

NHS Pensions - Refund of pension contributions

Members who qualify for a refund

The member will qualify for a refund of pension contributions if they:

- have no continuing membership upon reaching Normal Pension Age;
- have ceased membership of the Scheme in all employments;
- have less than two years qualifying membership in the Scheme (including membership in both the 1995 and 2008 Sections and any transferred in membership);
- have not had a transfer in from a personal, money purchase or stakeholder pension;
- have re-entered pensionable NHS employment and had a break in NHS pensionable employment of 12 months or more (unless they have requested a transfer of this earlier membership to another pension arrangement within the transfer time limits).

Members who do not qualify for a refund

The member will not qualify for a refund of pension contributions:

- If they opt out of the Scheme before the end of the pay period during which they were first included in the Scheme. They are then treated as having never been a member of the Scheme. **Employers are responsible for returning these contributions.**
- If they have two years or more qualifying membership, including membership in both the 1995 and 2008 Sections and transferred in membership.
- If they have already reached normal pension age during the period of membership for which a refund is being requested, a refund is not possible as entitlement to pension benefits will now exist. This still applies even though the member will have less than the normal two years qualifying membership required for deferred pension benefits.

- If they have had a transfer of pension rights into the Scheme from a personal, money purchase or stakeholder pension.

The refund process

The member completes Part 1 of the refund application form (RF12) and then forwards this along with Part 2 to their NHS employer where they last paid pension contributions. The employer completes Part 2 of the application form and then either forwards both parts to NHS Pensions to process or input the RF12 request via Pensions Online (POL). The guidance on how to input the RF12 via POL can be found on the POL page of the website.

If you have difficulty with this form on Pensions Online please call the Helpline number 0870 011 7108.

Please remember it is your responsibility as the employer to give **all** members a copy of the Leaving Early and Transferring Out Guide.

Deductions from the refund payment

The refund will be less than the pension contributions that the member paid. This is because we may have to, by law, make two deductions; one to cover the cost of re-instating the member in the State Second Pension Scheme, (if they have paid contracted out rate contributions) and the second in respect of income tax.

The member is not entitled to any of the employer contributions as part of their refund.

Reinstatement into the State Second Pension

Some members of the NHS Scheme are contracted out of the State Second Pension (formerly the State Earnings Related Pension Scheme (SERPS)) and pay a reduced rate of National Insurance. When NHS Pensions make a refund, we may also pay what is known as a Contributions Equivalent Premium (CEP) to the National Insurance Contributions Office at HM Revenue and Customs (HMRC), to reinstate the members' rights in the State Second Pension. The first deduction from the refund is the members' share of this CEP payment, if appropriate.

Income tax

Income tax at 20% must be taken from the amount remaining after the deduction of a CEP. 50% tax is deducted from any amount refunded over £20,000. Tax is deducted regardless

of any tax relief due at the time of the refund or allowable when contributions were originally paid. The member cannot reclaim this tax from HMRC.

Alternatives to a refund

Taking a refund may not be the members' only option.

- Transferring Pension Rights

If a member is under normal pension age and joins an approved pension arrangement that is registered with HMRC they can apply to transfer their benefits to the new arrangement. For further information on the time limits for transfers and the related process please refer to the Leaving Early and Transferring Out Guide.

- Linking membership

If a member is considering re-joining the Scheme within 12 months of leaving, they do not have to apply for a refund of contributions immediately. If they do rejoin within 12 months their two periods of membership will link together.

If a member was contributing to the NHS Pensions Scheme (1995 Section) and has received a refund of contributions, they will only be entitled to join the NHS Pension Scheme (2008 Section) on rejoining, regardless of their break in membership. If a member does not rejoin the Scheme within 12 months of leaving, they will usually only be entitled to a refund of contributions as a disqualifying break of 12 months or more will have occurred. The exception to this is noted below.

Approval of a break

If a member holds under two years qualifying membership but intends to return to the NHS Pension Scheme after a break of 12 months or more, we may be able to 'approve' the break in order to avoid a refund having to be claimed.

Approval can be considered if a member intends to return to the NHS after the break and one or more of the following applies.

- They commence comparable work outside the NHS which would be of benefit to the NHS on returning.
- They take up a course of study or training which would be of benefit to the NHS on returning.

- We can also give consideration to breaks in membership that may occur due to other special circumstances.

Members can apply for approval before a disqualifying break occurs by writing to NHS Pensions with the details of what they will be doing during the break and the relevant dates but they must already have commenced the study, comparable employment or special circumstances in order for consideration to be given. The member must also return to the NHS as soon as is reasonably practicable after finishing the employment or course.

A member would be expected to have commenced the period to be approved within a reasonable time after leaving the NHS and then return to the NHS as soon as possible after the period to be approved ends.

If the members address is kept up to date, we will automatically write to them approximately 13 months after leaving the NHS to invite a refund / provide approval provisions.

Miscellaneous

A member can rejoin the Scheme after a 24 hour break in membership. However, if they rejoin the Scheme within a month of leaving, although the earlier refunded membership is no longer reckonable for benefits, it will still count towards the two years qualifying membership required for entitlement to deferred benefits.

There is no limit to the number of refunds a member can claim as long as the qualifying membership does not exceed two years or contain a transfer in from a personal, money purchase or stakeholder pension scheme.

Once an employer has electronically submitted a completed RF12 to NHS Pensions, payment can be made within 5-10 working days. However, if it is necessary to obtain further information from an NHS employer it can extend the process.

An employer must calculate the Contracted Out National Insurance Earnings; a single figure is needed for each tax year. Usually these figures are completed online when terminating a members' record via Pensions Online, however, there is only a facility to include the last two tax years on the form. In cases where a member has worked in three tax years, a box is provided on the RF12 to enable the earliest tax year to be provided; payment of a refund would be delayed if this figure is not provided.