**NHS Pensions**

**NHS Pensions Podcast**

**NHS Pensions Podcast – Episode 6 – Increasing your pension**

**Intro**

0:00

Hello and welcome back to our NHS

0:02

Pensions podcast series where we take

0:05

each topic of the NHS Pension Scheme and

0:08

break it down for you to help you manage

0:10

your pension, plan for the future and

0:13

understand the Scheme.

0:15

[Music]

0:28

I'm joined by two members of the NHS

0:31

Pensions team today, Mal and Nicole. And

0:34

today we're going to be talking about

0:36

ways to increase your pension. Now, I

**Additional Pension**

0:39

assume there are more than there's many

0:42

ways in which a member can increase

0:43

their pension. So, if we get started by

0:46

talking about additional pension first,

0:49

talk to me about additional pension in

0:50

terms of an overview. What is additional

0:53

pension? So, as a member of the 2015

0:56

Scheme, you have this benefit whereby

0:59

you can pay now or over time to receive

1:03

an additional amount of pension when you

1:06

come to retire.

1:08

That sounds nice and easy in a nutshell,

1:10

but I suspect there is a lot more to it.

1:12

There is.

1:13

When we talk about you can choose an

1:15

amount, how would somebody go about

1:18

looking at that? where would they go for

1:19

more information if they wanted to take

1:22

up additional pension?

1:23

So, there's an additional

1:25

pension calculator online and what it

1:27

does for you as a pension member could

1:31

select an amount in amounts of

1:34

£250 going up in multiple of 250.

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Great. That was going to be my next

1:38

question.

1:39

You can do that, but there is a ceiling

1:40

on that. So, the maximum is £8,575.

1:44

and you would select a figure that

1:46

works for you. You would input a few

1:48

details, date of birth, whether you want

1:50

dependent cover for that additional

1:52

pension and then you would make a

1:54

decision about whether you want to pay

1:56

for that outright in a single lump sum

1:58

or whether you want to pay through

2:00

instalments. So you have to select an

2:02

amount of years between one and up to 20

2:05

but your payments would have to

2:08

finish before you reach the normal

2:10

pension age for your pension scheme. So

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to summarise that, you could go on the

2:16

website, there's a calculator, you could

2:18

find out how much you wanted to increase

2:20

your pension by. So could it be, I want

2:22

to increase my pension by £5,000

2:25

annually, is this.

2:27

Mhm.

2:27

So at that point, you could put those

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figures in a calculator and it would

2:31

tell you how much it was going to cost

2:32

you to do over the amount of years you

2:35

wanted to pay this for.

2:37

So it would come out with a

2:38

figure which would come straight from

2:41

your salary. So if it was a 100 pounds

2:43

a month let's say this would be a part

2:45

of your initial agreement but then of

2:48

course over time with inflation and

2:51

revaluations that may go up over time by

2:54

small amounts. But you can play

2:56

with the calculator to see how much you

2:58

think you can afford coming out of your

3:00

pay to get your £5,000 or even less

3:03

or even more if you choose. And if you

3:05

wanted to pay for this in a lump sum

3:08

rather than doing monthly payments that

3:11

are subject to change, could you pay

3:13

with it using a lump sum?

3:14

You can. You can. It is a significant

3:16

cost that it's many multiples of

3:19

the amount that you want to select. So

3:21

you really have to use this calculator

3:23

and see if you have, if you're

3:25

fortunate enough to have a pot of money

3:27

that you want to put towards your

3:28

pension, this that could be for you. If

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you know that at the end of every month

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you have an extra 100 or 200 then you have

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that option to do either.

3:36

Okay. Who is eligible to do this? Can

3:39

any member do it? Do they have to be

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active? Could they be deferred?

3:42

So it is active members of the 2015

3:45

scheme who can do this?

3:47

Okay. And what is the process in terms

3:50

of how do they get the ball rolling to

3:52

apply for it? They've used the

3:54

calculator say they're having a look at

3:55

the figures. They know what they can

3:57

afford. They want to go ahead with it.

3:59

So it is really clever part of this

4:01

system is that the calculator itself is

4:03

part of the process. So you can play

4:05

with the calculator like I said get the

4:07

figures that work for you and then when

4:09

you submit that it will give you

4:10

it will produce a form that has

4:13

all those calculations on it. That is

4:16

then valid for six weeks and you have

4:18

six weeks to submit that to your

4:21

employer and then it'll be processed

4:23

and you will see payments coming out of

4:25

your salary. However, in the

4:28

may take a while with payroll cut off

4:31

and the time it takes to submit a form

4:33

for you to see those payments coming

4:35

out of your pay.

