

## Increasing Your Benefits Factsheet

### Tax-free limits

#### Limit on contributions

Contributions paid to the NHS Pension Scheme and its Money Purchase providers to increase your pension benefits qualify for full tax relief, but cannot exceed 100% of your taxable pay.

#### Limit on benefits

Since 6 April 2006 HM Revenue & Customs (HMRC) has set an individual lifetime allowance (LTA) limit on tax-free pension savings in all registered pension schemes, like the NHS Pension Scheme. The limit mainly affects high earners. For most people it results in more tax relief being available for savings to increase their retirement benefits.

The LTA applies to all your pension savings including those through additional contributions.

#### Recycling of Pension Commencement Lump Sums

HMRC will not allow you to withdraw a tax-free lump sum and receive further tax relief by reinvesting the money back into a registered pension scheme. This is known as “recycling lump sums” and could apply if the money is reinvested as a lump sum or in monthly payments.

It is possible that you could be affected by this rule if you retire within 2 years of making an election to buy additional benefits. If you think you could be affected discuss your plans with a professional financial adviser before proceeding.

#### Annual Allowance

The Annual Allowance has been reduced from £255,000 to £50,000 from 6 April 2011. The Annual Allowance is the maximum tax-privileged amount of growth and contributions you can have in all your pension arrangements (excluding State pensions) in a tax year.

More information about the Annual Allowance and Additional Pension can be found at:  
[www.nhsbsa.nhs.uk/Pensions/3126.aspx](http://www.nhsbsa.nhs.uk/Pensions/3126.aspx)

### Buying Additional Pension (AP)

The AP facility is a flexible arrangement that allows you to increase your Scheme pension by a method, which at the outset clearly sets out both how much, in current pension terms, the purchase is worth and how much the purchase will cost.

AP is paid at the same time as your main Scheme pension. If it is paid before your normal retirement age it will be reduced to take account of its early payment.

AP can be bought at anytime during the year as either personal cover, ie increases your own pension benefits only or with dependants' cover, ie increases your own pension and the benefits that will be payable to your spouse, partner or dependent children after your death.

AP does not include an automatic lump sum but you can include your AP in calculating “pension commutation”.

Irrespective of your working pattern, you will get the same amount of AP at retirement. The cost of purchasing AP is the same whether you work full time or part time.

### How much can I buy?

You can buy any amount in units of £250 annual pension up to a maximum total purchase of, currently, £5,000.

If you buy AP with cover for dependants each £250 unit of AP also increases your partner's survivor pension by £93.75 a year. In the case of child allowance the increase is £187.50 to be distributed according to the rules of that benefit.

AP purchased is increased in line with monthly increases in the rate of inflation both before the AP comes into payment ("a pre-payment increase") and also whilst it is being paid ("an in-payment increase"). If the application to buy AP was made:

- On or before 31 March 2011 – it will attract pre-payment increases in line with the Retail Prices Index (RPI) and in-payment increases in line with Consumer Prices Index (CPI).
- On or after 1 April 2011 – both the pre-payment and the in-payment increases will be in line with the CPI."

### Can everyone apply to buy AP?

Yes, provided that you are a contributing member of the Scheme and not absent from work for any reason. You can make any number of AP purchases throughout your Scheme membership before reaching your normal retirement age. You must also complete the purchase before your normal retirement age.

In some circumstances your employer may wish to buy some AP for you. They would do this by making a single payment on your behalf.

### How much does AP cost?

The cost of AP is determined by factors provided by the Scheme Actuary. It can be paid for either by a single lump sum or by installments from your pay, over a complete number of years of your choice, up to a maximum of 20 years.

A tool to calculate the cost of your intended purchase can be found on our website at:

[www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)

### Will I pay the same amount every month?

Usually yes. Purchase by installments is however subject to review based on advice from the Scheme Actuary, and following review the cost of future installments of an existing arrangement could be changed. Actuarial reviews of the Scheme take place every four years.

If the cost of future installments increases as a result of a review you will have the option to end your purchase. You would then be credited with the proportion of AP that you had paid for.

### What if I have short breaks in my NHS employment?

If you have breaks in NHS employment of less than 12 months e.g. between changing jobs with another NHS employer, you will be given the opportunity to continue your agreement. You will need to make up any missing installments. If this happens tell your new employer about your AP purchase and make arrangements to pay the outstanding installments.

### What if I stop paying my installments?

If you stop paying installments within the first 12 months because you die or retire on ill-health grounds, the agreement will be cancelled and your additional contributions will be returned.

If you stop paying installments after 12 months because you die or retire on ill-health grounds, you will be credited with the AP amount and all future additional contributions will be waived. If you die, this will only have effect if you have taken AP with dependants cover.

If you stop paying installments for any other reason, the AP agreement will be terminated and you will be credited with the proportion of the AP that you have paid for.

### How do I apply?

If you are interested in purchasing AP you should visit our website at: [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions) where you can model the various options available to you to find out how much it is going to cost. You can ask your Pension Officer to help you with this.

