

# NHS Pensions

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# NHS Pensions Podcast

# NHS Pensions Podcast – Episode 2 – Understanding the NHS Pensions and Schemes

## Video Transcript

0:15

hello and welcome to the NHS Pensions

0:17

podcast series where in each episode

0:20

we'll be taking you through a specialist

0:22

topic of the NHS Pension Scheme and

0:24

it'll allow you to get a sense of the

0:26

Scheme and help you manage your own

0:28

Pension. Today I'm joined by the NHS

0:31

Pension expert Angie I've also got two

0:33

members of the team here with me today

0:35

asking questions on behalf of NHS

0:38

Pensions members I've got Darren and

0:40

he's got questions from members who have

0:42

service in the 1995 Section and also the

0:46

2015 Scheme and I've got Nicole here

0:49

with me today and she's got some

0:50

questions on behalf of our newer members

0:53

who are members of the 2015 Scheme only

0:57

over the course of today's podcast we

0:59

will be explaining the different

1:00

Schemes that are available how each of

1:03

them are calculated what pension you can

1:06

expect if you're in one of those

1:07

Sections or Schemes, we're going to look

1:09

at the pension ages for those Schemes as

1:12

well we're going to talk about if

1:13

there's an option to retire early in

1:15

them and also the actual benefits that

1:17

are available in those

1:23

Schemes so Angie could you start off by

1:27

explaining to us what sort of members

1:29

there are what the different types are

1:31

yeah sure so we often talk about three

1:33

different types of Scheme members be

1:35

your active members so those that are

1:36

actively in NHS employment and

1:38

contributing to the NHS Pension Scheme

1:41

you've got your deferred members those

1:42

are members who are no longer paying

1:45

into the NHS Pension Scheme so they've

1:47

either no longer in NHS employment or

1:49

they've chose to opt out of the scheme

1:51

and we've got your pensioner members

1:52

those are our NHS Pension Scheme members

1:55

who are in receipt of their NHS Pension

1:57

benefits okay great so if you are a

1:59

deferred member is your pension just

2:02

waiting there but you're not paying into

2:03

it anymore and that's what a deferred

2:05

member means exactly that yeah if

2:07

pension is waiting for you to reach your

2:09

minimum or your normal pension age for

2:11

you to claim those pension benefits

2:14

thank you so could you give us an

2:16

overview of the different schemes

2:18

available because we've talked before

2:20

about Darren here he has 95 service and

2:22

also 2015 Scheme service and Nicole is

2:25

just 15 what does that really mean what

2:28

is the difference between those

2:29

schemes so essentially the NHS Pension

2:32

Scheme is made up of three parts there's

2:34

the 1995 and 2008 Sections which are one

2:37

Scheme and the 2015 Scheme it is really

2:41

important for members to understand that

2:43

everyone is now currently a member of

2:44

the 2015 Scheme but you may have

2:47

membership in the 1995 or the 2008

2:51

Sections if you joined the scheme before

2:54

1 April 2008 you'll have

2:56

service in the 1995 Section and if you

2:59

join between between April 2008 and

3:01

April 2015 you'll have membership in the

3:04

2008 Section everyone after the 1

3:07

April 2015 is contributing to the

3:10

2015 okay so you have just said that

3:13

everybody but just to reiterate every

3:16

active member that's paying into the NHS

3:18

Pension Scheme yeah is part of the 15

3:20

Scheme they are great but if they had

3:23

previous service and that's still there

3:25

waiting for them safe but they're just

3:26

no longer paying into that sectional

3:28

Scheme from the first of April 2022

3:31

everybody's contributing to 2015 Section

3:34

of the scheme those benefits in the

3:36

earlier section of scheme are still there

3:37

because they'll be claimed at the normal

3:39

pension age nothing has changed just all

3:42

contributing to a new scheme

3:47

now so if we talk about the 1995 Scheme

3:51

first because that's the original isn't

3:52

it the first scheme and there'll be a

3:53

lots of people listening to the podcast

3:55

today that really want to know more

3:57

about that scheme and what it means to

3:59

them we've got Darren here and Darren

4:01

you have some questions on behalf of

4:02

members of the 1995 Section and the 2015

4:06

Scheme this is for those listeners who

4:09

did have service in the 1995 Section and

4:12

have now been moved to the 2015 Scheme

4:15

and that's the Scheme that they're

4:16

contributing to now let's talk about

4:19

what that means and how that 1995

4:22

service has been calculated yeah so

4:25

thanks Verity so Angie could you just

