

## **NHS Pensions - About your 1995 Section annual pension**

### **How your 1995 Section pension is worked out**

Your annual pension is equal to one-eightieth of your final pensionable pay for each year and part year of Scheme membership. The calculation is as follows:

$$\frac{1}{80} \times \text{final pensionable pay} \times \text{years of membership}^*$$

\* For example, 5 years and 213 days of membership is equal to 5.58 years of membership.

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

### **Lump sum retiring allowance**

Your lump sum retiring allowance is usually equal to three times your annual pension, which is payable on your retirement. However, if you take your benefits on or after your 75th birthday, it may not be possible to pay you a lump sum retiring allowance. In which case, we would increase your annual pension.

If, by the date of retirement, you have bought any additional pensions, they will not be included in the calculation of your lump sum retiring allowance.

### **Increasing your 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 an increased 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 have 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 the member's individual circumstances and may be:

1. higher than the current maximum possible tax free PCLS if they 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 they already have benefits in payment (either from the NHS Pension Scheme or another pension provider) which reduces their 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/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions).

### **Your final pensionable pay**

For estimation purposes, your final pensionable pay is the pay last reported to us. If you work part time, we calculate your final pensionable pay as if you work full time.

### **Protected pay**

This estimate shows your current pensionable pay, but if you have one or more periods of deferred or protected membership, we calculate your pension using the most beneficial of the following two methods:

- calculating a pension for each period of membership using the pay earned in each period and then adding the pensions up, or
- calculating your pension using your pay at retirement for all periods of membership.

### **Normal Pension Age**

The Normal Pension Age for members of the 1995 Section is age 60. Members who hold Special Class status may have the right to retire from age 55 without a reduction to their pension.

### **Your membership**

If you work full time, you build up one day's membership for each day you are a member of the Scheme. If you work part time, the membership you build up is proportional to the hours or sessions you work when compared with the whole time equivalent hours or sessions.

For estimation purposes, we have assumed that your current membership pattern is maintained up to the date of retirement.

### **Increasing your membership**

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

- you transferred your pension rights from another scheme into the NHS Pension Scheme
- you bought additional membership\*
- you have been a Mental Health Officer
- you retire because of ill health.

\*Benefits may be reduced if you retire before completing the contract to buy additional membership.

## Limiting your membership

Your membership is subject to certain limits. When applying the limits all membership is counted at calendar length.

You are not allowed to have more than 40 years' membership at the earlier of:

- your Normal Pension Age, or
- 1 April 2008.

If you then continue in the Scheme, you are allowed to build up more membership up to a total membership limit of 45 years.

If your Normal Pension Age is 60 years, your Scheme contributions will cease when you have:

- built up 45 years of membership, or
- reached age 75 years.

If your Normal Pension Age is 55 years, the maximum amount of membership you are allowed to build up is 40 years at age 55. Your Scheme contributions will cease when you have:

- built up 45 years of membership and you are at least 60 years of age, or
- reached age 65 years.

Calendar length membership must not exceed 45 years overall.

## 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.

## Earnings cap

If you joined the NHS Pension Scheme on or after the 1 June 1989, you will be subject to the earnings cap for membership built up to 31 March 2008. The estimated benefits have taken this into account where it is applicable.

## Whole time limit

Where your membership has been projected it is calculated using the hours worked in the last periods of employment. If your projected membership exceeds whole time, it has been restricted to whole time.

## 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 nominated 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 new nomination, or cancel an existing nomination, please complete either form DB2 or NOM1 available on our website: [www.nhsbsa.nhs.uk/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-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 [www.nhsbsa.nhs.uk/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions).

### Adult dependant's pension

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

The initial rate of adult dependant's pension is equal to:

- your pensionable pay if you were to die while in pensionable employment,
- your annual pension if you were to die while in retirement, or
- the long term rate of adult dependant's pension if you were to die while your pension benefits are deferred.

The long term rate of adult dependant's pension is payable after:

- six months following your death while in pensionable employment,
- three months (six months if there are dependent children) following your death while in retirement, or
- immediately following your death with unclaimed deferred benefits.

For a widow of a male member, the long term rate of an adult dependant's pension is equal to half your annual pension.

For a widower, qualifying nominated partner and registered civil partner of either sex the long term rate of an adult dependant's pension is normally equal to one half of what your annual pension would be if it were based only on the membership you built up after 5 April 1988. However, the adult dependant's pension will be increased if, by the date of retirement, you have bought a bigger survivor pension.

If 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/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-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/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions).

## Children's pension

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

If your pensionable employment ended on 31.3.2008 or earlier, and they are:

- under age 17, or
- aged 17 or over and have been in continuous full time education or training since the age of 17, until they reach a maximum age of 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.

If your pensionable employment ended on 1.4.2008 or later:

- 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 or protected minimum pension age and before age 60, your pension benefits will be reduced because they are being paid early. The reduction is based on your age in years and complete months when your pension starts. The following table shows how much of your built up pension and lump sum you will receive after the reduction has been applied.

Age	50	51	52	53	54	55	56	57	58	59
Pension	63.9%	66.5%	69.2%	72.2%	75.4%	79.0%	82.7%	86.7%	90.9%	95.4%
Lump sum	73.4%	75.7%	78.0%	80.5%	83.0%	85.6%	88.3%	91.1%	94.0%	97.0%

If you wish to increase your lump sum at retirement by giving up part of your annual pension the calculation is based on the actuarially reduced annual pension.

### Please note:

Pensions paid before age 55 do not normally attract cost of living increases. At age 55 they are increased to take account of rises in the cost of living since the date when the pension began.

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 standard 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/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions).