

## NHS Pensions - About your 2015 Scheme annual pension

### How your 2015 Scheme pension is worked out

Your annual pension is equal to one-fifty fourth of your pensionable earnings for each Scheme year or part year of membership. The calculation is as follows:

$$\frac{1}{54} \times \text{pensionable earnings for the Scheme year}^*.$$

\*This will be subject to revaluation annually on 1 April each year.

The revaluation rate is determined by Treasury Orders plus 1.5% each year you are an active member. 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 you retire or leave, whichever is earlier.

If you leave this Scheme before becoming entitled to claim your retirement benefits, annual revaluation stops and is replaced at retirement by the addition of Pensions Increase. Pensions Increase is used to maintain the value of your pension against rises in the cost of living.

We then add any additional pensions you may have bought by the date of retirement.

If, at the date of retirement, you decide to give up some of your pension to provide a lump sum retiring allowance, we will deduct £1 from your annual pension (including any additional pensions) for each £12 of lump sum retiring allowance you choose to receive.

Your annual pension will be increased for each complete month you work after reaching your Normal Pension Age if you are an active member of the Scheme at retirement.

### Optional lump sum retiring allowance

When you apply for your pension, you will be given the option to exchange some of your pension (including any additional pensions you may have bought) for a lump sum. For every £1 of pension you give up, you will receive £12 lump sum retiring allowance.

You are able to give up as much of your pension as you like as long as you do not:

- reduce your pension below your guaranteed minimum (as defined by HM Revenue and Customs), or
- increase your lump sum retiring allowance to the extent that it will exceed 25% of the capital value of your NHS Pension Scheme benefits.

For the purposes of illustration, we have worked out your pension benefits assuming you chose to:

- have no lump sum retiring allowance, and
- take the maximum amount of lump sum retiring allowance possible.

You do not have to give up any pension at all, but to help with planning a calculator is available on our website. It will enable you to use the information from the enclosed pension estimate to look at different lump sum options, if you decide to give up a smaller part of your pension.

It is important to understand that any figures you obtain from the calculator will be provided for the purpose of illustration only. They will give an indication of what you might get, but the final benefits may vary depending on changes in your personal circumstances and to the rules of the pension scheme.

You should consider seeking independent professional financial advice before making any decisions.

Any lump sum retiring allowance is normally payable on your retirement.

### Maximum lump sum

HMRC has restrictions on the amount of tax free pension commencement lump sum (PCLS) paid by a pension scheme, unless the individual has a protected lump sum or other types of protection. The PCLS is the lower of:

- 25% of the capital value of the benefits to be paid (after the exchange of pension for lump sum and not the basic amounts), or
- 25% of the available standard Lifetime Allowance (LTA).

The actual amount of tax free lump sum available at retirement will depend on your individual circumstances and may be:

1. higher than the current maximum possible tax free PCLS if you hold certain types of protection or have a protected lump sum from HMRC, or
2. lower than the current maximum possible tax free PCLS if you already have benefits in payment (either from the NHS Pension Scheme or another pension provider) which reduces the available LTA.

If the maximum lump sum after commutation exceeds 1 above, then not all the lump sum may be tax free.

More detailed information about maximum lump sums and tax can be found on our website at: [www.nhsbsa.nhs.uk/Pensions](http://www.nhsbsa.nhs.uk/Pensions).

### **Normal Pension Age**

The Normal Pension Age for members of the 2015 Scheme is age 65 or your State Pension Age, whichever is later.

### **Increasing your pension**

Your pension may be increased if, by the date of retirement:

- you transferred your pension rights from another scheme into the NHS Pension Scheme, or
- you retire because of ill health.

### **Additional Pension purchases**

If you have purchased or are purchasing Additional Pension this has been shown separately in our calculation.

### **Scheme Pays election**

If you are subject to an Annual Allowance charge and have elected for NHS Pensions to pay some or all of the charge, on your behalf, from your NHS pension, we have not made any Scheme Pays deductions to the estimated pension. The deduction will be applied when you retire.

### **Pension Sharing and Earmarking Orders**

If you are subject to a Pension Sharing Order or an Earmarking Order, the estimated benefits shown do not include any adjustments which may be made at retirement in accordance with the terms of the Order.

### **Pensions Increase**

Once in payment NHS pensions are reviewed annually and are increased to keep pace with the cost of living.

