at that date, were within 10 years of your Normal Pension Age (so, if you were 50 and over and a member of 1995 Section, 45 and over if you were a Special Class member of the 1995 Section; or if you were in 2008 Section and aged 55 and over). Full protection means you will stay in your current pension scheme until you retire.

If you were between 10 and 13.5 years away from your Normal Pension Age on 1 April 2012 you would be subject to Tapered Protection. Tapered Protection allows you to stay in your current pension scheme after 1 April 2015, but to move into 2015 Scheme at a later date, depending on your date of birth (exact details of which can be seen in the table on the next page).

Members of the 2008 Section (including members of the 1995 section who elect to transfer to the 2008 Section through the Pensions Choices Exercises – See Section 1.2) will have the opportunity to opt out of protection – more information can be seen in Section 1.3.

Members who were more than 13.5 years away from their Normal Pension Age on 1 April 2012, or who were not in a NHS Pension Scheme on this date, would not be protected and will move into 2015 Scheme on 1 April 2015.

For members who move to 2015 Scheme in April 2015, or at a later date under Tapered Protection, the pension benefits you built up before moving into 2015 Scheme will be fully protected on the terms under which you built them up; including the age at which pensions are payable. 2015 Scheme terms will only apply to the service you build up after you move into this scheme.

The dates at which Tapered Protection comes to an end (based on your age at 1 April 2012) are shown in the table on the next page. For example; a 2008 Section member who was 53 years and 10 months on 1 April 2012 would move into 2015 Scheme in December 2019, and a 1995 Section member who was 46 and 9 months on 1 April 2012 would move into 2015 Scheme in October 2015. A Special Class member who was aged 42 and 6 months on 1 April 2012 would move into the 2015 Scheme in April 2017.

Date Tapered Protection expires	Age at 1 April 2012					
	2008 Section		1995 Section (Not Special Class)		1995 Section (with Special Class)	
	Born Apr-57 to Aug-60		Born Apr-62 to Aug-65		Born Apr-67 to Aug-70	
	Years	Months	Years	Months	Years	Months
Feb-22	54	11	49	11	44	11
Dec-21	54	10	49	10	44	10
Oct-21	54	9	49	9	44	9
Aug-21	54	8	49	8	44	8
Jun-21	54	7	49	7	44	7
Apr-21	54	6	49	6	44	6
Feb-21	54	5	49	5	44	5
Dec-20	54	4	49	4	44	4
Oct-20	54	3	49	3	44	3
Aug-20	54	2	49	2	44	2
Jun-20	54	1	49	1	44	1
Apr-20	54	0	49	0	44	0
Feb-20	53	11	48	11	43	11
Dec-19	53	10	48	10	43	10
Oct-19	53	9	48	9	43	9
Aug-19	53	8	48	8	43	8
Jun-19	53	7	48	7	43	7
Apr-19	53	6	48	6	43	6
Feb-19	53	5	48	5	43	5
Dec-18	53	4	48	4	43	4
Oct-18	53	3	48	3	43	3
Aug-18	53	2	48	2	43	2
Jun-18	53	1	48	1	43	1
Apr-18	53	0	48	0	43	0
Feb-18	52	11	47	11	42	11
Dec-17	52	10	47	10	42	10
Oct-17	52	9	47	9	42	9
Aug-17	52	8	47	8	42	8
Jun-17	52	7	47	7	42	7
Apr-17	52	6	47	6	42	6
Feb-17	52	5	47	5	42	5
Dec-16	52	4	47	4	42	4
Oct-16	52	3	47	3	42	3
Aug-16	52	2	47	2	42	2
Jun-16	52	1	47	1	42	1

Apr-16	52	0	47	0	42	0
Feb-16	51	11	46	11	41	11
Dec-15	51	10	46	10	41	10
Oct-15	51	9	46	9	41	9
Aug-15	51	8	46	8	41	8
Jun-15	51	7	46	7	41	7
Apr-15	51	6	46	6	41	6

1.2 Your Pensions Choice (Revisited) – For members of the 1995 Section

Following the introduction of the 2008 Section, members of the 1995 Section were given an opportunity to join this new arrangement. This opportunity was offered through the Pensions Choice Exercise which ran between 2009 and 2012.

