

NHS Pensions - Early Payment of Preserved Benefits

Benefits for members

Members who leave the Scheme and/or NHS employment, without immediate entitlement to benefits, but retain deferred benefits in the Scheme for payment at Normal Pension Age, are classed as deferred members.

Pension benefits from the NHS Pension Scheme are normally payable at normal pension age. From 31 March 2000 a new facility was introduced that allows members who leave the Scheme, on or after that date with deferred benefits, to claim them before their normal pension age but no earlier than their minimum pension age. Pension benefits paid before reaching normal pension age will be reduced as they are being paid early. This is known as Early Payment of Preserved Benefits.

Who can apply?

Early Payment of Preserved Benefits is available to **all** deferred members providing they were in pensionable NHS employment on or after 31 March 2000 and have two or more year's membership in the NHS Pension Scheme. However, there are different eligibility requirements which determine a member's minimum pension age.

- If they joined the Scheme **before** 6 April 2006 a member can choose to take their benefits from the age of 50.
- All members who joined **on or after** 6 April 2006 cannot apply to claim their benefits until they reach the age of 55.
- Members who have deferred 1995 Section benefits for service after 31 March 2000 and re-joined the scheme as a 2008 member cannot apply to claim their benefits from either Section until they reach the age of 55.

Is a 24 hour break required?

Generally a member with deferred benefits must not be in NHS work at the time of claiming the benefits. If they are still working in the NHS but not paying pension contributions they may need to take a 24 hour break from their employment. There are, however, some exceptions.

- Members can claim their deferred benefits in the 1995 Section early whilst being active in the 2008 Section or 2015 Scheme. In these circumstances the member does not need to take a 24 hour break from their current NHS employment or restrict their working hours.
- Members who have deferred pension benefits in the 1995 and/or 2008 Section(s) who have had a break of more than five years may claim their deferred benefits, reduced for early payment, once they reach their minimum pension age without having to take a 24 hour break in their NHS employment.

When applying for Early Payment of Preserved Benefits, all applicants should be made fully aware of the financial implications of their decision such as:

- Not to make any definite plans until it has been confirmed that the actuarially reduced pension will satisfy the Guaranteed Minimum Pension (GMP) conditions set out below
- The actuarially reduced pension remains in payment for the pensioners lifetime
- The gross pension and lump sum are not restored when they reach their normal pension age.
- The pension and lump sum are only payable from when a member first enquires about Early Payment of Preserved Benefits, or from their minimum retirement age whichever is the latest.

Early Payment of Preserved Benefits is not allowed if the reduced pension is less than the GMP. Consequently, if the early retirement costs are to be met by an actuarial reduction, the reduced pension must be at least equal to, or better than, the GMP as required under the NHS Pension Scheme regulations.

If the reduced pension is **not** at least equal to the GMP the retirement on Early Payment of Preserved Benefits grounds is **not** permitted.

The only exception to this rule is a married woman paying reduced rate National Insurance Contributions ('E' rate), as these members are not subject to the GMP test.

What does it provide?

1995 Section

It provides an annual pension of 1/80th of the best of the last three years pensionable pay for each year and part year of pensionable membership, plus a lump sum equal to three

times the annual pension. However there are three exceptions where the lump sum will be lower. These are:

- For men who are/have been married, have membership before 25 March 1972 and have not purchased the full unreduced lump sum
- For women who have decided to purchase the Bigger Widowers pension by payment from their lump sum
- Where the member owes money to NHS Pensions or the employer and elects to repay this money from their lump sum

These benefits are then reduced to take account of the benefits being taken earlier than a normal pension age of 60.

2008 Section

It provides an annual pension of 1/60th of the reckonable pay for each year or part year of pensionable membership in the Scheme. A lump sum is not automatic payable and therefore a choice will have to be made of taking a retirement lump sum by reducing the annual pension.

These benefits are then reduced to take account of the benefits being taken earlier than a normal pension age of 65.

2015 Section

It provides an annual pension of 1/54th of pensionable earnings for each year. For example, if you earn £18,000 in a year you would earn a pension for that year of 1/54th of £18,000, which is £333 (rounded down for illustration purposes only). This is the pension you would build up for that year.

A lump sum is not automatic payable and therefore a choice will have to be made of taking a retirement lump sum by reducing the annual pension.

These benefits are then reduced to take account of the benefits being taken earlier than a normal pension age equal to the member's state pension age or 65, whichever is later.

How to apply

If a former member that left within last 12 months approaches you about a claim for payment of actuarially reduced deferred benefits, please ask them to complete the form AW8 and hand it back to you so that you can complete the relevant parts before sending it

to NHS Pensions. The members chosen payable date should be written on the front page of the form.

Members who left The Scheme over 12 months ago should complete the form AW8P and send it directly to NHS Pensions.

On receipt of the completed form NHS Pensions will process the member's application.

The accuracy of a NHS Award is dependent on the information recorded on the member's pension record. It is vital that employers record accurate details of pension contributions, earnings and hours for each employee at the end of each financial year and up to the last day of membership. We may also contact you to confirm the total pensionable pay figure to be used in the calculation of benefits, if not already held, or ask that you provide us with an accurate pay figure as soon as possible.