### **Lifetime Allowance**

The Lifetime Allowance (LTA) is the limit, set by HMRC, on the capital value of benefits you can take without incurring a tax charge. The LTA is normally tested at the point at which you take your benefits, and this is called 'crystallisation' of your benefits. We cannot provide the percentage LTA used until benefits are crystallised.

### **Pension benefits payable after your death**

Depending on circumstances, the Scheme may pay one or more of the following benefits:

- lump sum on death benefit
- adult dependant's pension
- children's pension.

### **Lump sum on death benefit**

A lump sum on death benefit is a normally tax free sum of money that:

- is payable following your death whilst still an active Scheme member, or
- is payable following your death while your pension benefits are deferred, or
- may be payable following your death in retirement if you have been in receipt of your pension for less than five years.

The lump sum is paid to the organisation, or one or more persons, you have specifically nominated to receive it. If you have not made a nomination, the lump sum will be paid to your legal spouse, registered civil partner, qualifying partner, if you have one; otherwise, it will be paid to your estate.

You can make a nomination, and change your nomination, at any time. If you would like to make a nomination, or change an existing nomination, please complete form DB2 available on our website: [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

The lump sum on death benefit quoted in this illustration is payable only in the event of death before pension entitlement. Any lump sum that may be payable following death in retirement will be less. For more information about benefits payable on death please refer to the Survivor's Guide available on our website at: [www.nhsbsa.nhs.uk/Pensions](http://www.nhsbsa.nhs.uk/Pensions).

### **Adult dependant's pension**

A pension may be payable for life to your legal spouse, civil partner or qualifying nominated partner. The rate of an adult dependant's pension depends on your circumstances at the time of death.

If you are in pensionable employment at the time of your death, the adult dependant's pension for the first six months is paid at a rate at least equal to your pensionable pay. After this initial period, the pension is paid at a rate equal to 33.75% of a tier 2 ill health

pension if you are under your Normal Pension Age (NPA); 33.75% of an age pension if you are over your NPA.

If you retire and are in receipt of your annual pension at the time of your death, an adult dependant's pension is normally paid at an initial rate equal to your standard annual pension for three months (six months if there is at least one dependent child). After this initial period, the pension is paid at a rate equal to 33.75% of your standard annual pension.

If you were to die within 12 months of leaving the Scheme and your pension benefits are deferred, an adult dependant's pension is paid at a rate equal to 33.75% of a tier 2 ill health pension. If you were to die 12 months or more after leaving, the pension is paid at a rate equal to 33.75% of your standard annual pension. No initial pension is payable.

The long term rate of an adult dependant's pension is equal to 33.75% of your annual pension before for the cost of exchanging pension for any lump sum and before any addition for working beyond your Normal Pension Age.

If you are not married and you wish to nominate your long term partner to receive an adult dependant's pension please complete form PN1, which is available on our website at: [www.nhsbsa.nhs.uk/Pensions](http://www.nhsbsa.nhs.uk/Pensions).

If, by the date of retirement, you have bought one or more additional pensions with dependant cover, a proportion of these additional pensions will be added to the adult dependant's pension.

For more information about benefits payable on death please refer to the Survivor's Guide available on our website at: [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

### **Children's pension**

A pension may be paid if the child is dependent on you both at retirement and on your death, and they are:

- under age 23, or
- aged 23 or over and incapable of earning a living due to permanent physical or mental disability from which the child was suffering at the time of your death.

The pension will be based on a minimum of 10 years pensionable membership

### **Actuarially Reduced Early Retirement**

If you elect for Actuarially Reduced Early Retirement (ARER) after reaching minimum pension age and before your Normal Pension Age, your pension benefits will be reduced because they are being paid early. The reduction is based on how many years and

months you have retired before your Normal Pension Age. The following table shows how much of your built up pension you will receive after the reduction has been applied.

<b>Years before NPA</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
Pension	55.4%	57.8%	60.5%	63.3%	66.3%	69.5%	73.0%	76.7%	80.7%	84.9%	89.6%	94.6%

If you exchange some of your pension for a lump sum the calculation is based on the actuarially reduced annual pension.

**Please note:** Dependant's benefits remain unaffected and suffer no reduction on ARER.

### **Requests for multiple or non standard estimates**

NHS Pensions is required to provide one age estimate per year under the Occupational Pension Scheme (Disclosure of Information) Regulations. Any additional estimates requested over and above this, or non standard requests such as for a hypothetical estimate, will incur a charge.

A schedule of charges is available on our website at: [www.nhsbsa.nhs.uk/Pensions](http://www.nhsbsa.nhs.uk/Pensions).