

NHS Pension Policy

W26.1

Additionally refer to: Managing Attendance and Wellbeing
 Ill Health Retirement
 Retirement Policy

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Version Control Sheet

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Version history

Version	Date	Author	Status	Comment
2.0	Nov 08	Head of HR	Final	Ratified through Trust Board
3.0	July 16	Laura Kavanagh	Final	Amendments made following changes to NHS Pension Schemes. Ratified through PAG and Trust Board
3.1	July 17	Kate Youlden	Final	Agreement with Staff Side lead to change section 4 from 14.3% to 14.38% to match national scheme
3.2	August 17	Kate Youlden	Final	Minor updates due to mirror National Scheme. Agreed with Staff Side Chair and Vice Chair
3.3	September 2017	Lucy Rea	Final	Addition of definition of a child (requested by staff side). Corrections to numbering and contents page. Additions agreed with staff side chair and vice chair.
4.1 W26.1	May 2019	Lucy Rea	Draft	Amendments to reflect national changes to terms and conditions. Part of Retirement related policies – new number w26.1
4.2	September 2019	Lucy Rea	Final	Restructure following request from WFC and PAG. Agreed at JNCC Policy Meeting
4.3	December 2019	Lucy Rea	Draft	Updates as requested from WFC
4.4	September 2023	Lucy Rea	Final	Legislative changes required an updated version of the policy
4.4	Dec 2023	Lucy Rea	Final	Autumn statement changes to costs See 7.1/7.3
5	February 2024	Lucy Rea	Final	Autumn statement changes to costs See 7.1/7.3

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Policy on a Page

The NHS Pension Scheme is a valuable benefit for staff. It provides a competitive package of benefits, protected against inflation and guaranteed by the government.

This document summaries the main benefits to which staff may be entitled. The information contained in this policy is taken from the NHS Pension Scheme Regulations which govern the schemes; the scheme regulations are determined nationally and cannot be changed or amended locally at the Trust. It is not a comprehensive guide to the Scheme therefore staff are recommended to seek further guidance on their individual circumstances from the Pensions Team or to look at the precise terms set out on the website at www.nhsbsa.nhs.uk/pensions.

There are two NHS Pension Schemes

- the 1995/2008 NHS Pension Scheme for England and Wales
- the 2015 CARE NHS Pension Scheme

Staff who joined the NHS for the first time on or after the 1 April 2015 became members of the New 2015 CARE NHS Pension Scheme.

From 1 April 2022, all active members of the NHS Pension Scheme, regardless of their age, will be members of the 2015 NHS Pension Scheme. This means members who previously had full protection, moved to the 2015 Scheme on 1 April 2022. The 1995/2008 Scheme closed on 31 March 2022 and all future accruals from 1 April 2022 will be within the 2015 Scheme. Members will keep the pension benefits they have accrued in the 1995/2008 Scheme before 1 April 2022 and will be able to access these benefits in the same way and at the same time as they can now.

McCloud Remedy

The McCloud remedy will remove the age discrimination that was judged to have arisen in the NHS Pension scheme. The discrimination resulted in allowing older members to remain in their legacy (1995 or 2008) scheme rather than being moved to the 2015 Scheme when it was introduced.

The remedy is made up of two parts:

1. To ensure equal treatment going forward, all active members of the NHS Pension Scheme will be in the 2015 Scheme from 1 April 2022.
2. To address the inequality that has already occurred, affected staff will be offered a choice to receive either 1995/2008 scheme benefits or 2015 scheme benefits for the period they were affected (remedy period). If you joined the pension scheme after 31st March 2012 you are not affected.

The process for making this choice will be made at retirement. For members who have already retired you will be written to and asked to make your choice retrospectively. More information about the McCloud remedy can be accessed on the NHS Pensions Webpages. (see references in section 15.2).

The 1995 and 2008 Sections of the NHS Pension Scheme were both closed on 31 March 2022. All staff that are currently contributing to these schemes were automatically moved to the 2015 Scheme on 1 April 2022.

1 Policy Statement

- 1.1 This policy outlines the Trust's arrangements in place for the NHS Pension Scheme for England and Wales and will provide a general overview of the benefits provided but it does not give a complete or legally binding statement of the law and regulations which govern the Scheme. It covers the different types of members, eligibility to join the scheme, costs, retirement ages and the scheme benefits.