4:27

talk me through an example of the

4:29

1995 Scheme and how that particular

4:32

scheme is calculated when I actually

4:34

come to claim my pension yeah of course

4:35

yeah so with the 1995 Section your

4:39

pension is 1/80th of the best of the

4:41

last three years pensionable pay for

4:44

each year of membership in the

4:46

scheme with the 1995 Section you do also

4:49

receive a mandatory lump sum and that

4:51

mandatory lump sum is usually three

4:53

times your annual pension

4:56

Benefits, the best of the last

4:58

three years pension will pay for the

5:00

calculation this is worked out on the

5:01

notional whole-time pay at retirement

5:04

providing that there is a final salary

5:06

link maintained and we'll touch on what

5:09

a final salary link is this is where

5:11

you've moved from the 95 or 2008

5:14

Sections into the 2015 Scheme so the

5:18

pension benefits will be calculated

5:20

using your pensionable pay at

5:21

retirement and not when they left the 95

5:24

or 2008 Sections so that's interesting

5:28

even though they're in the 15 Scheme

5:30

which isn't a final salary pension

5:32

scheme their benefits at retirement for

5:35

those earlier sections or schemes are

5:37

still calculated using the pay that

5:39

they're on at that point when they come

5:41

to retire and not when they've moved

5:44

right so that that's complicated there's

5:46

a lot going on here I think should we

5:49

step back and start looking at the 1995

5:52

Section for Darren who's asked the

5:53

question how would his 1995 service be

5:57

calculated what's the calculation we're

6:00

looking at okay so for the 1995 Section

6:02

benefits your pension benefits are

6:05

calculated as follows - take your pensionable

6:07

pay and multiply that by your

6:09

pensionable membership in days and then

6:12

divide that by 1/80th that would give

6:14

you your annual

6:17

pension we've got an example of what

6:19

that might look like and so for Darren

6:21

he's got 1995 pension benefits and he

6:24

was in the scheme for 15 years

6:28

and his pay was £33,000 for example

6:32

the calculation would be £33,000 which

6:35

is his pensionable pay we'd multiply

6:37

that by the amount of time he was in the

6:40

scheme which we've converted into days so 15

6:42

years in days is

6:45

5,475 we then divide that figure by

6:48

1/80th to get an annual pension

6:52

figure and what about a lumpsum at

6:55

this point so you've said the

6:56

calculation that they use in House at

6:58

NHS Pensions is there a lump sum for

7:00

that so there is yeah with the 1995

7:03

Section it is the only section of scheme

7:05

that is a mandatory lump sum and that

7:07

lump sum is usually three times your

7:09

annual pension benefit so with the

7:11

calculation that we've just done Darren

7:13

the annual pension was calculated as

7:16

6,117 uh sorry £187.50 times that by

7:20

3, you've got your lump sum of

7:24

8,562.50 okay I could get my head around

7:27

that I could get my head around the

7:28

calculation and we're times it by

7:31

three for the lump sum but there isn't

7:33

just the 95 Scheme is there we you

7:36

mentioned the 2008 Section the 2015

7:42

Scheme moving on to the 2008 Section

7:46

although the questions from Darren and

7:47

Nicole don't include the 2008 Section

7:50

lots of people listening to the podcast

7:52

will need to know about this

7:55

section will so if we could have a

7:57

little look at that okay so 95 2008

8:00

Sections are both final salary schemes

8:02

so they are calculated very similarly

8:04

the only difference is for the 2008

8:06

pension will we use the reckonable pay

8:09

which is the average of the best three

8:11

consecutive years within the last 10

8:13

that you were in the scheme we would

8:16

then apply pensions increased each year

8:18

before we assess which are the best

8:19

three years to use to calculate your

8:22

pension benefits your pension is 1/60th

8:25

of your reckonable pay for each year of

8:27

membership in the scheme

8:29

okay so 1/60th of your reckonable pay

8:32

and if we're for somebody that might

8:34

have 2008 service and they're listening

8:36

today when we use the term reckonable

8:39

pay or when you use the term reckonable

8:41

pay you are talking about a 10-year

8:44

period from the date of retirement

8:46

stepped back yes and then looking in

8:50

those 10 years you're looking for the

8:52

best three in a row yes great okay thank

8:55

you is there a lump sum with this because

8:58

you've not mentioned that and I know

8:59

before you said about the 95 maybe being

9:02

the only one to have a mandatory lump

9:03

sum there is no automatic lump sum for

9:06

the 2008 Section however there is the

9:09