In recognition of the fact that members did not know the extent to which NHS pension arrangements were set to change in 2015 when they originally made their Choice, it has been decided to re-run the Pensions Choice Exercise. This re-run is called Choice 2 and was launched in October and November 2014.

Only members of the 1995 Section who are not subject to full protection will be eligible to take part in Choice 2. Members of the 2008 Section (including those who moved from the 1995 Section to the 2008 Section in the first Choice Exercise) will not be eligible.

You will receive information from the NHS Pensions Agency, outlining the terms of your Choice. This information will be distributed via your employer – if you believe you should be eligible for Choice 2 and have not received information, you should contact your local HR or pensions department.

Members will have until 16 March 2015 to make a choice. If you do not make any decision, the default position is that you do not move from the 1995 section to the 2008 Section. If you do select to move then you will be immediately treated as being a member of the 2008 Section for the whole time you have been a member of the NHS Pension Scheme. This would mean the following:

- Your Normal Pension Age would be 65, not 60 (or 55 if Special Class)
- If you were age 41.5 to 55 on 1 April 2012, your protection arrangements would change in line with information shown in section 1.1 and the accompanying table in which you would be a member of the 2008 Section, rather than the 1995 section.
- Your final salary pension would be calculated by reference to 1/60 of your service rather than 1/80 (i.e. a greater level of pension) but with no automatic lump sum.

- Your pension from 2008 Section could be paid more flexibly than in the 1995 section (i.e. you could retire flexibly (see Section 3.3.e))

In addition to the information you receive from NHS Pensions, there is a web-based Choice 2 calculator and lots of information on the NHS Pensions website, including details of relevant factors you should consider; for example if you plan to work in the NHS well past your current normal pension age of 60 then you may be better off opting to move into the 2008 Section. Or if you think you will either retire at 60, or leave service beforehand, it might be better for you to leave your pension in the 1995 Section. To use the web based calculator you need to have online access to your Total Reward Statement/Annual Benefit Statement. More information can be seen at www.nhsbsa.nhs.uk/pensions

It is important that you take the time to consider the options presented to you in the Choice 2 exercise, particularly if you believe that your career in the Health Service is likely to see you working beyond 60. Making a decision on the basis of information shown in the calculators could result in you being significantly better off in retirement.

1.3 Opting out of Protection (for members of the 2008 Section)

Members of the 2008 Section, including those who opted into the 2008 Section through the original Choice Exercise, or who might opt in through the new Choice 2 Exercise would be protected in line with the provisions of Section 1.1.

However it is possible that, if you do not receive promotional pay increases before retirement, the higher accrual rate in the 2015 scheme could deliver a bigger pension than the 2008 section. In recognition of this, members of the 2008 Section who would normally be given protection from moving into the new 2015 Scheme will be allowed a one-off chance to forego this protection. This option will be offered shortly after the introduction of the 2015 scheme. As with Choice 2, it is anticipated that this will be accompanied by calculators and detailed generic information to help with this important decision.

1.4 Contracting out changing from April 2016 – higher National Insurance payments

All of the defined benefit Schemes in the NHS pensions family are currently contracted out of the State Second Pension. That applies to 1995 and 2008 sections and will apply to the 2015 Scheme on its inception.

Contracting out means that, both you and your employer pay a lower level of National Insurance, and accordingly do not build up entitlement to the State Second pension (although you do still build up entitlement to the Basic State Pension).

Under Government reforms to simplify the State Pension, the facility to contract-out will end in April 2016. You can see GMB's Guide to State Pensions for more information (<http://www.gmb.org.uk/work-issues/work-issues/pensions-and-retirement/work-issues/pensions-and-retirement/gmbs-guide-to-pensions.html>). In essence this change means that with the ending of contracting out, you will revert to paying the full rate of National Insurance from April 2016 – an extra 1.4% of banded earnings in National Insurance.

1.5 Increases to Pensions in Payment

All of the NHS Defined Benefit pensions are increased every year once they come into payment. Government sets the rate of increase in line with changes to price inflation (currently measured by the Consumer Prices Index – CPI).

1.6 Fair Deal

An important part of the reforms of NHS Pensions is an improvement to the Fair Deal policy. This means that anyone working for the NHS whose job is outsourced and who faces a compulsory transfer of employment to an independent employer would retain continued access (or eligibility to access) the NHS Pension Scheme.

