

NHS Pensions - Refund of pension contributions

Qualifying Criteria

To qualify for a refund of pension contributions, you must:

- 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 NHS Pension Scheme, (including membership in both the 1995 and 2008 Sections and any transferred in membership).
- have not had a transfer into the NHS Pension Scheme from a personal, money purchase or stakeholder pension.

If you have re-entered pensionable NHS employment after a break of 12 months or more, you may be entitled to a refund of your earlier contributions. If you have requested a transfer of this earlier membership (within the transfer time limits) to another pension arrangement you will not be able to request a refund.

You will not qualify for a refund if:

- you opt out of the Scheme before the end of the pay period during which you were first included in the Scheme. In this case you are treated as having never been a member of the Scheme and instead your employer will return any contributions to you. You should contact your employer if this applies to you.
- you have two years or more qualifying membership, (including membership in both the 1995 and 2008 Sections and transferred in membership).
- you 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 you will have less than the normal two years qualifying membership required for deferred pension benefits.

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

Please read the 'Leaving early and Transferring Out booklet' before deciding to apply for a refund.

Note: Members of the 1995 Section of the NHS Pension Scheme who take a refund of contributions will only be eligible to re-join the 2008 Section of the NHS Pension Scheme if they later return to NHS work.

Applying for a refund

If you believe you qualify and wish to apply for a refund you need to complete the application for a refund of pension contributions (RF12) form available on our website.

You should print off and complete Part 1 of the application for a refund of pension contributions (RF12) form and then forward this along with Part 2 to the NHS employer where you last paid pension contributions. The employer will complete Part 2 of the application form before submitting to NHS Pensions to process your refund.

About your refund

NHS Pensions may need to obtain additional information from your employer before your refund payment can be paid.

When we can pay the refund, we will write to you with details of the refund payment. The payment will be issued 5–10 working days after that letter. If you want to change any of the information you have given on your application form, such as your home address or bank details, you must tell us in writing as soon as possible.

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

Remember; when pension contributions are taken from your pay, they are deducted before tax and National Insurance deductions (gross pay). On claiming a refund of those pension contributions we must then make adjustment for tax and National Insurance as appropriate.

Reinstatement into the State Second Pension

Members of the Scheme are contracted out of the State Second Pension, (formerly the State Earnings Related Pension Scheme (SERPS)). Members pay a reduced rate of National Insurance.

When NHS Pensions pay a refund we must 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 your benefits in the State Second Pension. The first deduction from the refund is your share of this Contributions Equivalent Premium payment.

If you want further information about this, please write to HMRC, National Insurance Contributions Office, Benton Park View, Newcastle upon Tyne, NE98 1YX, quoting your National Insurance number.

Income tax

Income tax at 20% must be taken from the amount remaining after the deduction of the Contributions Equivalent Premium and at 50% for refunded contributions over £20,000.00.

Income tax is deducted regardless of any tax relief due at the time of the refund or allowable when contributions were originally paid. You cannot reclaim this tax from the Inland Revenue.

Alternatives to a refund

Taking a refund may not be your only option; you may wish to consider one of the following:

Transferring pension rights

If you join an approved pension arrangement that is registered with HMRC you can apply to transfer your benefits to your new arrangement. To do this you, or your new pension provider, must apply to NHS Pensions.

When you have less than two years membership there are time limits to meet when considering a transfer of your benefits. To be able to transfer to another occupational or personal pension scheme or QROPS you must be under Normal Pension Age and:

- join or take out a pension within 12 months of leaving the Scheme;
- apply for a transfer within 12 months of joining that Scheme.

To be able to transfer to a buy out policy you must apply within 12 months after you leave the Scheme.

For more information about transferring pension rights please read the 'Leaving early and Transferring Out booklet'.

Linking membership

If you are thinking of re-joining the Scheme within 12 months of leaving you do not have to apply for a refund of contributions. If the break between leaving and re-joining is less than 12 months the membership will automatically link together.

If you do not re-join the Scheme within 12 months of leaving and hold under two years qualifying membership, you will normally only be entitled to a refund of contributions as a disqualifying break of 12 months or more will occur. The exception to this is noted below.

Approval of a break

If you hold under two years qualifying membership but intend to return to the NHS Pension Scheme after a break of 12 months or more, we may be able to 'approve' your break in order for you to avoid having to claim a refund of contributions.

Approval can be considered if you intend to return to the NHS after your break and one or more of the following applies to you:

- you commence comparable work outside the NHS which would be of benefit to the NHS on your return
- you take up a course of study or training which would be of benefit to the NHS on your return
- we can also give consideration to breaks in membership you may have under other special circumstances.

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

You 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.

By avoiding a disqualifying break you will be able to keep all the benefits you have built up in the Scheme.

If you keep us up to date with your current address, we will automatically write to you approximately 13 months after leaving the NHS to invite a refund / provide approval details.

Some Frequently Asked Questions

Q Can I rejoin the Scheme after I have had a refund?

A Yes, you can rejoin the Scheme after a 24 hour break. If you rejoin within a month, although the earlier membership is no longer reckonable for benefits, it will still count towards the two years qualifying membership required for entitlement to deferred benefits.

Q Can I have additional refunds once one has been paid to me?

A Yes, if you have less than two years qualifying membership, are under the normal retirement age on leaving and have not received a transfer into the NHS Pension Scheme from a personal, money purchase, or stakeholder pension provider.

Example:

Date of First Employment - 01/01/2005 to 31/12/2005

This period of membership is one year and is refundable.

Date of Second Employment - 05/01/2006 to 5/07/2007

The second period of employment is one year six months and on its own would be refundable. However, as a break of less than one month has occurred after the first refund, qualifying membership of one year is added to the second period making a total of two years six months qualifying membership. A refund is not possible as deferred benefit entitlement has been reached.

Q Do I receive all the contributions back in the refund?

A No. When contributions are paid to the Scheme they are deducted from your pay **before** any deductions are made (i.e. National Insurance and Tax). When the refund is paid we must make deductions for National Insurance (if you have made contracted out rate contributions) and income tax.

Q Can I still pay into the scheme with one employer and claim a refund back from a concurrent employment?

A No. A refund can only be made if a member has opted out of or left all pensionable NHS employments. The exception to this is when a person has jobs that equate to more than whole time and in this case an employer locally returns the contributions taken on any hours in excess of whole time. You do not need to complete an application for a refund of pension contributions (RF12) form, instead contact your employer in this instance.

Q How long does a refund take to pay?

A Once an employer has submitted the application for a refund of pension contributions (RF12) form to NHS Pensions electronically, payment can be received in your bank in 3-10 working days. A payable order will be issued within 5–10 working days. However, we do sometimes require additional details from your employer in order to calculate the refund and this can extend the process by several weeks.

Q Are the Employers contributions refundable?

A No, employer's pension contributions are not refunded. The balance of the Scheme's funding is dependent on employers' contributions remaining in the Scheme.