4:37

Okay. When in terms of somebody's

4:39

pension journey, can they do this? Can

4:41

they take this out at any time? Is there

4:43

a specific point at which they need to

4:45

take it out?

4:45

Could do at any time, but I think the

4:47

thing I'd say that you need to bear in

4:48

mind is the fact that those payments

4:50

have to be complete before your normal

4:52

pension age. And also if you were to

4:56

decide to retire early for instance and

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you've not completed the pay let's call

5:01

it a payment plan you've not completed

5:03

that you would still get an additional

5:05

pension but they basically work out how

5:07

much you've accrued to date and you

5:09

wouldn't necessarily get the full amount

5:11

that you were expecting of course

5:13

so a proportional people's circumstances

5:16

change they might have to leave the NHS

5:17

for example so if that was the case and

5:19

somebody did have to leave the NHS and

5:21

the Pension Scheme there would still be

5:24

something there for them.

5:25

Absolutely. Absolutely. Yeah.

5:26

Okay. Who or where would you go to, to

5:29

get more information about all of this?

5:31

So, it's all online on our website,

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including the additional pension

5:35

calculator. It's on there. So it's

5:37

very easy to access.

5:39

Great. Finally, in terms of when you

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come to retire and what those benefits

5:44

look like for additional pension, how is

5:46

the additional pension that you have

5:48

taken out, how does that look in the

5:50

payments that you're receiving? So it is

5:52

reflected in in your annual pension

5:55

which of course is paid over 12 months.

5:57

So you'll see that if you were to get

6:00

I need to think of a figure now £1,200

6:02

you'd see annually you'd see an extra

6:04

£100 a month. However, you are still

6:07

allowed to commutate your pension

6:10

just as you do with your ordinary part

6:12

of your pension. So you may be able to

6:14

put a portion of that towards a lump

6:17

sum. If somebody already had an

6:20

additional pension in their previous

6:23

Section or Scheme such as the 95 or the

6:25

'08 Section, could they then take out

6:27

another contract for the 2015 Scheme? Is

6:30

it possible to have more than one

6:31

additional pension?

6:33

Yes. So they their contract would remain

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extent from the 95/08 Scheme and then

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they can also have one in their 2015

6:39

Scheme

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and they would be paying into both at

6:41

the same time because they've taken that

6:43

one out previously in their other

6:45

Section or Scheme and that continues on

6:48

and they're then taking out another one

6:50

in the 2015 Scheme where they're paying

6:52

into now and they take out a contract

6:54

there as well.

6:55

Absolutely. You've got it. Yeah.

6:56

Great. Thank you. Another provision we

**ERRBO**

6:59

wanted to talk about on today's podcast

7:01

is ERRBO, which is early retirement

7:04

reduction buyout. Now, it sounds a

7:07

mouthful, doesn't it? Can we say for the

7:08

purpose of this conversation and just

7:10

call it the ERRBO in terms of the ERBBO

7:13

itself?

7:15

How do you go about explaining what it

7:17

means? Okay, so an ERRBO is essentially

7:21

buying out the reduction that would

7:23

exist if a member claimed their benefits

7:26

earlier than their normal pension age.

7:30

Breaking that down for anybody listening

7:31

today, if somebody took out an ERRBO, are

7:35

they essentially buying themselves an

7:38

earlier pension age and paying for that

7:40

reduction now rather than taking early

7:43

retirement, for example? Yeah. Yeah,

7:45

that's right. Okay. And who does this

7:47

apply to? So this is only a feature for

7:50

the 2015 Scheme.

7:53

How would somebody who wanted to look

7:56

into this find out how much it was going

7:58

to cost? For example, how would they

8:00

start the process? Okay, so as with

8:03

everything that we've talked about so

8:05

far today, there is a fact sheet for

8:07

that's available on the NHS Pensions

8:10

website. So, we do recommend that

8:12

members read through that first before

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going through that process, going

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through the application process. And

8:19

then there's an application form also on

8:21

the website that you then go through,

8:22

complete and hand to your employer.

8:24

So, you do need your employer's support

8:26

with this or is it just that they help

8:28

you complete the paperwork and submit

8:30

that over to us? Yes. So, there is a

8:32

section for them to complete. So, you'll

8:34

complete your section first, speak to

8:36

your employer about it, they'll complete

8:37

what they need to do, and then they'll

8:39

hand it over to NHS Pensions. Okay. And

8:42

is it just for active members of the

8:43

Pension Scheme? So, somebody that's

8:46

currently paying contributions? Uh, yes.

8:48

So, if somebody wanted to take out an

8:50

ERRBO, when would they be able to do that?

