

NHS Pensions – Annual Allowance – Scheme Pays recovery factors

If we pay your annual allowance charge this amount is recorded as a notional negative defined contribution (DC) account on your pension record. In basic terms this is similar to NHS Pensions 'loaning' you the money now to pay your tax bill, which you must repay with interest when you retire or transfer out.

When you retire the total negative DC account balance owing, including interest, is converted into an amount to be permanently deducted from your NHS benefits. The reduction is calculated using factors provided by the Scheme Actuary.

Table SP1 - Retirement – normal health (age, early and late)

Age last birthday	1995 Section	2008 Section	2015 Scheme
50	28.39		
51	27.98		
52	27.56		
53	27.13		
54	26.69		
55	26.25	23.25	23.25
56	25.80	22.80	22.80
57	25.34	22.34	22.34
58	24.87	21.87	21.87
59	24.39	21.39	21.39
60	23.90	20.90	20.90
61	23.40	20.40	20.40
62	22.90	19.90	19.90
63	22.38	19.38	19.38
64	21.86	18.86	18.86
65	21.33	18.33	18.33
66	20.78	17.78	17.78
67	20.24	17.24	17.24
68	19.68	16.68	16.68
69	19.12	16.12	16.12
70	18.55	15.55	15.55
71	17.98	14.98	14.98
72	17.40	14.40	14.40
73	16.81	13.81	13.81
74	16.23	13.23	13.23
75	15.65	12.65	12.65

Table SP2 - Retirement – ill health

Age last birthday	1995 Section	2008 Section	2015 Scheme
20	33.24	30.24	30.24
21	33.04	30.04	30.04
22	32.86	29.86	29.86
23	32.67	29.67	29.67
24	32.47	29.47	29.47
25	32.23	29.28	29.28
26	32.08	29.08	29.08
27	31.89	28.89	28.89
28	31.69	28.69	28.69
29	31.50	28.50	28.50
30	31.31	28.31	28.31
31	31.11	28.11	28.11
32	30.91	27.91	27.91
33	30.71	27.71	27.71
34	30.50	27.50	27.50
35	30.29	27.29	27.29
36	30.08	27.08	27.08
37	29.86	26.86	26.86
38	29.64	26.64	26.64
39	29.40	26.40	26.40
40	29.17	26.17	26.17
41	28.92	25.92	25.92
42	28.66	25.66	25.66
43	28.39	25.39	25.39
44	28.12	25.12	25.12
45	27.83	24.83	24.83
46	27.53	24.53	24.53
47	27.21	24.21	24.21
48	26.89	23.89	23.89
49	26.56	23.56	23.56
50	26.21	23.21	23.21
51	25.85	22.85	22.85
52	25.49	22.49	22.49
53	25.11	22.11	22.11
54	24.73	21.73	21.73
55	24.33	21.33	21.33
56	23.93	20.93	20.93
57	23.52	20.52	20.52
58	23.10	20.10	20.10
59	22.67	19.67	19.67
60		19.23	19.23
61		18.78	18.78
62		18.32	18.32
63		17.85	17.85
64		17.36	17.36
65			16.87
66			16.36
67			15.85

Scheme Pays recovery examples

Example 1: 1995 Section

Helen elected for scheme pays to pay her annual allowance charge of £26,000 and is retiring on her 60th birthday. With interest her total negative DC account balance at age 60 is £35,200.

This means her 1995 Section age pension will be reduced by £1,472.80 ($£35,200 / 23.90$) and her lump sum by £4,418.40 ($£1,472.80 \times 3$).

Example 2: 2008 Section

Mark elected for scheme pays to pay his annual allowance charge of £18,000 and is retiring because of ill health on his 53rd birthday. With interest his total negative DC account balance at age 53 is £20,633.

This means his 2008 Section ill health pension will be reduced by £933.20 ($£20,633 / 22.11$). There is no reduction to his lump sum, even if he chose to move from the 1995 Section to the 2008 Section as part of the Choice exercise.

Example 3: 2015 Scheme

Paul elected for scheme pays to pay his annual allowance charge of £47,000 and is retiring on his 72nd birthday. With interest his total negative DC account balance at age 72 is £63,000.

This means his 2015 Scheme late retirement age pension will be reduced by £4,375.00 ($£63,000 / 14.40$). There is no reduction to his lump sum.

Example 4: Member of both the 1995/2008 and the 2015 NHS Pension Schemes

Sarah elected for scheme pays to pay her annual allowance charge of £12,500; £10,500 was paid from the 1995/2008 Scheme and £2,000 from the 2015 Scheme. She is retiring from the 1995 Section at age 62 and taking her 2015 Scheme pension early with an actuarial reduction.

With interest her total negative DC account balance at age 62 in the 1995 Section is £12,000. This means her 1995 Section age pension will be reduced by £524.02 ($£12,000 / 22.90$) and her lump sum by £1,572.06 ($£524.02 \times 3$).

With interest her total negative DC account balance at age 62 in the 2015 Scheme is £3,000. This means her 2015 Scheme actuarial reduced pension will be reduced by 150.75 ($£3,000 / 19.90$). There is no reduction to her lump sum.