Once you have decided to proceed, the modeler will provide you with a part-completed application form on which you should complete the remaining personal details and then pass the form to your employer or Pension Officer.

You may be able to increase your benefits through the AP arrangement as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

## Money Purchase Benefits

A Money Purchase AVC arrangement allows you to make additional contributions to build up a separate retirement fund. These contributions are invested and then used to supplement your main Scheme benefits at retirement, or later.

You can take up to 25% of the fund value as a tax-free lump sum in addition to any main Scheme lump sum. The rest of your fund must be used to buy an extra pension.

You can also make separate contributions to the company you choose to increase the lump sum your dependants will receive from the main Scheme if you die before you retire.

You can increase your benefits through a Money Purchase arrangement, as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

### NHS Scheme providers

You can take out a Money Purchase 'Group' AVC through the NHS Scheme. These arrangements are part of the Scheme, but are run by chosen providers on our behalf.

Contributions are taken from your pay and you can choose how much to pay. You can normally change or stop the amount you pay and switch between funds and NHS providers. We have negotiated special NHS terms for these arrangements, which are reviewed regularly and there are no commission charges. But because the additional contributions are invested with an external provider, the NHS Scheme cannot guarantee your fund or the amount of the pension it will produce.

Once in payment, the Scheme will guarantee you payment of any pension you receive through NHS arrangements. To find out more about NHS Money Purchase Group AVCs, do not contact your Pension Officer. Please ring the provider(s) telephone helpline or complete and send them the form at the back of this factsheet. They will give you help and send you a free information pack giving full details.

The NHS Money Purchase AVC providers are:

Standard Life Group Pensions Public Sector  
Standard Life House  
30 Lothian Road  
Edinburgh EH1 0WT  
[www.standardlife.co.uk/nhs](http://www.standardlife.co.uk/nhs)  
Helpline: 0800 33 33 06

Prudential  
FREEPOST RG2384  
PO Box 2711  
Reading RG1 3UL  
[www.pru.co.uk/nhs/](http://www.pru.co.uk/nhs/)  
Helpline: 0845 070 2456

### Free Standing arrangements

These are Money Purchase arrangements, which are not connected to the NHS Scheme in any way. They are available from banks, insurance companies etc. and work in much the same way as the NHS Money Purchase Group AVCs.

If you are interested in this type of arrangement, you should seek independent financial advice and then contact the bank or insurance company of your choice. If you are considering a Free Standing arrangement it is worth remembering that commission may be deducted from your contributions before they are invested and there are no special NHS terms. The NHS Scheme cannot guarantee payment of a pension you receive through a free-standing arrangement.

### Stakeholder Pensions

Stakeholder Pensions are an alternative way of saving for retirement but are not normally recommended as a main pension for someone who can join the NHS Scheme. If you are prevented from joining the Scheme for some reason and receive a moderate salary your employer must offer you a NHS Stakeholder Pension.

If you are a member of the NHS Scheme you can also use a NHS Stakeholder Pension to top up your main Scheme benefits. You can do this instead of, or as well as, other top-up arrangements.

Because Stakeholder contributions are invested with an external provider the NHS Scheme **cannot** guarantee your fund or the amount of the pension it will produce.

If you **choose** to opt-out of the NHS Scheme you will not be offered a NHS Stakeholder Pension.

NHS Stakeholder Pensions are run for the NHS by providers Standard Life and TUC / Prudential. If you would like to find out more about NHS Stakeholder Pensions please ring the provider(s) telephone helpline or write to them. They will send you a free information pack giving full details.

Stakeholder Pension providers for the NHS Scheme are:

Standard Life  
Stakeholder Pensions  
Standard Life House  
30 Lothian Road  
Edinburgh EH1 0WT  
[www.standardlife.co.uk/nhs](http://www.standardlife.co.uk/nhs)  
Helpline: 0800 33 33 06

TUC / Prudential  
TUC Stakeholder Customer  
Service Centre  
Prudential  
Stirling FK9 4UE  
[www.pru.co.uk/nhs/](http://www.pru.co.uk/nhs/)  
Helpline: 0845 070 6666

You may, if you prefer, take out a Stakeholder Pension independently of the NHS Scheme.

### For members of the NHS Pension Scheme 1995 Section only.

Bigger lump sum purchase for Scheme membership before 25 March 1972

This option applies to:

- Men who are or have been married, or have a civil partner or surviving nominated partner who they have nominated to receive a full dependants pension; or
- Women who are or have been married, or have a civil partner or surviving nominated partner who they have nominated to receive a full dependants pension.

You may not be entitled to the full lump sum retiring allowance because your pension based on membership before that date, only counts at one third of the value of later membership when your lump sum is worked out. If this applies to you, you will normally be able to buy the full lump sum retiring allowance for some or all of your membership before 25 March 1972.

But you cannot increase your lump sum if you rejoined the Scheme before age 50 following ill-health retirement. Your Pension Officer will tell you what an unreduced lump sum for Scheme membership before 25 March 1972 will cost.