2 Introduction

- 2.1 The Trust is committed to providing members of staff with guidance on the NHS Pension Scheme and will be automatically updated by any changes in those rules.
- 2.2 This policy provides guidance for both managers and employees on NHS Pension Scheme Benefits in the 1995, 2008 and 2015 schemes including options for retirement and aims to support the Trust to meet service needs, to support the implementation of the NHS Plan, promote the principles of the Improving Working Lives Standard and ensure the Trust is compliant with employment legislation.

3 Scope

- 3.1 This policy applies to all employees directly employed by the Trust, whether full-time or part-time, permanent, or temporary and including those employed via the Temporary Staffing Department.
- 3.2 The policy does not apply to individuals employed by agencies or other contractors. Issues relating to pension arrangements for these individuals should be referred to the appropriate employer.
- 3.3 In implementing this policy, managers must ensure that all employees are treated fairly and within the provisions and spirit of the Trust's Equality and Diversity Policy (HR01). Special attention should be paid to ensuring the policy is understood when using it for employees new to the NHS or Trust, by employees whose literacy or use of English is weak or for persons with little experience of working life.

4 Responsibilities

4.1 Trust Board

- 4.1.1 The Trust Board has a strategic responsibility to ensure that the policy is communicated to all employees and is effectively implemented.

4.2 Trust Managers

- 4.2.1 All Trust Managers are responsible for the equitable implementation of this policy and for ensuring that all employees are aware of their responsibilities under it. Support and guidance may be sought from Human Resources.

4.2.2 Managers have a responsibility to ensure that they are familiar with this policy and to explain the policy to their staff.

4.3 Employees

4.3.1 All employees will observe the principles of the policy and where appropriate follow the stated application processes.

4.4 Human Resources

4.4.1 The Human Resources function is responsible for:

- i) Providing support and guidance to employees and managers on the implementation and application of this policy
- ii) Monitoring the application of this policy and updating it as required.

4.5 Trade Union Representatives

4.5.1 Trade Union representatives are responsible for supporting the fair and equitable application of this policy and providing support to their members when requested.

5. ELIGIBILITY

5.1 All eligible employees between the ages of 16 and 75 years will be automatically enrolled into the NHS pension scheme. Under Auto-enrolment Regulations should staff between age 16 and 21 decide to 'opt out' of the scheme they would not be automatically enrolled until they reach age 22

5.2 Employees, who are members, may decide to withdraw from the Scheme at any time (and may subsequently re-join), employees wishing to do so are advised to access the SD502 Opt out form available from NHS Pensions Agency website and forward to the Trusts pensions team.

5.3 A member may have a refund of contributions if they have less than 2 years calendar length membership, the refund form RF12 must be downloaded from the pensions website and sent to the pensions department together with the SD502 opt out form. The refund less tax will be made by NHS Pensions directly into the member's bank.

5.4 If they are a New Employee and opt out within the first two months of employment a refund will be given from date of commencement, the SD502 opt out form should be completed and returned to the pensions department then a refund will be paid to the member through their pay.

6. JOINING THE SCHEME

6.1 Existing members of the NHS Pension Scheme who join directly from another NHS employer in England and Wales will automatically transfer their accrued pension benefits and will join the 2015 Scheme. However, it **is** necessary to apply to transfer in pension benefits for previous service in the NHS Pension Scheme from Scotland,

Northern Ireland, the Channel Isles, or the Isle of Man. Further details are available from the Pensions Team. These arrangements are only available when the transfer is made within one year of being eligible and the break in membership is equal or less than five years.

- 6.2 For new entrants joining the Trust from outside the NHS it may be possible to transfer the value of a previous pension scheme into the NHS Pension Scheme. Transfer in packs are available from the Pensions department. Applications to transfer benefits **must** be made within 12 months of being eligible to join the 2015 scheme and the request must be received before the Normal Retirement Age for the scheme
- 6.3 Existing employees who wish to join the Scheme may do so at any time. Those who wish to do so should send a signed written request to the pensions department.
- 6.4 To **opt out** of the scheme, see 5.2 above
- 6.5 For a Refund of contributions, see 5.3 and 5.4 above

7. **COST**

- 7.1 Member contributions are tiered based on the actual annual rate of pensionable pay and range from 5.2% to 12.5%. Pensionable pay is basic pay and additional hours up to full time hours, enhancements, and certain regular allowances such as on call. Payments for overtime above full-time hours and travelling expenses are not classified as pensionable pay. The tiered salary ranges used to decide how much percentage rate of contribution you pay will change in line with any annual increase to the Agenda for Change pay scales,
- 7.2 However, the real cost is reduced because members receive tax relief on their pension contributions according to their individual tax coding.
- 7.3 The Trust also makes a contribution for members, currently at a rate of 14.38% with the HM Treasury making this up to 23.78%.

