

# NHS Pensions

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# NHS Pensions Podcast

# NHS Pensions Podcast – Episode 3 – Understanding the benefits of the NHS Pension Scheme

**Intro**

0:00

[Music]

0:15

Hello and welcome back to another

0:17

episode from the NHS Pensions podcast

0:20

series. The aim of this series is to

0:23

break down the NHS Pensions topics, help

0:26

you make sense of your NHS Pension and

0:29

also to help you plan for retirement and

0:31

find out all the information that you

0:33

could need. My name is Verity and I'm the

0:36

host of today's

0:44

podcast. Today I'm joined by Angie who is

0:47

an NHS Pensions expert and Darren who is

0:50

representing our NHS Pension Scheme

0:52

members and has questions on their

0:55

Behalf. So I appreciate that being

**Key benefits of the NHS Pension Scheme**

0:58

in the Pension Scheme and saving for the

1:00

future is really important but I can't

1:02

help thinking in the short term about

1:04

the cost of living pressures on

1:06

everybody at the moment and what are the

1:08

benefits of me actually staying in the

1:10

Scheme? So there are a wide range of

1:13

benefits to being a member of the NHS

1:15

Pension Scheme. Obviously, as well as

1:16

getting your pension at retirement which

1:18

does increase with cost of living your

1:21

family will be eligible for death and

1:23

service benefits. Any contributions that

1:25

you make will be

1:27

Tax-free when you retire and we start to

1:29

to receive your pension benefits you'll

1:31

do so for the rest of your life as this

1:33

is guaranteed by the government. You also

1:35

get the option of taking a lump sum when

1:37

you retire. If you wish to do so that

1:39

could help you with larger payments like

1:41

paying off a mortgage for

1:43

Instance. The scheme also offers early

1:46

retirement and ill health retirement

1:49

options and finally you can make

1:51

additional contributions as an active

1:53

member to increase the value of your

1:55

pension this sounds like there's some

1:57

good options out there and that this is

1:59

a really secure pension scheme to join

2:02

if you had a member who is looking at

2:04

opting out what would you say to them

2:07

and what would they be giving up if they

2:08

opted out of the NHS Pension

2:12

Scheme. So, yeah first of all you're right

2:15

the member would lose benefits that

2:17

we've described if they were to opt out

2:18

of the Scheme but I think it's important

2:20

for members who are considering opting

2:22

out to ask themselves a few questions

2:23

before they do so. First of all have they

2:26

saved enough money? They may be saving

2:28

money in the short term but can

2:30

they afford to opt out in the long term?

2:32

It might be worth thinking ahead to your

2:34

own retirement and considering how much

2:35

you'd need to live the lifestyle you

2:37

want to live when you retire and then

2:40

work backwards from that and calculate

2:42

how much and how long you'd need to be in

2:43

the scheme to grow the pension that you

2:46

would want to have at retirement. I

2:48

mentioned if you had become ill and you

2:50

could no longer work but you still

2:51

needed an income to live on, your pension

2:53

benefits would support you if you had to

2:54

retire early due to ill health and

2:57

another benefit of the Pension Scheme is

2:59

death in service which back provides

3:00

financial support to your beneficiaries

3:03

and which you won't have if you

3:05

decide to opt out so you'd need to

3:07

consider how your dependence would

3:09

survive financially in that

3:10

situation also you need to remember the

3:12

longer that you contribute to the Scheme

3:14

the bigger your pension will be at

3:16

Retirement. Thanks Angie I think that's

3:18

really important for people to

3:20

understand as well ultimately if they

3:22

are planning to opt out have they got a

3:24

backup plan for retirement. How are they

3:27

going to be able to sustain the

3:28

lifestyle that they want when they reach

3:29

that retirement age and it's not just

3:31

their pension that they'd be giving up

3:33

it's all those family benefits you've

3:34

mentioned and we are going to touch on

3:35

that further down the line on the

**Lump sum**

3:44

Podcast. So now we're going to work our

3:46

way through some questions I know that

3:47

Darren is bursting with a few more

3:49

questions so I'll hand over to you.

