

NHS Pensions - Actuarially Reduced Early Retirement

Pension age

Members of the Scheme are entitled to claim payment of their benefits on Actuarially Reduced Early Retirement (ARER) grounds from any age on or after their minimum pension age up to their Normal Pension Age (NPA). Employer's approval is not required, however any notice period will need to be agreed in line with the contract of employment.

Minimum pension age

The minimum pension age varies depending on the Section/Scheme that they are in and when they started pensionable employment as follows:

1995 Section

Active members who were in pensionable employment between 31 March 2000 and 5 April 2006 retain the right to retire and claim their pension benefits from age 50 on Actuarially Reduced Early Retirement grounds.

Deferred members who were in pensionable employment between 6 March 1995 and 5 April 2006 and left the Scheme on or after 31 March 2000 retain the right to retire and claim their deferred pension benefits from age 50 on Actuarially Reduced Early Retirement grounds.

Members who do not have membership between 31 March 2000 and 5 April 2006 do not have a protected minimum pension age and from 6 April 2010 have a minimum pension age of 55.

2008 Section

The minimum pension age is 55.

2015 Scheme

The minimum pension age is currently 55.

Who can apply?

Actuarially Reduced Early Retirement is available to **all** Scheme members including general medical and dental practitioners, direction body members and GP Practice Staff as long as they are members of the NHS Pension Scheme at the time of applying and have accrued at least two years pensionable membership.

What action needs to be taken prior to retirement?

For members with NHS pension membership before 6 April 1997:

As members benefits need to be equal to or more than the Guaranteed Minimum Pension (GMP), you will need to contact NHS Pensions before an application to retire on Actuarially Reduced Early Retirement grounds is submitted as we need to check that the pension is at least equal to the Guaranteed Minimum Pension amount.

If the reduced pension is not at least equal to the Guaranteed Minimum Pension the retirement on Actuarially Reduced Early Retirement 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 Guaranteed Minimum Pension test.

From 6 April 1997 members who joined for the first time on or after this date and who did not transfer in membership with a Guaranteed Minimum Pension do not have to meet the test and can retire provided they have two years membership and have reached their minimum pension age.

There is no Guaranteed Minimum Pension test for members of the 2015 Scheme where they have transferred in pension benefits from another pension arrangement.

Members who **only** have membership as Type 1 General Practitioner or as a Dental Provider do not have to meet the Guaranteed Minimum Pension test.

For all members:

Employers have to ensure that a member claiming Actuarially Reduced Early Retirement is fully aware of the financial implications of their decision. All employers should make members aware of the following:

- They should not make any definite retirement plans until it has been confirmed that the actuarially reduced pension will satisfy the conditions of the Guaranteed Minimum Pension Test.

- That the actuarially reduced pension remains in payment during the pensioner's lifetime.
- The unreduced pension and lump sum are not restored at Normal Pension Age.
- No cost of living increases will be applied to the pension until age 55.

What does it provide?

1995 Section

Provides an annual pension and a retirement lump sum based on the best of the last three years pensionable pay. The pension is 1/80th of the best of the last three years pensionable pay for each year of and proportional for any part year of membership, plus a lump sum equal to three times the annual pension. 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.

The benefits are then reduced to take account of being taken earlier than the Normal Pension Age of 60, the approximate reductions for active members are as follows:

Age	59	58	57	56	55	54	53	52	51	50
Pension	5%	10%	14%	18%	21%	25%	28%	31%	34%	37%
Lump sum	3%	6%	9%	12%	15%	17%	20%	22%	25%	27%

If the member retires between the ages shown the amount of reduction will vary.

Survivor benefits are not actuarially reduced.

2008 Section

Provides an annual pension of 1/60th of the members total reckonable pay for each year

and proportional for any part year of pensionable membership. The total reckonable pay is the average of the best three consecutive years reckonable pay in the last ten; the ten year referencing period only refers to pay from 1 April 2008 or later.

They will have a choice of taking a retirement lump sum by reducing their annual pension.