8. **RETIREMENT AGE**

- 8.1 **In all cases, staff who are considering retirement are advised to liaise with the Pensions Team before handing in their notice.**
- 8.2 The retirement age of the NHS Pension Scheme will **depend on which scheme/schemes the individual is a member of**. The Normal Pension Age (NRA) is the age at which you can take your pension in full without reduction. You may be able to take early retirement and claim your pension before this age at a reduced rate, this is known as Voluntary Early Retirement (VER).
- 8.3 NHS Pension 1995 Scheme

The normal retirement age under the 1995 NHS Pension Scheme is 60. This is the age at which a member may retire with their full retirement benefits. Members classified as “special classes” may elect to retire at aged 55 with unreduced pension benefits. All members of the Scheme may take voluntary early retirement on or after

age 50. In such cases, however, the retirement benefits **will** be reduced. Members who joined the 1995 section for the 1st time on or after 06/04/2006 cannot take Voluntary Early Retirement before age 55.

8.4 NHS Pension 2008 Scheme

For members of the 2008 NHS Pension Scheme, the normal retirement age is 65, and there is no concession to the 'special classes. Voluntary early retirement is applicable from age 55, with reduced retirement benefits.

8.5 2015 CARE NHS Pension Scheme (Career Average Revalued Earnings)

For members of the 2015 NHS Pension Scheme, the standard retirement age is the same as your state pension age (or 65 if later) and there is no concession to the 'special classes'. Voluntary early retirement is applicable from age 55, with reduced retirement benefits.

9. **NHS PENSION SCHEME BENEFITS**

9.1 This section provides a summary of the principal benefits of the Scheme which apply to many members. **Individual entitlements may, however, vary and individuals are strongly advised to seek guidance on their individual circumstances from the Pensions Team in Pay Services.**

9.2 Applications for age retirement benefits need to be received by the NHS Pensions Agency **at least 3 months** prior to the intended date of termination of employment, Therefore, the Trust recommends that members request their retirement application form from the Trust Pension Team **at least 4 months** prior to their retirement date

9.3 Retirement benefits for members of the 1995 NHS Pension Scheme

A pension based upon the final pensionable pay (calculated on earnings in the 365 days prior to retirement date or the best one of the last 3 years) divided by 80 and multiplied by the total years and days of pensionable service. The maximum pension is based on 45 years of pensionable service in the scheme. For part-time staff, earnings are adjusted to be the equivalent full-time amount and service is pro-rated. There is a tax-free lump sum equal to 3 times the annual pension. The tax-free lump sum may be increased to a maximum of 25% of the notional pension fund, by giving up some of the pension. For each £1 of pension given up, £12 worth of additional tax-free lump sum may be purchased.

Benefits are reduced if staff retire early (see section 8.3 above).

There is a provision for Partial Retirement, or '**draw down**'. On reaching age 55 (50 if you have protected minimum pension age) members become eligible to take some of their pension if they reduce their pay by switching to a lower paid job or reducing their hours of work. A break in employment is not required to take advantage of this provision to 'draw down' some of their pension.

To be eligible for draw down members must:

- be age 55 (50 of protected minimum pension age) or older;

- be reducing actual pensionable pay by at least 10%
- have had the previous level of pensionable pay for at least 12 months;
- expect the new level of pensionable pay to last at least 12 months;
- not have already drawn down twice.

Subject to overall limits, members can draw down a minimum of 20% and up to a maximum of 100% of their pension entitlement earned to date, whilst continuing to build up further membership.

9.4 Retirement benefits for members of the 2008 NHS Pension Scheme

A pension based upon the average of the best 3 years remuneration out of the last 10 of service, divided by 60 and multiplied by the total years and days of pensionable service. The maximum pension is based on 45 years of pensionable service in the scheme.

There is no automatic tax-free lump sum. However, members may elect to receive a tax-free lump sum by giving up some of their pension. For every £1 worth of pension given up £12 worth of tax-free lump sum may be obtained.