3:52

Thanks, I was quite interested in the

3:54

lump sum that you mentioned earlier on

3:57

I could see that being really useful to

3:59

me in the future especially in

4:00

retirement so I was wondering if you

4:02

could tell me a little bit more about

4:03

how that works please of course you do

4:06

have the opportunity to create a lump

4:07

sum at retirement which is also known as

4:09

pensions commutation so for every one

4:12

£1 of your annual pension you

4:13

exchange you will receive a £12 lump sum

4:17

if you have member membership in the

4:18

1995 section you will receive a

4:20

mandatory lump sum which is usually

4:23

three times your annual pension

4:25

amount however for the 2008 2015 scheme

4:28

where there is no mandatory lumps sum

4:30

you do have the opportunity to create a

4:31

lump sum and it is entirely your choice

4:34

whether you choose to opt for a lump sum or

4:36

not within the 2008/2015 Schemes but you

4:40

wouldn't make that choice until

4:41

Retirement. Angie, can you choose to take

4:44

all your pension? Could I opt to give

4:46

everything up for a huge lump sum? So now

4:49

there is a maximum permitted lump sum

4:51

that you can take and that's 25% of the

4:53

capital value of your Scheme benefits to

4:56

find out more information about how you

4:58

would calculate your capital value

5:00

you can head over to our website in the

5:01

member hub where we have more

5:02

information on that. Great, thanks for

5:05

That. It sounds like a really great

5:06

benefit but would you mind just talking

5:08

me through how that works and so I can

5:10

understand it a little bit better please?

5:12

Yeah, so in our example the member has an

5:14

annual pension of

5:17

£8,921 and a mandatory lump sum of

5:22

£26,763 this member could take a maximum

5:25

lump sum of

5:26

£47,787 the member would have to

5:30

exchange

5:32

£1,752 of their annual pension in order

5:34

to do this therefore the member would

5:36

then receive a reduced annual pension of

5:39

5:40

£7,169 but an increased maximum lump sum

5:43

of £47,787 you don't have to do this though

5:48

and you don't have to take the

5:50

maximum you could just take your

5:51

standard Lump sum and your uh pension

5:54

wouldn't be reduced would it no that's

5:56

correct you don't have to take the

5:58

maximum lump sum you could decide to

6:00

have a lump some figure somewhere in the

6:01

middle as long as the amount is

6:03

divisible by 12. Great, and the amount

6:06

that people we're seeing these figures

6:07

here that you're pointing out say

6:09

they've got a reduced annual pension

6:11

that reduction is permanent isn't it?

6:13

It is, yes. So looking at the 2008 and 2015

6:17

Scheme benefits now the member in our

6:19

example has an annual pension of

6:24

£11,894 and they could take a maximum

6:26

lump sum of £50,974

6:30

in order to do this a member would have

6:32

to exchange £4,247 of their annual

6:37

pension therefore the member would end

6:40

up with a reduced annual pension of £7,647 but with a maximum lump sum of

6:54

£50,974 benefits and as mentioned

6:57

previously you don't have to take the

6:59

maximum the lumpsum figure amount just

7:01

must be divisible by 12. And are these

7:04

lump sum choices we're talking about here

7:06

Tax free? Because in one of our earlier

7:08

podcasts we talked about that standard

7:10

lump sum you can take without any

7:12

reduction and that was usually tax free,

7:15

so where do we stand if somebody is

7:16

choosing to increase their lump sum so

7:18

for all schemes the amount of tax free

7:20

lump sum that you can take is governed

7:22

by a limit set by HMRC and any tax

7:25

implications are also subject to your

7:27

individual circumstances

**Death in service benefits**

7:30

thank

7:36

you I'm going to move on now to a

7:38

different topic and it's still a great

7:40

benefit of the scheme it's the death in

7:42

service benefit so lots of our members

7:44

have asked questions about what death

7:46

and service benefits are payable to

7:48

their family in the event of their death.

