

NHS Pensions

Additional pension

You can buy any amount of additional pension in units of £250 annual pension up to a maximum total purchase of:

- £8,036.00 annual pension for members of the 2015 Scheme, this limit may change in the future.

If you bought additional pension when you were a member of the 1995/2008 Scheme you can normally buy up to an additional £8,036.00 annual pension after moving to the 2015 Scheme.

If you buy additional pension with cover for dependants, each £250 unit of additional pension also increases your partner's adult dependant's pension by £93.75 a year. In the case of a children's pension, the increase is £187.50 a year to be distributed according to the rules of that benefit.

Any Additional pension purchased in the 1995/2008 Scheme will be revalued in line with monthly increases in the rate of inflation both before the additional pension comes into payment (a prepayment increase) and also whilst it is being paid (an in payment increase). If the application to buy additional pension was made:

- On or before 31 March 2011 – it will attract prepayment increases in line with the Retail Prices Index (RPI) and in payment increases in line with Consumer Prices Index (CPI).
- On or after 1 April 2011 – both the prepayment and the in payment increases will be in line with the CPI.

Additional pension purchased in the 2015 Scheme is revalued by a Treasury Order each year before the Additional Pension comes into payment and increased in line with CPI inflation whilst it is being paid.

The Treasury Order is the method by which the Treasury notifies the value of the change in prices or earnings to be applied as part of revaluation. The additional 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.

For example, if the Treasury Order was 2% the value of your earned Additional Pension would increase by 2% at the beginning of the following Scheme year. Additional Pension does not receive the additional 1.5% applied to the standard earned pension. If an Order is negative it will result in the earned Additional Pension being reduced at the beginning of the following year.

Provided that you are a contributing member of the Scheme, in good health and not absent from work for any reason you can buy additional pension, even if you work as and when or your pensionable pay varies.

The cost of additional pension is determined by factors provided by the Scheme Actuary. It can be paid for either by a lump sum payment or by instalments deducted from your pay for an agreed period of time. You can choose a period of whole years from one year up to a maximum of 20 years.

A tool to calculate the cost of your intended purchase can be found on our website.

Based on the limits explained earlier you can make any number of additional pension purchases throughout your scheme membership. You must make the application and complete all payments before your normal pension age.

In some circumstances your employer may wish to buy some additional pension for you. They must do this by making a lump sum payment on your behalf.

You can only purchase additional pension from the Scheme that you are an active contributing member of. Therefore, once you transitioned to the 2015 Scheme you may only purchase additional pension to increase your 2015 Scheme pension. It is not possible to purchase additional pension to increase benefits from the 1995 or 2008 Section. Please note: As of 1 April 2022 all members transitioned to the 2015 Scheme. For further information on this please visit the following link:

<https://www.nhsbsa.nhs.uk/changes-public-service-pensions>

Before deciding to purchase additional pension by instalments please check that your NHS earnings will be sufficient to meet the cost of paying both the monthly instalments and your normal tiered contributions every month; payments cannot be made from other sources of income. Where there are gaps in NHS pensionable employment, you are unable to pay extra to make up for missed instalments. Breaks in employment will therefore reduce the amount of additional pension bought by instalments.

If your NHS earnings will not be sufficient to meet the cost of paying both the monthly instalments and your normal tiered contributions every month, you may still purchase additional pension by making a lump sum payment whilst you are in NHS pensionable employment. Making payment by lump sum will ensure that the amount of additional pension purchased is not reduced because of instalments missed during a gap in pensionable employment when working as and when or any breaks in NHS pensionable employment.

If you are a member of the 2015 Scheme and have already commenced an early retirement buy out (ERRBO) agreement, your purchase of additional pension may be limited. There is an overall limit on the total value of additional benefits that can be bought in this Scheme by the payment of additional contributions of £8,036.00 annual pension. If you have purchased or are currently purchasing ERRBO or additional pension in the 2015 Scheme we must take the value of those existing purchases into account when deciding how much additional pension you can buy. On receipt of your application we will tell you whether the amount of additional pension you can buy must be limited.

We cannot advise you about your personal tax position but members of a registered pension scheme, like the NHS Pension Scheme, can normally contribute up to 100% of their salary and claim tax relief.

When paying for additional pension by instalments tax relief is usually received through the Pay As You Earn PAYE system. If additional pension is purchased by a lump sum payment you will need to contact Her Majesty's Revenue and Customs (HMRC) or complete a self-assessment tax return to claim the tax back.