The maximum permitted tax-free lump sum allowed by HMRC rules is calculated by the formula: Approximately 4.28 times 2008 scheme pension
Benefits are reduced if staff retire early (see section 8.4 above).

Partial Retirement 'draw down' is available as above in 9.3

9.5 Retirement benefits for members of the 2015 CARE NHS Pension Scheme

A pension based upon pensionable pay right across your career. The pension you earn each year is based on your pensionable pay in that year, divided by 54. This is then revalued by a set rate linked to inflation, known as revaluation, plus 1.5% each year up to retirement or leaving the scheme. The final pension is calculated by adding together the revalued pension earned in each year of membership. There is no restriction on maximum service, but you cannot build up any scheme membership from your 75th birthday.

There is no automatic tax-free lump sum. However, members may elect to receive a tax-free lump sum by giving up some of their pension. For every £1 worth of pension given up £12 worth of tax-free lump sum may be obtained. It is possible to take up to a maximum of 25% of your capital value. This amount is governed by a limit set by HMRC.

Benefits are reduced if staff retire early (see section 8.5 above).

Partial Retirement 'draw down' is available as above in 9.3.

9.6 Ill Health retirement benefits (see HR policy W22 Employee Wellbeing and Attendance Management Policy)

Members with at least 2 years' membership who become permanently incapable of doing their present NHS job because of ill health may qualify to take their pension benefits early, they must be under the Normal Retirement age for the scheme the member is in.

The pension will be calculated in the same way as a normal retirement pension but will not be reduced to take account of early payment. This is known as a Tier 1 pension.

If the illness makes the member permanently incapable of any regular work of like duration to their NHS job, the 1995 and 2008 pension is paid unreduced and the 2015 pension will be calculated after an Increase of 1/2 prospective membership to State pension age . This is known as a Tier 2 pension.

A tax-free lump sum may also be available.

Applications for ill health retirement must be made by the member and cannot be made by the Trust. Full details are available from the Pensions Team.

9.7 Life assurance and family benefits

Members are automatically covered by the Scheme's life assurance from date of joining for staff who are substantively employed. Bank staff should refer to the bank life assurance information sheet available from the Temporary Staffing Department

9.7.1 Death in Service

A Lump sum payable on the death of a member will be automatically paid to a surviving spouse, registered civil partner or qualifying partner, subject to meeting the eligibility criteria.

For the 2015 Scheme The higher of: 2 x the relevant earnings in the last 12 months of pensionable service or 2 x the revalued pensionable earnings for the Scheme year, up to 10 years earlier, with the highest revalued pensionable earning

If members do not want this to happen, they have the option to nominate someone else to receive the benefit using the Lump sum on death benefit nomination DB2 form which can be downloaded from the NHS pensions website. If no one is eligible or nominated to receive the lump sum it will be paid automatically into the member's estate.

9.7.2 Widow(er)'s Pension following Death in Service

1995 Scheme

Death in membership - A continuing adult dependent's pension of either 50% of the notional tier 2 ill health pension if under age 60 at the date of death: or 50% of the notional age pension if over age 60 at the date of death.

Deferred Pension - A continuing adult dependent's pension of either 50% of the notional tier 2 ill health pension if date of death within 12 months of leaving; or 50% of the notional age pension if date of death is more than 12 months after leaving. Either pension will be based on all membership, but if you are the qualifying Scheme partner of a member either pension will not include any membership prior to 6 April 1988.

2008 Scheme

Death in membership - A continuing adult dependent's pension of either: 37.5% of the notional tier 2 ill health pension if under age 65 at date of death; or 37.5% of the notional age pension if over age 65 at date of death.

Deferred Pension - A continuing adult dependent's pension of either: 37.5% of the notional tier 2 ill health pension if date of death within 12 months of leaving; or 37.5% of the notional age pension if date of death more than 12 months after leaving

2015 Scheme

Death in Membership - A short term pension is payable to the survivor for 6 months equal to the member's pensionable pay at the date of death (paid directly from NHS Pensions)

Then a continuing survivor pension equal to 33.75% of the notional Tier 2 Ill health retirement pension due at the time of death or 33.75% of the notional age pension if over NPA at date of death.

Deferred Pension - A continuing adult dependent's pension of either: 33.75% of the notional tier 2 ill health pension if date of death within 12 months of leaving; or 33.75% of the notional age pension if date of death more than 12 months after leaving.