7:51

So could we go into that in a little

7:52

more detail the NHS Pension Scheme

7:54

provides pension and lump some benefits

7:56

to your eligible dependence in the event

7:58

of your death when does the cover start

8:00

Ang? So you're automatically covered by

8:02

the scheme's life insurance benefits

8:04

from the day you join until the day you

8:05

opt out or leave and also following your

8:08

retirement the benefits payable would

8:10

depend on the circumstances at the time

8:12

of your death the lumps some payable

8:14

upon death when in pensionable

8:15

employment is usually twice your actual

8:17

pensionable earnings but there are

8:19

variations depending on what type of

8:21

member you are your lump sum will be

8:24

automatically paid to your spouse

8:25

registered civil partner or scheme

8:27

partner in the event of your death.

8:29

However, if you wish for this to go to

8:30

someone else you will need to make a

8:33

nomination in order to make a nomination

8:35

you can head over to our website.

8:37

Alternatively, visit the my NHS Pensions

8:40

portal where you can make some

8:42

changes and self serve that information

8:44

on your own. Thanks, Angie. We'll talk more

8:47

about nominations later because we have

8:49

some questions lined up from Darren on

8:52

behalf of members all about nominations,

8:55

how to make them, and who members can

8:57

Nominate. So firstly could you ask

9:01

what benefits will be paid to a

9:02

dependent adult? The initial adult

9:04

dependent pension is payable for the

9:06

first six months at the rate of your

9:08

pensionable earnings. It's payable in the

9:10

event of the death of an active member

9:14

following the first six months, the

9:15

amount received will depend on your

9:16

individual circumstances at the time of

9:18

your deaths. Angie, who pays the initial

9:21

dependence pension because if a family

9:23

is going through something as traumatic

9:25

as that they might not look at the lower

9:26

level details but it would be handy for

9:28

members to know who picks up that

9:30

initial six-month payment. So that would

9:32

be paid directly by NHS Pensions the

9:35

lump sum is not normally included in an

9:36

HMRC inheritance tax assessment if the

9:39

payment is made to your legal spouse or

9:41

registered civil partner. If the payment

9:44

is made to a nominated person qualifying

9:46

scheme partner or to a member's estate

9:49

then the lump sum will normally be

9:50

included in HMRC inheritance tax

9:53

assessment if you do nominate someone.

9:55

The recipient or child's guardian should

9:57

check with HMRC if the payment should

10:00

be included in the HMRC inheritance tax

10:04

Assessment. There's some really useful

10:06

information there Angie, thanks very much.

10:08

Darren, have you got any other questions for

10:09

Angie about the sort of benefits that

10:11

might be payable? Yeah so could I

**Dependant children**

10:13

ask about children? What about

10:15

dependent children? How does it work for

10:17

them so a child's pension may be payable

10:20

in the event of a death of a member? It

10:21

depends on the circumstances at the time

10:23

of your death and the pension can be

10:25

paid to anyone caring for the children

10:27

or to the children themselves if they

10:29

look after themselves. And what is a

10:32

dependent child? People on the podcast

10:34

might be hearing this term and thinking

10:36

is there an eligibility criteria to that.

10:39

So for NHS Pension sort of defining the

10:42

dependent pension is someone who is

10:44

dependent on you and is under the age of

10:46

23 or over the age of 23 but unable to

10:50

earn a living due to a permanent

10:51

physical or mental condition which they

10:53

were suffering from at the time of your

10:55

death a dependent child may include your

10:58

Child, a doctor,

10:59

Child, a stepchild, a child of your civil

11:03

or scheme partner, a grandchild, or a

11:05

niece or a nephew. Eligibility conditions

11:08

apply which include when the child was

11:10

born and when you left the Scheme the

11:12

children's pension is payable for the

11:14

first six months at the rate of your

11:16

pensionable earnings and following the

11:18

initial six months the amount received

11:20

will depend on the individual

11:21

circumstances at the time of your death.

