# NHS Business Services Authority logo

# NHS Pensions

# Refunds – A guide for employers

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## Introduction

The aim of the guide is to provide employers knowledge to understand:

* what is a refund of contributions
* who is eligible for a refund
* when a local refund can be paid

This guide will look at the members of the 1995 Section, the 2008 Section and the 2015 Scheme, who are eligible to claim a refund of their NHS Pension contributions.

## What is a refund?

Where a member opts out of or leaves the NHS Pension Scheme before their normal pension age (NPA) and without entitlement to retirement benefits, it may be possible for the contributions they have paid to be refunded to them. HMRC refers to this type of payment as a short service refund lump sum.

Where a refund is paid for a period of membership, it removes all pension rights the member accumulated in the NHS Pension Scheme during that period.

A refund normally requires an application from the member via the form RF12 which can be found on our website at: [www.nhsbsa.nhs.uk/member-hub/leaving-or-taking-break-scheme](https://www.nhsbsa.nhs.uk/member-hub/leaving-or-taking-break-scheme).

We will process all refund applications made via the RF12 however in some circumstances, refunds can be paid locally by the employer. Details of when local refunds should be made can be found at the end of this guide.

### Eligibility for a refund

In all Sections of the Scheme, a member is eligible for a refund of their contributions providing they have less than 2 years qualifying membership in the NHS Pension Scheme overall, (for example, membership in the 1995/2008 Scheme, plus any 2015 Scheme membership, plus any transferred in membership) and:

* their membership ends before they reach their NPA
* they do not qualify for retirement benefits
* they have not already claimed their NHS pension
* the refund is paid before the member reaches their 75th birthday providing the member has left the Scheme before age 75 (if a member is over 75 their pension will be paid as a trivial commutation)
* membership has ceased in all NHS employments

Qualifying membership is the calendar length of time an employee has been an active (contributing) member of the Scheme. Where benefits have been transferred in from another occupational scheme, it also includes length of membership in that scheme.

Where a transfer payment has been received from a personal, money purchase or stakeholder pension, a refund is not normally possible, regardless of length of qualifying membership.

A refund can only be paid where the member makes a valid application using the RF12 form. More information about the RF12 from and how to complete is described later in this guide.

## What amount is refunded?

### Member contributions

An eligible member will receive a refund of the member contributions they have paid (including any additional voluntary contributions) less deductions for Income Tax and National Insurance. This is because pension contributions are taken from members’ gross pay, before deductions for Income Tax and National Insurance.

In respect of the National Insurance deduction; prior to 1 April 2016, members of the NHS Pension Scheme were contracted out of the State Second Pension – formerly the State Earnings Related Pension Scheme (SERPS) – and they paid a reduced rate of National Insurance (D Rate).

When a refund is paid, the member’s status changes from contracted out to contracted in, meaning their National Insurance contributions for the refunded period are payable at the (higher) A Rate. Where this applies, we must pay what is known as a contributions equivalent premium (CEP) to HMRC to reinstate benefits in the State Second Pension Scheme for the refunded period.

The first deduction from the refund is the member’s share of the CEP.

The second deduction is for Income Tax. The deduction is made regardless of any tax relief the member may be due at the time of the refund or any allowances they had at the time the contributions were originally made.

### Employer contributions

Employer contributions that have correctly been paid are not refundable because the balance of the Scheme’s funding is dependent upon employer’s contributions remaining in the Scheme.

Note that any contributions paid in error, for example excess contributions collected from earnings in excess of whole time, can be reclaimed by the employer via an adjustment to their next monthly submission. A note should be added advising the reason for the adjustment.

## Breaks in membership and alternatives to a refund

Alternatives to a refund may be possible, dependent on individual circumstances.

Members leaving the Scheme with under two years qualifying membership and before their n NPA do not qualify for retirement benefits. Their options at the point of leaving the Scheme include a refund or they may transfer their accrued NHS pension rights to another scheme. Transfers are subject to strict time limits.

Members are not compelled to take either of these options unless they have incurred what is known as a disqualifying break in membership.

For membership in the 1995/2008 Section, a disqualifying break is a break of 12 months or more; for membership in the 2015 Scheme, it is a break of more than 5 years.

Service in other Public Sector organisations may be ignored when calculating a five year break in the 2015 Scheme.

If a member meets the conditions for a refund upon leaving but resumes active membership before a disqualifying break occurs, they do not need to take a refund or a transfer because the membership period(s) prior to the break can link to their later membership for continuity purposes. If a refund was not claimed during the break, then the membership periods before and after the break will automatically link together and be treated as continuous for retirement benefit purposes.