option to create a lump sum using

9:11

something called pensions commutation

9:14

so as a quick example if you were to

9:16

give up one pound of your annual pension

9:18

you would create a lump sum so if you

9:21

were to give up £1,000 of your pension

9:23

your annual pension you create £12,000

9:26

lumpsum and so on and so forth so there

9:28

are options available to create a

9:31

lumpsum depending on what you need for

9:32

your personal

9:33

circumstances and would that be a

9:35

permanent exchange so you said before

9:38

if you wanted to exchange a pound of

9:39

your annual pension are you doing that

9:41

every year then your pension is in

9:44

payment for yes okay yeah you would give

9:47

that up or exchange it if you like give

9:49

up is maybe not the right word exchange

9:51

it for the lump sum great okay lovely

9:54

thank you very much so we've talked

9:56

about the reckonable

9:59

pay we got an example of that can help

10:02

the listeners fully understand that just

10:04

in case they have their service so

10:05

like I said it's very similar to the

10:07

1995 Section but we use reckonable pay

10:09

times your membership in days divided by

10:12

1/60 so the example that we've got here

10:14

is Jack he's been a member of the 2008

10:17

Pension Scheme for eight years when he

10:19

decides to retire his reckonable pay

10:21

which is the average of the best three

10:23

consecutive years within the last 10 was

10:25

£75,000

10:27

so to calculate the pay we take the

10:30

pension sorry we take the reckonable pay

10:32

of 75,000 multiply it by the pensionable

10:35

membership in days and then divide it by

10:38

1/60th which is the accrual rate the 2008

10:41

Section that would give you an annual

10:44

pension or Jack an annual pension of

10:46

£10,000 per year can we just touch on

10:49

that 1/60th a little bit more so when

10:52

we're saying about 1/60th what's the

10:54

calculation 1/60th of what of a year so

10:57

1/60th of a year the calculation is

11:00

21,900 with the 95 Section it's 1/80th

11:04

29,200 so an 80th of the year

11:07

yes and he would have the option to

11:09

buy himself a lump sum as we discussed if

11:11

he wanted to do so yeah just by changing

11:13

some of that annual pension to create a

11:18

Lump sum great let's move on to the 2015

11:21

Scheme now Nicole you've got questions

11:24

on this on behalf of listeners who are

11:26

members of the 2015 Scheme only

11:29

yes so that's right so I’m only in the

11:31

2015 Scheme Angie so can you tell me a

11:35

little bit about how that works and is

11:36

there actually a way for me to calculate

11:38

my own benefits there is yeah and it's a

11:40

completely different calculation for the

11:42

2015 Scheme as I mentioned earlier the

11:45

95 2008 Section final salary pensions

11:49

2015 Scheme is calculated completely

11:51

differently it's a care scheme which is

11:53

a career average revalued earning scheme

11:57

so for the 2015 Scheme your pension is

11:59

is 1/54th that's the accrual rate the 2015

12:03

Scheme of your pensionable earnings

12:05

excuse me per scheme year that is then

12:08

revalued by an amount set by the

12:09

treasury which is known as the treasury

12:11

Order each year plus 1.5% and that

12:14

process is known as

12:16

revaluation can I just jump in here on

12:19

this one now you've said it's 1/54th of

12:22

of somebody's pensionable pay and you

12:23

could do that on a calculator and you

12:25

said you know their pension will pay for

12:27

the year but what year are we talking

12:28

about you said scheme year give me some

12:30

dates scheme year runs from the 1st of

12:32

April to the 31st of March each year so

12:34

that is the period that we'd be

12:35

revaluing for that for that pension

12:38

okay so if somebody joined mid-year

12:40

because the likelihood is they would

12:42

equate to a part year and

12:44

then their second year that they're

12:45

creating a full pot maybe yes so you'd

12:48

see you'd see the difference in the

12:49

figures so if you're not going to be

12:50

paying in for a full year that figure

12:53

will be lower because you're only going

12:54

to pay in 1/54th of the pension of the

12:56

pay that you've earned in that Year

12:58

great okay lovely now the 2015 scheme

13:01

where do we sit with the lump sum on

13:02

that one again because that's what

13:04

everybody's going to want to know it's

13:05

the biggest question we get asked again

13:07

no automatic lump sum for the 2015 but

13:10

exactly the same commutation you can

13:12

exchange as you can for the 2008 Section

13:15

pound for £12 of a lump sum so again you

13:19

give up £1,000 of your pension you're

13:20

going to create a £12,000 lump sum, £2,000

13:24

