

## Actuarially Reduced Early Retirement (ARER) factsheet

### Pension age

Members of the scheme are entitled to claim payment of their benefits on ARER grounds from any age on or after their minimum pension age up to their normal pension age. Employers' approval is not required; however, any notice period will need to be agreed in line with the contract of employment.

The minimum pension age varies depending on the section of the scheme that they are in and when they started pensionable employment as follows:

### Minimum pension age

Members who were in pensionable employment between 31 March 2000 and 5 April 2006, retain the right to retire at age 50 on ARER grounds.

Deferred members who were in pensionable employment between 06 March 1995 and 05 April 2006 and left the scheme on or after 31 March 2000 retain the right to retire at age 50 on ARER 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. Protected minimum pension age is also lost for those members who have pension benefits in both the 1995 and 2008 Section. This means that if you are a member of the 2008 Section and have deferred pension benefits in the 1995 Section, the earliest you can claim your deferred pension benefits from the 1995 Section is age 55.

### Who can apply?

ARER 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 qualifying membership.

### What action needs to be taken prior to retirement?

For members with NHS pension membership before 6 April 1997:

As a member's pension benefits need to be equal to, or more than the Statutory Standard (formerly Guaranteed Minimum Pension (GMP)), you will need to contact us before an

application to retire on ARER grounds is submitted as we need to check that the benefits we will be awarding pass this test.

If the reduced pension is not at least equal to the Statutory Standard/GMP the retirement on ARER 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.

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 GMP do not have to meet the Statutory Standard/GMP test and can retire provided they have two years qualifying membership and have reached their minimum pension age.

Members who only have membership as Type 1 General Practitioner or as a Dental Provider do not have to meet the Statutory Standard/GMP test.

For all members:

Employers must ensure that a member claiming ARER 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 Statutory Standard conditions.
- That the actuarially reduced pension remains in payment during the pensioners lifetime.
- The unreduced pension and lump sum are not restored at normal pension age.

## What does it provide?

### 1995 Section

Provides an annual pension and a retirement lump sum based on the member's 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. The lump sum may be lower if

the member owes money to us 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%	9%	13%	17%	20%	24%	27%	29%	32%	34%
Lump sum	3%	5%	7%	10%	12%	14%	16%	18%	20%	22%

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 member's 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. Before selecting the best consecutive three years pay, each year in the last ten will first be revalued in line with the Consumer Price Index (CPI). This may result in an earlier three year period providing the reckonable pay to work out their pension benefits.

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.

Age	64	63	62	61	60	59	58	57	56	55
Pension	5%	10%	14%	19%	22%	26%	29%	32%	35%	38%

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

A member builds up a pension each year of 1/54th of their pensionable earnings. 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. This is based on the number of years that they are retiring early

before their normal pension age. The normal pension age in the 2015 Scheme is age 65 or their State Pension Age, if this is later.

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 2015 Scheme.

Years retiring early	13	12	11	10	9	8	7	6	5	4
Pension	46%	44%	42%	39%	37	34%	30%	27%	24%	20%

Years retiring early	3	2	1
Pension	15%	11%	6%

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

Survivor benefits are not actuarially reduced.

## 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 Pension Benefit Application Section

To claim retirement benefits, form AW8 must be completed by the member and employer. The AW8 should be issued by you, the employer, to the member four months prior to retirement and the completed form should be received by us 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; you do not have access to POL you should either complete the Leaver Excel Spreadsheet or send us the SD55 in paper form with the retirement application.

The accuracy of an NHS award is dependent on the information on the members pension record. It is essential 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 members chosen retirement date.

## **Members with either or both Special Class status (SCS) 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 has special class or mental health officer status (1995 Section only) who meets the criteria for a protected minimum pension age and they retire before age 55 their benefits will be reduced as if their normal pension age is 60. For more information this refer to our website.

### **Relevant TNs**

2008

TN15/2008 Early retirement and compulsory retirement factors

TN12/2008 Voluntary Early Retirement – revised factors

TN09/2008 Implementation of revised actuarial factors

2004

TN03/2004 Early Payment of Deferred (also known as 'Preserved') Benefits – Age 50+

2000

TN05/2000 Early Access to Actuarially Reduced Preserved Benefits

TN04/2000 Early Access to Preserved Benefits on an Actuarially Reduced Basis