2 THE 2015 PENSION SCHEME

2.1 What You Pay – Contributions

The Contribution you pay towards the NHSPS 2015 Scheme is based on your Full Time Equivalent Pensionable Pay (although you only pay contributions on your actual earned pensionable pay). Full time equivalent pay is the amount you would receive if you work full time hours, without any pro-rating for part time hours.

Pensionable Pay includes all of your basic pay including regular allowances and payments, but does not include any bonuses, expenses payments or overtime payments. If you participate in any salary sacrifice arrangement, then (at present) any pay given up is also excluded from your Pensionable Pay.

Your employer should look at your Pensionable Pay for each pay period (i.e. how often you get paid) and determine which of the Pay Bands in the table below you is appropriate. You will then pay contributions in line with that Pay Band. If your pay changes at any time your Pensionable Pay can be reviewed and you can be put into a different Pay Band.

Full Time Equivalent Pay Band	Contribution Rates
Up to £15,431	5.0%
£15,432 – £21,477	5.6%
£21,478 – £26,823	7.1%
£26,824 – £47,845	9.3%
£47,846 – £70,630	12.5%
£70,631 – £111,376	13.5%
£111,377 +	14.5%

Example 1

In April 2015, Jenny works 3 days a week on her contract and is paid £18,000. Her full time equivalent pensionable salary is £30,000. Her contribution rate is then 9.3%. She pays 9.3% on her actual pensionable pay of £18,000, meaning that she pays £139.50 a month in pension contributions.

2.2 Your Pension Benefit

From April 2015, for each year (and part year) that you are in the 2015 scheme you will build up a pension based on your actual pensionable pay for that year. Each year runs from 1 April to 31 March, and the pension you build up is $1/54$ of your Pensionable Pay.

Example 2

For the Year from 1 April 2015 to 31 March 2016, Jon's pensionable pay is £26,000. In that year, he builds up a pension equal to $£26,000/54 = £481.48$. That pension is then revalued (increased) each year up until his retirement.

Under the 2015 scheme, the increase that is applied to the pension you have built up is in line with changes to the Consumer Prices index (CPI) as published by the Office for National Statistics, with an extra 1.5% added on each year. In line with the general approach to pension increases, the annual measure of CPI each September is used to calculate the increase (revaluation) that should apply the following April.

Example 3

Jon (from the last example) sees his pensionable pay rise to £26,500 in his second year of service. In this second year he builds up a pension of $£26,500/54 = £490.74$. However the pension that he built up in Year 1 (from Example 2) is also added to this. It was £481.48, but will now be revalued (at an assumed CPI rate of 2%, plus an extra 1.5% to make 3.5%) to £498.33.

This revalued pension is added to the one he has built up meaning that after 2 years, Jon has built up a total pension of $£498.33 + £490.74 = £989.07$

Similarly for the third and fourth years of Jon's membership in 2015 Scheme the position is summarised as below:

Year	Total Pension carried over from end of previous year	Revaluation rate (CPI + 1.5%)	Revalued Pension (A increased by B)	Pensionable Salary for this Year	Pension Accrued in this Year (=D/54)	Total Pension (+C+E)
	A	B	C	D	E	F
1 (2015/16)	-	-	-	£26,000	£481.48	£481.48
2 (2016/17)	£481.48	3.5%	£498.33	£26,500	£490.74	£989.07
3 (2017/18)	£989.07	3.5%	£1,023.69	£27,000	£500.00	£1,523.69
4 (2018/19)	£1,523.69	4.5%	£1,592.26	£28,000	£518.52	£2,110.78

After 4 years, Jon has built up an annual pension of £2,110.78. Whilst Jon remains in active NHS service, this pension will continue to be increased in line with CPI + 1.5%; and he will also build up further pension for any future years in which he contributes to the scheme.

a. Tax free Lump sum

At the time of your retirement you can elect to give up some of your annual pension in exchange for a one-off tax free lump sum. There are limits to the amount that can be taken and specific terms apply.