£24,000 lump sum so that's how it works

13:27

for both the 2008 and the 2015

13:30

lovely thanks Nicole have you got

13:31

anything else you want to add any other

13:32

questions about the 2015 Scheme yes so

13:35

that is really helpful and to really

13:37

understand how that works for myself as

13:39

a sole 2015 Scheme member um but what I

13:42

would like to know is would you be able

13:44

to talk me through an example just so I

13:46

can get a little bit of a clearer

13:47

understanding of that yeah of course so

13:50

we'll use an example of an NHS Pension

13:52

member called Tom to see how his pension

13:54

grows over his 20 year career within the

13:56

NHS so as I explained before all your

13:59

pension earned each year is 1/54th of your

14:02

pensionable pay in year one of

14:06

employment Tom earns

14:08

£18,000 so his pension pot for that year

14:10

is 1/54th of that amount therefore his

14:13

pot is in the first year is

14:17

£333 so just to touch on that quickly and

14:20

we talked before about the year the

14:22

Scheme year and that's what we're

14:23

looking at here yeah so a pot is created

14:26

for each Scheme year and it would be a

14:27

part pot if they first joined halfway

14:30

through or they left maybe halfway

14:32

through a year yeah exactly yeah uh that

14:36

first year pot is then revalued using

14:38

the treasury order plus the 1.5% meaning

14:41

that Tom's year one pot would increase

14:43

to

14:44

345 in year

14:47

two that year one pot will continue to

14:49

be revalued each year until Tom decides

14:52

to leave or retire so after 20 years

14:55

service Tom's year one pot is now worth

14:58

£600

15:00

just to jump in on some of the

15:03

revaluation figures you gave us there

15:04

You’ve said the treasury order plus the

15:06

1.5% so the treasury order can change

15:09

can't it, it can yes it can change on an

15:11

annual basis yeah it depends what is

15:13

reported To Us by the treasury great but

15:16

the 1.5% doesn't change is that going to

15:19

be the Set figure so that there's a

15:22

guarantee there that somebody's pension

15:25

will continue to grow and be revalued it

15:27

will always be revalued yes that 1.5%

15:30

great thank you so all members receive

15:33

a new retirement pot one each year that

15:35

they are working and contributing as an

15:37

active member therefore by Tom by

15:40

the time Tom reaches 20 years you'll

15:42

have 20 pension pots one for each year

15:46

all of Tom's pots that have been earned

15:48

each year go through the same

15:49

revaluation process they're all revalued

15:52

annually and continue to do so until

15:54

retirement or if Tom chooses to leave

15:57

the scheme

16:00

so for Tom to work out his total pension

16:02

he'd add up the total of all of his 20

16:04

pots one for each year that he had

16:06

worked for example purposes if Tom's

16:08

pensionable pay increase by 4% each

16:10

year and by adding all the pots together

16:13

that he'd earned 20 years service Tom

16:16

would have a pension of

16:20

£13,420 great thanks Angie so we've had a

16:23

really clear detailed understanding

16:25

there on how each section in scheme is

16:27

calculated when it comes to retirement

16:29

But ultimately what most people want to

16:31

know is when can they get their hands on

16:33

that pension so Angie could we talk

16:35

about at what point during these

16:37

different sections and schemes can

16:39

people retire is it all the same age can

16:41

they get what they want when they want

16:44

no your normal pension age is the age

16:46

that you can retire from your employment

16:48

have your pension paid to you without

16:49

any reduction and yes it is different

16:52

for every section in

16:53

scheme the normal pension age for the

16:55

1995 Section is age 60 unless you have

16:58

special class on Mental Health officer

17:00

status which we will touch on

17:02

shortly those people have a retirement

17:05

age of 55 the normal pension age for the

17:08

2008 Section is age 65 and for the 2015

17:12

Scheme it's age 65 or your state pension

17:15

age whichever is later everyone has an

17:18

individual state pension age and you can

17:20

check what yours is by visit visiting

17:23

The gov.uk website so to jump in on this one

17:26

quickly then this isn't linked to your

17:29

state pension though it's a separate NHS

17:31

pension but we just so happen to have

17:34

linked the pension age to the state

17:36

pension age yeah that's exactly right

17:38

it's not something that you have to wait

17:40

until you reach state pension age before

17:42

you can clear your NHS 2015 Scheme it's

17:44

literally just link as you mentioned by

17:46

the retirement ages so you can still