11:24

Thanks Angela.

**Increasing your pension**

11:31

So we've talked a lot about the benefits

11:34

of the scheme and the death in service

11:35

benefits are a big chunk of that but I'm

11:37

going to move on now and we're going to

11:39

talk about ways in which you can

11:40

increase your pension. So Darren, have you

11:43

got any questions for Angie on ways that

11:45

you can increase your pension

11:46

Voluntarily? Yeah, thanks Verity. I might

11:49

be interested in the future in actually

11:51

increasing the amount of pension I've

11:52

Got, what options are open to me for

11:54

doing that, so there are a few different

11:56

options to increase your pension

11:58

Benefits. The first one we'll talk about

11:59

is the additional pension so that is

12:02

something you can do to increase your

12:03

pension benefits at retirement in order

12:06

to do that you would either pay it in a

12:08

lump sum or through additional

12:09

contributions on top of your normal

12:11

pension contributions each month. On the

12:14

NHS Pensions website there is a

12:16

calculator that you can use to work out

12:18

how much you want to buy and what that

12:19

cost will be for

12:21

You. if you do Buy in a lump sum, there

12:24

is some tax relief that would be

12:25

involved in that. The next one is the

12:29

early retirement reduction buy out which

12:31

you might have heard as ERRBO. That is

12:33

something that is a popular feature of

12:35

the 2015 scheme what that allows you to

12:38

do is basically buy down your normal

12:41

retirement age so no lower than age 65

12:44

but you can buy up to 3 years. So if your

12:47

normal state pension age is 68, you can

12:49

buy down those extra three years now by

12:52

paying additional contributions so in

12:53

effect you're buying earlier to reduce

12:56

your normal pension age. You can only buy

12:58

3 years and the lowest age you can buy

13:00

to is 65 but that is another option for

13:03

You. If you want to have a look at doing

13:05

that again, head over to the website

13:06

there's an expression of interest form

13:09

that you can complete. You do need to get

13:10

that application form within the

13:12

first three months of you joining or

13:14

between April and June. So with ERRBO, for

13:17

me as the host just listening to what

13:19

you're saying it sounds like you are

13:22

buying yourself an earlier pension age

13:24

and you're retiring early but you've

13:26

already paid for the reduction and you

13:28

are paying for it all the years

13:30

previously that you were just an active

13:31

member of the scheme. Is that about the

13:33

Gist? That's exactly right yeah.

13:34

You're basically buying down yourself an

13:36

earlier retirement age so if you do that

13:39

and you go at 65 instead of 67 or 68

13:41

there won't be any reduction to your

13:43

pension because you paid for it in

13:44

advance yeah so in my circumstances I

13:47

will be retiring at 67 normally so I

13:49

could buy out those two years to go two

13:51

years early at 65 yeah and no have no

13:53

reduction to my pension. That's exactly

13:55

right yeah. Great, thank you. It's probably

13:56

a popular option for members that have

13:58

got service in 95 section because the

14:00

normal pension age for that section is

14:02

60. They're sort of making the ages

14:05

closer together so the reduction might

14:07

not be as big exactly for myself I've

14:09

got membership in the 2008 and the 2015

14:12

Scheme. So I've got two different normal

14:14

pension ages one 65 and one is 67 so

14:17

effectively I could buy down those two

14:19

years in the 2015 scheme and take them

14:22

both at age 65 but my 2015 scheme

14:25

wouldn't be reduced? There are other two

14:27

options that aren't as popular but there

14:28

is information available on our website

14:30

that is your money purchase additional

14:32

voluntary contributions and finally

14:34

stakeholder pensions the only thing I

14:37

would mention with them is that they are

14:39

external providers we cannot guarantee

14:41

what that fund or amount of pension

14:43

would produce. You would have to contact

14:45

those providers directly. So, having

14:49

recapped on the benefits of the scheme

14:51

and the options available to you as an a

14:54

member of the NHS Pension Scheme, you've

14:56

also got the option to retire early so

14:58

you can claim your pension benefit early

15:00

and there might be a reduction for that.