2.3 Retirement from 2015 Scheme

a. Normal Retirement

Date of Birth	Normal Pension Age
Up to 06/12/1953	65
06/12/1953 - 05/10/1954	Rising from 65 to 66
06/10/1954	-
05/04/1960	66
06/04/1960	-
05/04/1961	Rising from 66 to 67
06/04/1961 - 05/04/1977	67
06/04/1977	-
05/04/1978	Rising from 67 to 68
After 05/04/1978	68

The Normal Pension Age for 2015 scheme is not fixed; it is now linked to State Pension Age (SPA). SPA is subject to Government review and change. The government wishes to balance the amount of time people spend in retirement and their aim is for people to be in retirement for one third of their adult life. GMB will continue to lobby that more information than just pure national life expectancy needs to be taken in to account, including locality based life expectancy and the nature of employment.

b. Early Retirement

It is possible to take early retirement in 2015 Scheme from the age of 55. However, if you wish to take your pension before Normal/State Pension Age it will be reduced on the grounds that it should be paid to you for longer than if you retired later at Normal Pension Age. There is no consent needed to be able to access your pension from the age of 55.

The reductions that are applied to early pensions will be kept under review by the Government Actuary (to ensure that early retirement does not result in any extra costs or savings)but broadly speaking your pension would be reduced by 5-6% for each year early that it is being drawn.

If you are retired as part of a redundancy exercise, then no reduction to your pension would be applied. However If you return to NHS employment after starting to receive an early pension on redundancy – your pension could be reduced under a policy called “abatment”. You should discuss this with the pension scheme if you are likely to face such a possibility.

c. Late Retirement

If you decide to not claim your pension when you reach Normal Pension Age then the amount of pension you have will increase. For every year you do not claim your pension after Normal Pension Age your pension will be increased by rates calculated by the Government Actuary. You can also carry on contributing to your pension if you are still working after Normal Retirement Age up until the age of 75, this will build up extra entitlement for when you retire.

d. Ill Health retirement

If your health has deteriorated to a point where you cannot continue to work and you have two years qualifying service in the scheme then you can qualify for ill health retirement, if your employment is terminated due to this incapacity.

The Scheme Medical Advisers will assess you to see if you qualify for ill-health retirement. If you do qualify, they will determine which level you will receive.

Lower tier – if you are unlikely to be able to do your current job again before your Normal Pension Age due to physical or mental incapacity. If this is the case, and you are dismissed from employment due to this incapacity you receive all the pension you have built up in the 2015 Scheme, without a reduction for early payment.

Upper tier – if you are unlikely to be able to return to any sort of employment (with similar weekly hours to what you already do) before your Normal Pension Age due to physical or mental incapacity. If this is the case, and you are dismissed from employment due to this incapacity, you receive the same pension as the lower tier and an increased pension. The increase is worked out as 50% of the pension you would have built up had you remained in service until your Normal Pension Age.

If you return to NHS employment after starting to receive an ill health pension – your pension could be reduced under a policy called “abatment”. You should discuss this with the pension scheme if you are likely to face such a possibility.

e. Partial Retirement – Drawing your pension while still in employment

Once you have reached age 55 then you can decide, with your employer’s consent, whether you wish to take partial retirement and claim your pension. It is possible for you to take partial retirement and claim between 20% and 100% of your pension but you must reduce either your working hours or grade of employment so that your earnings are

reduced by at least 10%. Any pension that you do not take is not lost but would become payable when you fully retire. Partial retirement options cannot be exercised more than twice.

There will be a reduction associated with taking your pension early before your State Pension Age but this will depend on how early and how much you take. It is also possible to keep paying in to your pension on your reduced hours or grade and build up your pension.

Example 8

Kerry wants to take early retirement in April 2020 at age 60 with 5 years of pension. Kerry wants to take 50% of the pension accrued. Kim will work reduced hours until normal retirement age of 66 and then take all of her pension.

Kerry has built up a pension pot of £3000 in April 2020. Half of this pension is equal to £1500 this will then get reduced as it is taken 6 years early by (a notional factor of) 30% for females. Therefore the pension received is £1,050.

When Kerry comes to fully retire and decides to take the whole pension she will also receive the other 50% (£1500) unreduced, as well as the pension built up through her reduced hours employment between 60 and 66.

2.4 Membership from before April 2015 (or the date your tapered protection expires)

Prior to the 2015 Scheme, the previous NHS Pension Schemes operated on a defined benefit final salary basis. Members received a portion of their final pay for each year of membership, payable from your 55th (Special Classes), 60th (1995 Section) or 65th (2008 Section) birthday. The terms on which pension was built up in the previous scheme will be honoured in full. This means that for members who were NHSPS members prior to moving into the 2015 Scheme, you will have more than one NHS pension calculated in different ways. Your 2015 pension is paid on its terms, and other NHS pension is paid on the relevant terms (details of the other schemes can be seen in later sections). It will be possible to take these separate pensions at different times reflecting the fact that they will have different normal pension ages, but you will have to retire to draw on these.