17:48

claim those pension benefits early if

17:50

you wanted to Great okay good

17:57

so we've got a good

17:59

understanding now about the state

18:00

pension age and we've talked about your

18:02

normal pension age 60 for the 95 or

18:06

the 08 Section state pension age or 65

18:09

whichever is later for the 2015 Scheme

18:11

but do you have to wait to get to those

18:14

ages to take your pension can you go

18:16

early is there a minimum pension age

18:18

here so all active members have the

18:20

option to retire early but to claim your

18:22

pension benefits you need to have

18:24

reached the minimum pension

18:25

age for most people that's age 55 but

18:28

for some people it might be age 50

18:31

something to remember if you do decide

18:33

to claim your pension benefits early

18:35

they will be reduced because they're

18:36

being paid earlier and they're going to

18:38

be in payment for a longer period if

18:41

you're unsure what your minimum pension

18:43

age because I did say some people have

18:44

a minimum pension age of 50 you can

18:46

check on the early retirement fact sheet

18:49

on our website that will give you

18:50

information about which members are

18:52

eligible to go from age 50 perfect

18:55

thanks that's

18:57

great right so we've talked about normal

19:00

pension ages we've talked about minimum

19:03

pension ages and going early is there a

19:06

maximum pension age are you allowed to

19:08

just stay and working in the scheme for

19:10

as long as you land so as everyone is in

19:12

the 2015 scheme now the maximum pension

19:15

age is age

19:17

75 okay thanks can't imagine there are

19:20

many of us working till 75

19:26

let's move on now to some

19:29

questions from our members you'll

19:32

remember at the start of this podcast we

19:34

talked about Darren who had service in

19:35

the 95 and the 15 Scheme and Nicole who

19:39

has 2015 Scheme service so Darren over

19:42

to you thanks. Yeah as you know

19:45

I've got membership in both the 1995 and

19:48

2015 schemes so I was just wondering is

19:51

that my total pension both of those

19:53

added together if I was to take them at

19:54

the same time yeah they would be added

19:56

together but if you were taking your

19:57

1995 in your 2015 Scheme at the same

20:00

time say age 60 you've got to remember

20:03

your 2015 Scheme benefits will be

20:05

reduced because they're going to be paid

20:06

earlier than they’re supposed to be the

20:08

normal pension age state pension age

20:10

yeah so if you decide to claim

20:12

your 95 and your 2015 at the same time

20:14

that's absolutely fine we will add the

20:16

two pensions together and pay you them

20:17

as a one pension and one lump sum but you

20:20

have to remember that that 2015 Scheme

20:22

membership will be reduced because

20:23

that's going to be paid before state

20:25

pension age yeah so in my case that'll be

20:26

seven years early because it would

20:29

normally be 60 yeah yeah that's

20:31

great thank you so following on for that

20:33

could I take my 95 pension only and

20:37

not take the 2015 and then carry on

20:39

paying into the 2015 Scheme yeah you can

20:42

do that there's lots of flexible

20:43

retirement options available but you can

20:45

certainly claim your

20:47

1995 and then continue contributing to

20:49

the 2015 Scheme you don't have to claim

20:51

them both at the same time and just one

20:53

more question can I take my lump sum

20:56

only and just leave the 1995 pension

20:58

there and just take the lump sum out on

21:00

its own you can't unfortunately no you

21:02

have to take your pension and your

21:03

Lump sum at the same time okay that's

21:05

great thank you very much thanks Angie

21:08

uh going over to Nicole have you got

21:09

any questions today yes so my only

21:12

question really Angie is if I was to

21:14

retire at age 60 and continue to work

21:17

Part-time would my pension then be taxed

21:20

yes in normal tax rules apply when

21:22

you're claiming your pension benefits so

21:24

if this is over the tax-free amount that

21:26

you're allowed then yes you will pay tax

21:28

on your pension and any other income

21:30

because you get tax relief when the

21:32

contributions are paid you will always

21:34

have to pay tax when your pension goes

21:36

into payment great thanks

21:38

everybody so that brings us to the end

21:41

of today's podcast I really hope you

21:43

found that useful and informative as

21:46

always if you've got any questions about

21:47

the NHS pension scheme please email our

21:51

pensions member team if you have any suggestions for

22:02

future episode topics that you'd like to

22:04

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