15:01

So, I'm going to pass over to Darren now

15:03

if he's got any questions for Angie on that.

15:04

Yeah, thanks. Yeah, as Verity said

**Options for earlier retirements**

15:08

there is the option I believe to retire

15:10

early so yeah there are different things

15:13

that we can offer for members that want

15:15

to retire early. Obviously if you do

15:17

decide to retire early, would your

15:19

pension would be reduced and but you do

15:21

have that option then to retire and

15:23

return or partially retire so there are

15:26

flexibility options available in and

15:28

around once you reach your minimum

15:30

pension age if you do want to take your

15:32

pension benefits early. We did discuss a

15:35

lot of this information about early

15:37

retirement on one of our earlier

15:39

Podcasts, I think it was episode two, but

15:41

again there is also information

15:42

available on the website if you want

15:44

more information about early retirement

15:46

including the factors and how much the

15:48

reduction may be depending on how old

15:50

you are when you decide to take that

15:51

Pension.

**Special class status**

15:59

One of the benefits of being in the

16:01

NHS Pensions Scheme was some members

16:04

hold something called special class

16:05

Status. Now we've mentioned it in episode

16:07

one and two very briefly but I wanted to

16:09

really dig down onto that and find out

16:12

what exactly is special class. Okay so

16:14

special class status applies to certain

16:16

groups of members who were contributing

16:19

to the NHS Pension Scheme before the 6th

16:22

March 1995 so quite a lot of years

16:25

ago now special classes included nurses,

16:30

Physiotherapists, Midwife, and health

16:32

visitors for members that had this

16:34

Status. It allows them to claim their

16:35

1995 pension benefit at age 55 subject

16:39

to the relevant criteria being met.

16:41

However, if you did join the Pension

16:43

Scheme after the 6th of March 1995 this

16:47

will not be applicable to you. I just

16:50

want to mention their Verity as well

16:51

that any members obviously members are

16:53

all now in the 2015 scheme so any

16:55

members that had that special class

16:57

status in the 1995 section can still

17:01

retire at age 55 as long as they're

17:04

in that special class role at the point

17:05

that they’re reach age

**Transferring into the NHS Pension Scheme**

17:14

55. Finally we must touch upon

17:16

transferring in and transferring out. Now

17:19

you can find out more information on

17:21

those topics on episode one of our

17:23

Pensions podcast with those topics and

17:26

is there any key information anybody

17:28

would need to know? I think the most

17:29

important thing to remember especially

17:31

with transferring in is the timelines are

17:33

very very strict. You must apply to

17:35

Transfer into the NHS Pension Scheme so

17:38

if you're outside of that 12 month

17:39

period unfortunately you won't be able

17:41

to transfer in. Great, lovely thank you.

**Questions from members**

17:44

Let's head over to the questions now.

17:45

We do have some more questions we've got

17:47

some from Darren and some of our other

17:48

members have contacted us with questions.

17:50

Darren, I'm going to head over to you to

17:52

get us started. That's great, thanks Verity.