2.5 Death benefits

There are several death benefits linked to the 2015 Scheme.

Death in Service – If you die while an active member of the scheme, the person(s) you have nominated on your ‘expression of wish’ form will be entitled to a lump sum of 2 x pensionable pay. There are also survivor benefits for those who leave a spouse, civil partner or nominated cohabiting partner (who has been nominated by written declaration). The survivor’s pension is worked out as 33.75% of the pension you had built up under 2015 Scheme with an enhancement. If the member leaves behind an eligible child then the child will also be given a survivor pension.

Death in Retirement – If a member receiving a pension dies before they are 75 then a death grant will be paid to a spouse, civil partner or nominated cohabiting partner that is equal to 5 times the annual pension amount minus the amount of pension already received. The survivor’s pension is equivalent to 33.75% of the amount of pension received by member. If the member leaves behind an eligible child then the child will be given a survivor pension.

Eligible children are your own legitimate children, adopted children or children under your care for whom you have financial responsibility. The children must be either under 18 or in full-time education and not reached the age of 23 or not have the physical or mental capacity to participate in gainful employment and not reached the age of 23.

2.6 Topping up your Pension

a. Assumed Pensionable Pay

If a member is on reduced or nil pay due to parental or adoption leave the employer still pays their contribution on the amount the employee should have been earning, their assumed pensionable pay. Pension benefits are then based on this assumed pensionable pay. The employee may have to pay some contribution if they are receiving some part of their pay.

b. Buying Out an Actuarial reduction for Early Payment

You (or your employer) can opt to make additional pension contributions to effectively reduce the normal age at which you can draw your pension by up to three years. For instance if your state pension age is 68, you can pay extra so that you can receive an unreduced NHS 2015 Scheme pension from age 65.

c. Added Pension Contribution

You can buy extra pension within the 2015 Scheme, up to a maximum of £6,500 per year (this limit is kept under review). This can be paid for by lump sum or through regular pay roll contributions.

d. AVCs

If you wish to build up additional pension then you can through AVC (Additional Voluntary Contribution). If you decide to take up the option of paying AVC the money is not built up in the same way and is not part of your main pension pot. The AVC funds that you put in are managed by an AVC provider (Standard Life or Prudential). When you come to retirement, there are several options of what you can do with your AVC savings – take some, or all, as a cash lump sum, drawdown on the savings pot or buy an annuity.

2.7 Leaving Service

a. Refund of Contributions or Transfer to Another Arrangement

If you leave the pension scheme within 2 years of joining (and having not transferred in any other pensions) then you can choose between a refund of your contributions (less any appropriate deductions made for tax purposes) or to transfer your pension to another arrangement.

b. Deferred pension

If you leave the pension scheme and you have more than two years' service (or have transferred in a pension from elsewhere) then you will have a deferred pension. This is a pension that will be paid to you upon reaching retirement age or you may take when you reach 55 but there will be a reduction for taking it early before your normal pension age. Every year your pension is deferred it will be increased in-line with CPI (Consumer Price Index).

c. Death in Deferment

If the deferred member dies then a death grant will be paid to a spouse, civil partner or nominated cohabiting partner that is equal to 2.025 times the annual pension expected if the member had been able to draw pension on the day that they died. Pensions are also payable to surviving spouses/partners and eligible children.

3 2008 Section

3.1 What You Pay – Contributions

The Contribution you pay towards 2008 section is based on your Pensionable Pay. Contributions are deducted from your pay before Income Tax is worked out.

Pensionable Pay is based on your full-time equivalent pay and includes pensionable allowances these are generally permanent allowances and do not include overtime. If you participate in any salary sacrifice arrangement, then (at present) any pay given up is also excluded from your Pensionable Pay.

Full Time Equivalent Pay Band	Contribution Rates
Up to £15,431	5.0%
£15,432 - £21,477	5.6%
£21,478 - £26,823	7.1%
£26,824 - £47,845	9.3%
£47,846 - £70,630	12.5%
£70,631 - £111,376	13.5%
£111,377 +	14.5%

3.2 Your Pension Benefit

For every each year you are in the 2008 section you will build up 1/60th (or 1.67%) of your final salary, this is the 'accrual rate'. Your final salary is based upon the highest average pensionable pay measured over 3 consecutive years in the last 10 years.