8:53

Okay. So, an application for an ERRBO

8:56

agreement must be made within 3 months

8:58

of you first joining the 2015 Scheme. So

9:02

new members, so new members of joining

9:04

the 2015 Scheme. If you are already a

9:07

member, then an application must be made

9:09

within three months of the start of the

9:12

scheme year, which is April.

9:14

So any any scheme year if they want to

9:16

do that. So let's take right now for

9:18

example, somebody wanted to consider

9:20

taking an ERRBO out. They could have a

9:22

look at the calculator we talked about

9:24

on the website. They could have a little

9:26

look at the expression of interest form

9:28

and then they could submit those forms,

9:31

but nothing would happen until the start

9:34

of the next scheme year, which is always

9:35

April. That's right. Yeah. Thank you

9:37

very much for that one. If a member had

9:40

looked at the website, they'd looked at

9:42

the expression of interest form, they

9:44

completed it, and they sent it to us,

9:46

but it wasn't close to the scheme. What

9:49

happens with that with that information?

9:51

How close to the scheme end do they have to

9:53

send the paperwork in? Okay. So that

9:56

three months is quite strict. So it's

9:58

three months either side of the first of

10:00

April. So if a memo was to submit a form

10:03

in December, then we would unfortunately

10:04

have to reject it. It has to be

10:06

submitted within 3 months either side of

10:08

the first of April. And then when they

10:11

came closer to the scheme year, they

10:13

could just resubmit those forms then and

10:15

they'd be considered.

10:15

Yeah, absolutely. If a member had been

10:18

in the 2015 Scheme for a number of years

10:20

and then they decided to look at taking

10:22

an ERRBO out, how would that work against

10:26

their previous scheme benefits? Okay, so

10:29

an ERRBO does only apply to pension

10:32

benefits that are built up after the

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Agreement is in place and it doesn't

10:36

affect any benefits that you built up

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prior to that. As we come to a close on

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discussing the sorts of provisions that

10:43

the NHS Pension Scheme have got for

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members to increase their own pension, I

10:48

wondered how it would affect a member's

10:52

pension if they took out an additional

10:54

pension and they had an ERRBO or if they

10:57

already had an ERRBO in place and they

10:59

wanted to take out an additional

11:00

pension. So, it does affect it, but you

11:04

don't really need to worry too much

11:06

about that as a member because if you

11:07

are looking to buy um an additional

11:10

pension and you've already got an ERRBO

11:12

agreement or vice versa when you submit

11:14

that application to us, then we will

11:16

write to you to let you know if you have

11:18

hit that ceiling and what your options

11:20

are and what would be available and what

11:22

those increases could be for to for that

11:24

matter. Yeah, exactly. Okay. I think we

**Tax Implications**

11:26

need to mention something that's going

11:28

to be on a few of the members minds when

11:30

it comes to ways in which they can

11:32

increase their pension and that's going

11:33

to be the tax implications that come

11:35

with this because I think it's fair to

11:36

say that for some members there will be

11:39

an element of a tax implication that

11:41

they need to consider.

11:43

Absolutely right. So there's a few key

11:45

things to remember. So this all goes

11:47

back to the tax relief that you get on

11:49

ENT contributions. Um and the main

11:52

things we need to concern ourselves with

11:54

is that you cannot increase your um

11:56

pension by more than your gross salary

12:00

in any given uh tax year. Um you cannot

12:03

exceed what's known as the annual

12:04

allowance. Now that can change what the

12:06

annual allowance is. So always go on our

12:08

website to check the most up-to-date

12:10

figures there and that can become

12:12

important particularly when we were

12:13

talking about things like additional

12:15

pension and you want to pay in a lump

12:16

sum. That's when you need to consider

12:19

your salary and the annual allowance.

12:21

Always in any instance where you think

12:23

there might be tax implications, we do

12:25

advise you to go and seek advice from an

12:27

independent financial adviser.

**End**

12:30

And in today's episode, we have

12:32

discussed all the ways in which you can

12:34

increase your pension. I'd like to thank

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Mal and Nicole for joining me today and

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going through everything with us.

12:41

If you head over to the NHS pensions

12:43

website and look under the member hub,

12:45

you'll find all the information we've

12:47

talked about today. If you've got any

12:49

feedback on the topics you've heard

12:51

today or any suggestions about future

12:54

topics you want us to do an episode on,

12:57

please send us an email to the

12:58

stakeholder engagement inbox. And

13:01

finally, just hit subscribe to wherever

13:04

you listen to your podcasts for any

13:06

future episodes of the NHS Pensions

13:09

Podcast. That's all we've got time for

13:10

today. I'll see you on the next one.

13:12

Bye.

13:13

[Music]