Note: The survivor pension is available to a Husband or Wife, Registered Civil Partners, Qualifying Partners and Surviving spouse of the same sex. Partner nomination form PN1 may be downloaded from the pension's website. The Pensions Team will be pleased to advise members regarding making a nomination or forms may be downloaded from the Pensions Agency website.

9.7.3 Children's Benefits

A child's pension can be paid to anyone who has care of the children or to the children if they look after themselves (over age 17). A 'child' includes a member's child, an adopted child, a stepchild, a child of your civil or nominated qualifying partner, a grandchild, any dependent child and a nephew or niece.

As part of the NHS Pension Scheme regulations certain criteria must be met in order for a children's pension to be payable in some circumstances, including if a child was not living with you when you left pensionable employment and when you died, or were not your biological child.

In these cases NHS Pensions may require documentary evidence to confirm that the child was financially dependent on you. Financial dependency in this context means that you made regular payments for the day to day upkeep of any child. This eligibility is determined at time of death rather than when you retire/left the scheme

A dependant 'child' is financially reliant or dependant on you and is:

under age 23 or

aged 23 or over but unable to earn a living due to a permanent physical or mental condition which he or she was suffering from at the time of your death.

Children's pensions are based on the member's pension and subject to qualifying periods of membership. Where these are met and there is a surviving parent, the benefits will be:

1995 Scheme

1 child – 25% of the pension

2 or more children – 50% shared equally

2008 Scheme

1 child – 18.75% of the pension

2 or more children – 37.5% shared equally

2015 Scheme

1 child – 16.875% of the pension

2 or more children – 33.75% shared equally

For all schemes if there is no surviving parent, higher rates may be payable.

9.7.4 Death after retirement

1995 Scheme

For members of the Amended NHS Pension 1995 scheme a short term pension is paid for 3 months, or 6 months if there is a dependent child, at the rate in payment at the date of death.

A widow's pension equal to half the rate in payment at the date of death, payable to the qualifying survivor. Widow's pensions are based upon the member's service from 6th April 1988, onwards.

2008 Scheme

For members of the New NHS Pension 2008 scheme a short term pension is paid for 3 months, or 6 months if there is a dependent child, at the rate in payment at the date of death

A widow's pension equal to 37.5% of the rate in payment at the date of death, payable to the qualifying survivor

2015 Scheme

For members of the New 2015 NHS Pension scheme a short term pension is paid for 3 months, or 6 months if there is a dependent child, at the rate in payment at the date of death

A widow's pension equal to 33.75% of the rate in payment at the date of death, payable to the qualifying survivor

10. Review Process

- 10.1 The Trust will review this policy when there are changes to relevant legislation or good practice, or within the normal policy review cycle.

11. Further Information

Further information on the Scheme may be obtained from the Pensions Team in Pay Services, who has a range of booklets available to staff. Alternatively, staff may wish to browse the Scheme's site on the Internet at: www.nhsbsa.nhs.uk/pensions

Equality Impact Assessment - Stage 1 – Initial Assessment

Manager's Name	Lucy Rea	Division	Workforce Directorate
Function, Policy, Practices, Service	Pensions Policy	Purpose and outcomes – intended and differential	Information and processes associated with the NHS Pension Policy
Implementation Date	October 2023	Who does it affect?	All staff
Consultation Process	JNCC	Communication and awareness	Awareness sessions with relevant managers

Equality Target Group	Positive Impact (None/High/Low)	Negative Impact (None/High/Low)	Reason/Comment
Men	N	N	
Women	N	N	
Black/Black British	N	N	
Asian/Asian British	N	N	
Chinese	N	N	
White (including Irish)	N	N	
Other racial/ethnic group (please specify)	N	N	
Mixed race	N	N	
Disabled	N	N	
Gay/Lesbian/Bi-sexual	N	N	
Transgender	N	N	
Younger People (17-25) and children	N	L	Benefits are linked to years of service therefore lower for less years' service. No discrimination
Older People (50+)	L	H	Benefits are linked to years of service therefore increase with age however permitted benefit. Due to implications of Annual and Life Tax Allowance potential impact for individuals who reach those limits. Local support available
Faith groups (please specify)	N	N	
Other Group (please specify)			

Following completion of the Stage 1 assessment, is Stage 2 (Full Assessment) necessary? **No**

Date Completed: July 2023. Manager completing the assessment: Chris Goulding