17:54

Yeah, I've just got a question about

17:56

the nominations so if you don't need

17:59

to nominate a spouse or partner and to

18:02

Actually receive your benefits how does

18:04

the NHS Pensions know where to pay that

18:06

Money to. Okay so your employer would

18:09

fill in a death in service notification

18:11

form and send that through to us at NHS

18:13

Pensions to provide us with all of the

18:14

details that we didn't need if there

18:16

were any death benefits payable so any

18:18

beneficiaries or dependence that you

18:19

Have, your employer would let us know so

18:21

we could then process and report them

18:23

into payment. Great, thank you. One

18:25

of the questions I had, it was quite

18:26

similar actually, it was from one of our

18:27

members called Cece and she wanted to know,

18:29

she's lived with her partner for 20

18:31

years but they're not married, does she

18:33

need to nominee him? She does, yes. She

18:35

needs to head over to the website and

18:37

onto the My NHS Pensions portal and

18:40

complete the form that they need to

18:41

nominate so there's an option for these

18:43

members to be able to make these

18:44

nominations without even contacting us

18:46

they can fully self serve using the

18:48

Portal. They can, yes. Great, lovely thank

18:51

You. Next question is we've got Phil

18:53

who's been in touch. Can I nominate a

18:55

sibling to receive my debt in service

18:57

pension payment? You certainly can, yes.

18:59

You can nominate as many people as you

19:00

like or one organisation such as a

19:03

Charity. It can be children as well.

19:06

There's no age limit for who

19:08

you put on your nomination forms. Lovely.

19:10

So, as we've talked about nominations I

19:11

did just want to clarify something.

19:13

When we're talking about the sum you

19:15

can nominate anybody for that or an

19:18

organization as you've said? Yeah but

19:20

when we've also discussed the word

19:21

nomination when it's come to the adults

19:23

dependence pension because ultimately

19:25

there are two different benefits when it

19:27

comes to death in service? Information is

19:29

available on the website about who is

19:32

eligible to receive any adult dependent

19:34

or children's pensions in the event of

19:36

your death. Great, thank you very

**Summary and outro**

19:45

Much. So let's summarise the things we've

19:47

talked about today in the podcast we've

19:50

talked about the benefits of the scheme.

19:52

Your main benefit of being in the

19:54

Pension Scheme is ultimately that

19:56

Pension at retirement that is backed by

19:58

the government and it's guaranteed for

20:00

Life, it rises in line with the cost of

20:03

living as well and so that's always

20:05

something to keep in mind every time the

20:07

payment comes through. The pension

20:09

payment we are keeping that up to date

20:11

with the cost of living and CPI, there's

20:13

that ability to increase your pension as

20:15

Well, Darren discussed earlier about ways

20:18

in which he can increase his pension and

20:20

Angela mentioned things like additional

20:22

pension and the ERRBO and obviously that

20:25

is a mouthful so just to remind you

20:27

that's all about buying yourself an

20:29

earlier pension age. We talked about the

20:32

flexibility there are flexible ways in

20:34

which to retire. You can retire and come

20:36

back to work, you can partially retire

20:39

without taking a 100% of your pension,

20:42

there's also the death and service

20:43

benefits which we've talked about at

20:45

length as well there's ill health

20:47

benefits so if you became too ill to

20:50

work you would be able to take your

20:51

Pension under ill health benefits.

20:54

Everything we've discussed today does

20:56

come with criteria. Everything we've

20:58

discussed is on our website as well and

21:00

don't forget there's options to transfer

21:02

in and out which we just touched on.

21:04

Before we finish that brings us to the

21:06

end of today's podcast and I really hope

21:08

you found it useful and informative.

21:11

Please don't forget, if you've got any

21:12

feedback you can email that to us at

21:15

stakeholderengagement@nhsbsa.nhs.uk and if you need any more

21:23

information about what you've heard

21:24

today you can access that on our website

21:27

or you can sign yourself up to the My

21:30

NHS Pensions Portal which allows you to

21:33

self serve, access those estimates and

21:35

you can also have a look at your

21:37

nominations form. So, thank you so much

21:39

for joining me today. Please don't forget

21:41

to subscribe to the podcast platform

21:43

you're on today for more episodes thank

21:45

you very much everybody. Goodbye

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