#### Buying back previously refunded membership prior to 6 April 1978 only, or for any period that you were a general practitioner

If you had a refund for any membership before 6 April 1978, or for general practitioner membership at any time, you may be able to buy the membership back at half the normal cost. Your Pension Officer will tell you more about the cost and payment options.

#### Payment arrangements - bigger lump sum and previously refunded membership

The most common payment method is the deduction of extra contributions from pay. There is a limit on those contributions and this may affect the number of years that can be bought:

- If the standard membership contribution is 5% of pensionable pay, the maximum additional contribution is 10% of pensionable pay.

- If the standard membership contribution is more than 5% of pensionable pay, the maximum additional contribution is 9% of pensionable pay.

You can begin to make payments from any future birthday, provided:

- your payments will run for at least 2 years, and
- you start to pay at least 2 years before your chosen end age, and
- you are not sick or absent without leave when you apply.

Payment can also be made by a single lump sum contribution but there are time limits for making an application. For a bigger lump sum:

- A married man must apply within 12 months of getting married, or if not then a member, within 12 months of first re-joining after getting married.
- For nominations to provide a full dependant's pension, applications must be made within 12 months of making that nomination.

**For previously refunded membership:**

Application must be made in the first 12-months after re-joining the Scheme following a break in membership of 12-months or more.

**If your extra payments change or stop**

You will normally be expected to pay the extra contributions until age 60 or 65. If your payments change or stop before then, your additional benefits will normally be affected.

If you are under age 60 and before your chosen retirement age you:

- die, or
- have to retire because of ill health, and
- on the date of death or the date you apply to retire because of ill health you have paid the extra contributions for at least a year

we will normally give you all the membership being purchased or bigger lump sum you were buying without further cost.

If you are age 60 or over and have chosen an end age of 65 and before that end age you:

- die, or
- have to retire because of ill health, and
- on the date of death or the date you apply to retire because of ill health retirement you have paid the extra contributions for at least a year

you will get the membership or bigger lump sum you have paid for up to that date, less a reduction because they are being paid before your chosen end age.

If at any age you die, or have to retire because of ill health and you have paid the extra contributions for less than a year, your arrangement will be void and we will refund your additional contributions, after deduction of tax.

If before your chosen end age:

- you leave the Scheme for any reason, or
- we agree you can stop your additional contributions, or
- you have breaks in your membership, or
- your payments stop for any other reason,

you will get only the membership or bigger lump sum you have paid for at that stage.

We will also have to reduce the benefits you get from your membership or bigger lump sum, if they are paid before your chosen end age.

## Applications

If you are interested in buying extra main Scheme benefits as described in this section, speak to your Pension Officer.

Remember contracts to buy bigger lump sums and previously refunded membership MUST start from a future birthday.

If you have more than one NHS job you need only apply to your main employer, but you will need to inform other employers of the extra percentage contributions once confirmed so that they can also collect them. You should keep future new employers aware of your extra contributions to avoid getting into arrears.

If you are a general medical practitioner, contact your main Primary Care Trust (PCT) or Local Health Board (LHB).

If you are a dental practitioner, contact the Dental Services Division (DSD) at:

Dental Payments Department  
 Dental Services Division (DSD)  
 EASTBOURNE  
 East Sussex  
 BN20 8AD

If you have a personal reference number from your PCT / LHB or the DSD, it will help if you quote it. You can start paying from your next birthday provided your application has been received by then.

## Important Notes

Restored membership does not count when working out the minimum membership you need to qualify for benefits. If you leave the Scheme with less than 2 years ordinary membership you will still have to take a refund of your contributions, including any extra contributions you may have paid.

Restored membership is not taken into account when working out any membership enhancement for death, or ill health retirement benefits. But is taken into account and may reduce any enhancement, in redundancy benefits.

1995 section

If you work part time, the cost will be calculated using your part-time pensionable pay. The amount of additional benefits you get for your extra contributions will be reduced to take account of this.

For example, if you work half time and apply to buy 4 years previously refunded membership or bigger lump sum, based on your part time pay you will only pay half the extra contributions. You will then get 2, not 4 years of additional benefits. If the hours you work change, your contributions and the additional benefits you get will also change. Your Pension Officer can tell you more.

You may be able to increase your benefits through bigger lump sum and previously refunded membership arrangements as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

### More information

#### NHS Money Purchase Benefits

If you need more information your Pension Officer will be able to help you or you can write to us at:

NHS Pensions  
Hesketh House  
200-220 Broadway  
Fleetwood  
Lancashire  
FY7 8LG

or e-mail us via our website at: [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)

or ring us on 0845 421 4000. The switchboard is open from 8.30am to 5.00pm Monday to Thursday and to 4.30pm on Fridays (closed Public Holidays).

If you have a NHS Pension Scheme membership number (it begins with "SD") it will help if you quote it. If you do not have a membership number, please quote your National Insurance number.

## NHS Pensions - Money Purchase Benefits

Please provide your personal details below then post this form to the provider of your choice.

I am a member of the NHS pension scheme; please send me an information pack.

Surname :

Other Names :

Address :

Postcode :

My main NHS employer is :