Example

If you are in the 2008 section and retire with 20 years in the scheme on the annual salary of £23,000, then your pension will be worked out like this;

$$1/60 \times 20 \times £23,000 = £7,667 \text{ pa}$$

Periods of part time working are pro-rated downwards when calculating pensionable service, but contributions are paid on part time salary and pension benefits based on full time equivalent pensionable salary to account for this.

a. Tax Free Lump Sum

At the time of your retirement you can elect to give up some of your annual pension in exchange for a one-off tax free lump sum. There are limits to the amount that can be taken and specific terms apply.

3.3 Retirement from the 2008 Section

a. Normal Retirement

The 2008 section has a Normal Pension Age of 65 years of age.

b. Early Retirement

It is possible to request early retirement from the age of 55. However, if you wish to start claiming your pension before the Normal Pension Age it will be reduced in line with the amounts shown below.

Age	Reduction to pension
64	6%
63	10%
62	15%
61	19%
60	23%
59	27%

58 **30%**

57 **34%**

56 **37%**

55 **40%**

c. Late Retirement

Members retiring late after the Normal Pension Age (after their 65th birthday), will have the pension built up before age 65 increased by a late retirement factor. Pension benefits must be taken by age 75.

Age	Increase to pension
66	3.1%
67	6.2%
68	9.6%
69	13.2%
70	17.0%
71	21.1%
72	25.6%
73	30.4%

d. Ill Health Retirement

If your health has deteriorated to a point where you cannot continue to work and you have two years qualifying service in the scheme then you can apply for Ill Health Retirement. You can apply if you have left or leaving your job through ill health or if your employer should put you forward for this process if they are looking to dismiss you because of health related absences/capability.

The Scheme Medical Advisers will assess you to see if you qualify for ill-health retirement. If you do qualify, they will determine which level you will receive.

Lower tier – if you are permanently incapable of doing your current job again before your Normal Pension Age. If this is the case you receive the entire pension you have built up, without a reduction for early payment.

Upper tier – if you are permanently incapable of doing any sort of employment before your Normal Pension Age. If this is the case you receive the same pension as the lower tier and an increased pension. The increase is two-thirds of the service you would have completed before your Normal Pension Age. If you are in receipt of the higher tier pension and earn more than the National Insurance Lower Earnings Limit in any financial year you will be moved to the lower tier pension.

If you return to NHS employment after starting to receive an ill health pension – your pension could be reduced under a policy called “abatment”. You should discuss this with the pension scheme if you are likely to face such a possibility.

e. Partial Retirement

Once you have reached age 55 then you can decide, with your employer’s consent, whether you wish to take partial retirement and claim your pension. This allows members from the age of 55 to draw on their pension and carry on working in NHS employment. To do this pay must be reduced by 10% for at least 12 months and you are allowed to take between 20% and 80% of your pension. Your pension will be reduced if taken before the Normal Pension Age of 65.

f. Redundancy

If you are made redundant and are aged 55 or over with at least 2 years of membership you will be entitled to an immediate and unreduced pension as an alternative to a

severance payment. However If you return to NHS employment after starting to receive an early pension on redundancy – your pension could be reduced under a policy called “abatment”. You should discuss this with the pension scheme if you are likely to face such a possibility.

3.4 Death Benefit

Death in Service – If you die whilst an active member of the scheme, there is a lump sum of 2x your pensionable pay which is paid to the person named on your ‘expression of wish’ form. There are also survivor benefits for those who leave a spouse, civil partner or nominated cohabiting partner (who has been nominated by written declaration). The survivor pension is based on your length of service;

- If less than 2 years, your surviving partner will receive your level of pensionable pay for 6 months
- If 2 years or more your surviving partner will receive your pensionable pay for 6 months and then receive 37.5% of the level of higher tier ill health pension

If the member leaves behind an eligible child then the child will also be given a survivor pension.