The following table shows how much the pension is reduced by if the active member chooses to retire early. If they retire between the ages shown the reduction will vary. If they take a lump sum, this is calculated from their pension after reduction. There are no reduction factors for lump sums in the 2008 Section.

The Normal Pension Age of the 2008 Section is age 65. The approximate reductions for active members are as follows:

Age	64	63	62	61	60	59	58	57	56	55
Pension	6%	10%	15%	19%	23%	27%	30%	34%	37%	40%

Scheme Optants will need to use some of their pension to pay for the mandatory lump sum. The mandatory lump sum is the amount of lump sum they earned in the 1995 Section up to 31 March 2008. The 1/60th pension is reduced by £1 for each £12 of mandatory lump sum.

If the member retires between the ages shown the amount of reduction will vary.

Survivor benefits are not actuarially reduced.

2015 Scheme

Provides an annual pension of 1/54th of the members pensionable earnings each year and proportional for any part year of pensionable membership. In this Scheme the revaluation rate is determined by Treasury Orders plus 1.5% each year.

Treasury Orders are the method by which the Treasury notifies the value of the change in prices or earnings to be applied as part of revaluation. The pension earned in a Scheme year (April to March) is revalued on 1 April of the following and each subsequent Scheme year until the Scheme member retires or leaves.

They will have a choice of taking a retirement lump sum by reducing their annual pension.

In this Scheme, the Normal Pension Age (NPA) for a Scheme member is the same as

their State Pension Age or age 65, if that is later.

The following table shows how much the pension is reduced by if the active member chooses to retire early. If they retire between years shown the reduction will vary. If they take a lump sum, this is calculated from their pension after reduction. There are no reduction factors for lump sums in the 2015 Scheme.

The approximate reductions for active members are as follows:

Number of years away from NPA	1	2	3	4	5	6	7	8	9	10	11	12
Pension	6%	11%	16%	20%	24%	27%	31%	34%	37%	40%	43%	45%

If the member retires between the years shown the amount of reduction will vary.

Survivor benefits are not actuarially reduced.

Early Retirement Reduction Buy Out (ERRBO)

An option exists in the 2015 Scheme for members to pay additional contributions to buy out the reduction that would apply if the member retires before their Normal Pension Age. This is known as an 'ERRBO agreement'.

The agreement can be for early retirement one, two or three years before the Normal Pension Age but no earlier than age 65. An exception to this is where your Normal Pension Age is not a whole number, for example if the members Normal Pension Age is 65 years and a number of months then an ERRBO agreement can be taken out to include the number of months.

Where an ERRBO has been bought, the payment of additional contributions will be taken into account before the application of the early retirement reduction.

How to apply for the Scheme pension

The employer is responsible for issuing the retirement application form AW8 to the member, together with the Retirement Booklet. The AW8 can be downloaded from our website.

To claim retirement benefits form AW8 must be completed by the member and employer. The AW8 should be issued by the employer to the member four months prior to retirement and the completed form should be received by NHS Pensions at least three months before the retirement date to ensure benefits are paid on time.

Employment records must be closed down by the employer via form SD55 on Pensions Online (POL) using exit code 01; if the employer does not have access to Pensions Online they should either complete the Leaver Excel Spreadsheet or send NHS Pensions the SD55 in paper form with the retirement application.

The accuracy of an NHS award is dependent on the information on the member's pension record. It is essential that employers record accurate details of pension contribution, earnings and hours for each employee at the end of each financial year and up to the members chosen retirement date.

Members with either or both Special Class and Mental Health Officer (MHO) status in the 1995 Section

Normal Pension Age for Special Class and Mental Health Officers, who meet all the other eligibility criteria, is age 55.

If a member with Special Class or Mental Health Officer status (1995 Section only), who meets the criteria for a protected minimum pension age, chooses to retire before age 55 their benefits will be reduced as if their Normal Pension Age is 60. For more information on Special Class and Mental Health Officer status please visit our website.