It should be noted that HMRC will not allow you to withdraw a tax free lump sum and receive further tax relief by reinvesting the money back into a registered pension scheme. This is known as 'recycling lump sums' and could apply if the money is reinvested as a lump sum or in monthly payments.

It is possible that you could be affected by this rule if you retire within two years of making an election to buy additional benefits. If you think you could be affected please discuss your plans with a professional financial adviser before proceeding.

Both your main NHS pension and any additional pension you buy are taxable income. Income tax is deducted from your pension at source before it is paid.

You will usually pay the same amount each month if purchasing additional pension by instalments. Purchase by instalments is however subject to review based on advice from the Scheme Actuary and following review the cost of future instalments of an existing arrangement could be changed.

If the cost of future instalments increases as a result of a review you will have the option to end your purchase. You would then be credited with the proportion of additional pension that you had paid for.

If you have breaks in NHS pensionable employment of less than 12 months, for example when changing jobs, you will be given the opportunity to continue your agreement after the break.

If you have purchased additional pension by lump sum or stopped paying instalments within the first 12 months after buying the additional pension because you die the agreement will be cancelled and your additional contributions will be returned. If you die after the first 12 months all future additional contributions due after the date of death will normally be waived and you will be credited with the full amount of additional pension that you were buying. This will only have effect if you have taken additional pension with dependants cover.

If you stop paying because you become entitled to an ill health pension as a result of an application made less than 12 months after buying the additional pension, the agreement will be cancelled and your additional contributions will be returned. For this purpose the application is deemed to be made on the date when you sign the medical evidence in support of the ill health retirement, not the date of retirement.

If you become entitled to an ill health pension as a result of an application made after the first 12 months all future additional contributions due after the date of retirement will normally be waived and you will be credited with the full amount of additional pension that you were buying.

If you wish to stop paying instalments for any other reason you will need to contact us requesting the contract to be terminated. The additional pension agreement will cease and you will be credited with the proportion of the additional pension that you have paid for.

Additional pension is payable at the same time as your main NHS Pension and is dependent on the Section or Scheme which you purchased the additional pension from, including the selected retirement age.

- 1995 Section, may select a retirement age of 60 or 65,
- 2008 Section, may select a retirement age of 65 only,
- 2015 Scheme, may select a retirement equal to your normal pension age. This is age 65 or your State Pension age whichever is later.

Payment of the additional pension cannot be delayed if benefits are taken before the selected end age. If you decide to take retirement before the chosen age the value of the additional pension will be subject to a reduction for early payment. A reduction for early payment also applies to members who hold Special Class status and claim their unreduced main NHS pension before the selected retirement age of the additional pension.

If you have been purchasing additional pension by instalments and have not completed the purchase when you retire, you will be credited with the proportion of additional pension that you have purchased prior to the application of the reduction for early payment. Where the purchase of additional pension is incomplete it is not possible to pay the balance owed.

If you have purchased additional pension whilst a member of the 2008 Section or 2015 Scheme and retire after your normal pension age, the additional pension will be subject to an increase based on factors provided by the Scheme Actuary.

Your pension may be paid early due to being made redundant or your employer terminating your employment. If you have completed the additional pension purchase by paying all contributions due, the additional pension will be reduced to take account of its early payment.

If you have been purchasing additional pension by instalments and have not completed the purchase when you retire, you will be credited with the proportion of additional pension that you have purchased prior to the application of the reduction for early payment. Where the purchase of additional pension is incomplete it is not possible to pay the balance owed.

If you are a member of the 2008 Section or 2015 Scheme, you may choose to take partial retirement and draw down some of your pension. It is, however, not possible to also draw down part of your additional pension. If you decide to draw down some of your main NHS pension you can either take all the additional pension or leave it until your final retirement. The additional pension will be subject to a reduction if it is paid prior to your normal pension age.

If you have transitioned from the 2008 Section to the 2015 Scheme and the amount you draw down exhausts all your 2008 Section benefits, your additional pension from the 2008 Section must be paid at the same time including any adjustments for payment before or after age 65.

If you are interested in purchasing additional pension you should use the calculator tool available on our website where you can look at the various options available to you to find out how much it is going to cost. You can ask your Pension Officer to help you with this.

Once you have decided to proceed, the calculator will provide you with a partly completed application form on which you should complete the remaining personal details and then pass the form to your employer or Pension Officer within 6 weeks of the date of application.

If your additional pension contract is via instalments, payments will commence from the date your employer receives your AP1 form.

You may be able to increase your benefits through the additional pension arrangement as well as other methods described in other factsheets. This is subject to overall HMRC and scheme limits.

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www.nhsbsa.nhs.uk/nhs-pensions