Death in Retirement – If a member dies within the first 5 years of receiving a pension then a death grant will be paid to a spouse, civil partner or nominated cohabiting partner that is equal to 5 times the annual pension amount minus the amount of pension already received. The survivor’s pension is equal to the current pension for 6 months and then 37.5% of the amount you were receiving would be paid. If the member leaves behind an eligible child then the child will also be given a survivor pension.

Eligible children are your own legitimate children, adopted children or children under your care for whom you have financial responsibility. The children must be either under 18 or in full-time education and not reached the age of 23 or not have the physical or mental capacity to participate in gainful employment and not reached the age of 23.

3.5 Topping up your Pension

a. Added Pension Contribution

Added pension is a fixed amount of pension you can buy. Added pension will provide the same sort of benefits as your 2008 section pension.

b. AVCs

If you wish to build up additional pension then you can through AVC (Additional Voluntary Contribution). If you decide to take up the option of paying AVC, the money is not built up in the same way or as part of your pension pot. The AVC funds that you put in are managed by an AVC provider and your local scheme will be able to provide you details of the provider(s) they use. You can then use this separate pension pot built up through AVC to buy an annuity or take some or all as a lump sum.

3.6 Leaving Service

a. Refund of Contributions or Transfer to Another Pension Scheme

If you leave the pension scheme within 2 years of joining then you can choose between a refund of your contributions (less any appropriate deductions made for tax purposes) or to transfer your pension to another arrangement.

b. Deferred Pension

If you leave the pension scheme and you have more than two years' service then you will have a deferred pension. This is a pension that will be paid to you upon reaching retirement age or you may take when you reach 55 but there will be a reduction for taking it early before your normal pension age. Every year your pension is deferred it will be increased in-line with CPI (Consumer Price Index). You can also request a transfer value of the pension you have built up, so that you can move your pension in to another pension scheme.

4 1995 Section

4.1 What You Pay – Contributions

The Contribution you pay towards 1995 section is based on your Pensionable Pay. Contributions are deducted from your pay before Income Tax is worked out.

Pensionable Pay is based on your full-time equivalent pay and includes pensionable allowances these are generally permanent allowances and do not include overtime. If you participate in any salary sacrifice arrangement, then (at present) any pay given up is also excluded from your Pensionable Pay.

Full Time Equivalent Pay Band	Contribution Rates
Up to £15,431	5.0%
£15,432 - £21,477	5.6%
£21,478 - £26,823	7.1%
£26,824 - £47,845	9.3%
£47,846 - £70,630	12.5%
£70,631 - £111,376	13.5%
£111,377 +	14.5%

4.2 Your Pension Benefit

For every each year you are in the 1995 Section you will build up 1/80th or 1.25% of your final salary, this is the 'accrual rate'. Your final salary is the best of your last three years of pensionable pay. You will also receive 3x your pension as an automatic tax free lump sum on retirement.

Example

If you are in the 1995 Section and retire with 20 years in the scheme on the annual salary of £23,000, then your pension will be worked out like this;

$$1/80 \times 20 \times £23,000 = £5,750 \text{ pa}$$

Your lump sum would then be worked out as;

$$£5,750 \text{ (pension)} \times 3 = £17,250$$

Periods of part time working are pro-rated downwards when calculating pensionable service, but contributions are paid on part time salary and pension benefits based on full time equivalent pensionable salary to account for this.

a. Additional Tax Free Lump Sum

It is possible to take additional lump sum in exchange for a smaller annual pension. For every £1 of annual pension you give up you receive £12 as a lump sum.

4.3 Retirement from 1995 Section

a. Normal Retirement

The 1995 Section has a Normal Pension Age of 60. Members with Special Class status, who retire from a Special Class role, can access their pension benefits in full from age 55. You must leave NHS employment to draw upon your pension – there are no partial or flexible retirement options available in the 1995 Section.

b. Early Retirement

It is possible to request early retirement from the age of 50 if you were a member of the scheme before April 2006 or from the age of 55 if you joined from April 2006 onwards. However, if you wish to start claiming your pension and lump sum before the Normal Pension Age they will be reduced to compensate for the pension being paid for longer. The reductions that are applied to early pension benefits are shown in the table below. Note that members with Special Class status who retire before the age of 55 would also see pensions reduced in line with the amounts below.

Age	Reduction to pension	Reduction to lump sum
59	5%	3%
58	10%	6%
57	14%	9%
56	18%	12%

55	21%	15%
54	25%	17%
53	28%	20%
52	31%	22%
51	34%	25%
50	37%	27%

c. Late Retirement

If you reach Normal Pension Age and do not wish to take your pension it will not increase in the same way it decreases for taking the pension early (i.e. there is no late retirement uplift). Pensions would increase once in payment in line with CPI.

d. Ill Health Retirement

If your health has deteriorated to a point where you cannot continue to work and you have two years qualifying service in the scheme then you can apply for Ill Health Retirement. You can apply if you have left or are leaving your job through ill health or if your employer should put you forward for this process if they are looking to dismiss you because of health related absences/capability.

The Scheme Medical Advisers will assess you to see if you qualify for ill-health retirement. If you do qualify, they will determine which level you will receive.

Lower tier – if you are permanently incapable of doing your current job again before your Normal Pension Age. If this is the case you receive the entire pension you have built up, without a reduction for early payment.

Upper tier – if you are permanently incapable of doing any sort of employment before your Normal Pension Age. If this is the case you receive the same pension as the lower tier and an increased pension. The increase is two-thirds of the service you would have completed before your Normal Pension Age. If you are in receipt of the higher tier pension and earn more than the National Insurance Lower Earnings Limit in any financial year you will be moved to the lower tier pension.

e. Step-down

In the 1995 section one you have reached the minimum pension age (50 or 55 depending on when you joined), you can choose to protect your pensionable pay if you wish to take on a lower paid role. If this lower paid role means that your pay is reduced by at least 10% for at least 12 months, your pension in respect of the service built up before the drop in wages is based on your previous higher pay. You will then start a new pension pot in respect of the service after this on the reduced pay.

f. Redundancy

If you are made redundant and have reached minimum retirement age with at least 2 years of membership you will be entitled to an immediate, unreduced pension and lump sum as an alternative to a severance payment. However if you return to NHS employment after starting to receive an early pension on redundancy – your pension could be reduced under a policy called “abatment”. You should discuss this with the pension scheme if you are likely to face such a possibility.

4.4 Death Benefit

Death in Service – If you die whilst an active member of the scheme, there is a lump sum of 2x your pensionable pay which is paid to the person named on your ‘expression of wish’ form. There are also survivor benefits for those who leave a spouse, civil partner or nominated cohabiting partner (who has been nominated by written declaration). The survivor pension is based on your length of service;

- If less than 2 years, your surviving partner will receive your level of pensionable pay for 6 months
- If 2 years or more your surviving partner will receive your pensionable pay for 6 months and then receive 50% of the level of higher tier ill health pension. **NB.** The service on which this is based will be restricted to service after April 1988 for widowers, civil partners and nominated partners.

If the member leaves behind an eligible child then the child will also be given a survivor pension.

Death in Retirement – If a member dies within the first 5 years of receiving a pension then a death grant will be paid to a spouse, civil partner or nominated cohabiting partner that is equal to 5 times the annual pension amount minus the amount of pension already received. The survivor’s pension is equal to the current pension for 3 months and then 50% of the amount you were receiving would be paid. If the member leaves behind an eligible child then the child will also be given a survivor pension.

4.5 Topping up your Pension

a. Added Pension Contribution

Added pension is a fixed amount of pension you can buy. Added pension will provide the same sort of benefits as your Classic pension.

b. AVCs

If you wish to build up additional pension then you can through AVC (Additional Voluntary Contribution). If you decide to take up the option of paying AVC, the money is not built up in the same way or as part of your pension pot. The AVC funds that you put in are managed by an AVC provider and your local scheme will be able to provide you details of the provider(s) they use. You can then use this separate pension pot built up through AVC to buy an annuity or take some or all as a lump sum.

4.6 Leaving Service

a. Refund of Contributions

If you leave the pension scheme within 2 years of joining then you can choose between a refund of your contributions (less any appropriate deductions made for tax purposes) or to transfer your pension to another arrangement.

b. Deferred Pension

If you leave the pension scheme and you have more than two years' service then you will have a deferred pension. This is a pension that will be paid to you upon reaching retirement age or you may take when you reach 55 (age 50 if you were a member of the scheme before April 2006) but there will be a reduction for taking it early before your normal pension age. Every year your pension is deferred it will be increased in-line with CPI (Consumer Price Index). You can also request a transfer value of the pension you have built up, so that you can move your pension in to another pension scheme.