Once a disqualifying break has occurred, the membership period(s) before the break cannot link to any future membership periods. If a member meets the conditions for a refund and has a disqualifying break, their only options for the period before the break are either a refund of contributions or to consider a transfer of pension rights, if this is still possible.

If a 2015 Scheme member leaves the Scheme, claims a refund and then rejoins the Scheme within five years of leaving, they can repay the refund within 6 months of rejoining. This would restore the refunded membership period so it can link to the later membership and count towards pension benefits.

## Approval of breaks in membership

If a member holds under 2 years qualifying membership but intends to return to the NHS Pension Scheme after a break of 12 months or more, we may be able to ‘approve’ the break in order to avoid a refund having to be claimed.

Approval can be considered if a member intends to return to the NHS after the break and one or more of the following applies

* they commence comparable work outside the NHS which would be of benefit to the NHS on returning
* they take up a course of study or training which would be of benefit to the NHS on returning
* we can also give consideration to breaks in membership that may occur due to other special circumstances

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

A member 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.

If the member’s address is kept up to date, we will automatically write to them approximately 13 months after leaving the NHS to invite a refund / provide approval provisions.

## Checking eligibility

If you have already enrolled the member into the NHS Pension Scheme and created a membership record for them, you can check if they are eligible for a refund on Pensions Online (POL) beforeclosing the record down.

This is done by entering the member’s National Insurance number or membership number in the Memberzone section, where their membership history can then be viewed. This gives a complete breakdown of the individuals membership history and should enable you to assess whether the member has less than 2 years overall membership.

## Closing the membership record and completion of the RF12

Once the member has left or opted out of the Scheme you will need to close the pension record down with the correct exit code. This can be done via Electronic Staff Record (ESR), or for POL users, via completion of the SD55 Terminating a period of employment form. Information on how to complete this form is located within the POL section of our website at: [www.nhsbsa.nhs.uk/employer-hub/pensions-online](https://www.nhsbsa.nhs.uk/employer-hub/pensions-online).

Once the record has been closed and the employee has completed the RF12 (claim a refund form) you can then submit the information on POL.

Before completing the POL RF12 application form, please ensure that the following has been completed:

* the employment has been closed
* contributions submitted are correct
* the member has correctly completed, signed and dated Part A of the paper RF12
* check their name and date of birth match the pension record (if incorrect you can amend this via the SD55G form on POL)
* there is no concurrent part time employment with you that is active and pensionable
* the member has provided bank details

The member cannothave a refund of contributions if at the date they last paid contributions they:

* are aged 60 or over in the 1995 Section
* are aged 65 or over in the 2008 Section
* have reached NPA in the 2015 Scheme
* are already in receipt of an NHS pension
* continue to be a contributing member of the Scheme (including bank employment) in the NHS without having a total break in membership of at least 24 hours
* they have had a transfer of pension rights into the Scheme from a personal pension, self-invested personal pension, or a stakeholder pension, regardless of the length of membership

### Completing the POL SD55 terminating a period of employment

If the refund is for a period of membership prior to 6 April 2016, and it spans 3 tax years, we need to know the National Insurance earnings for each year. Include the first (earliest) year on the RF12. The final 2 years are included on the SD55 termination form.

If all the membership is on or after 6 April 2016 you do not need to supply this information.

The member then competes the RF12 form with their personal details on Part A, if these details do not match the data on our records you will need to amend the person’s record on the SD55G form on POL. Guidance on how to use this form can be found on our website at: [www.nhsbsa.nhs.uk/employer-hub/pensions-online](https://www.nhsbsa.nhs.uk/employer-hub/pensions-online).

Options for how a member can choose for a refund to be paid include:

* bank or building society account
* authorised employer (this means that member can have their refund paid to the employer of their choice)
* nominated person
* to their home address (this option is only available for members that live overseas and do not have a UK bank account)

The RF12 form needs to be signed and dated before the member returns it to the employer.

Before submitting the RF12 via POL, employers need to ensure that the person’s membership record has been closed, and that all information has been completed correctly on the form. The electronic RF12 form is located within the e-forms section of POL Guidance on how to complete the form can be found on our website at: [www.nhsbsa.nhs.uk/employer-hub/pensions-online](http://www.nhsbsa.nhs.uk/employer-hub/pensions-online).

### Non ESR or POL users

Those employers without access to ESR or POL have the option of submitting leaver details direct to us on a leaver spreadsheet which can be found on the employer forms section of our website at: [www.nhsbsa.nhs.uk/employer-hub/employer-forms](https://www.nhsbsa.nhs.uk/employer-hub/employer-forms). The completed document must then be forwarded to: [directionbodies@nhsbsa.nhs.uk](mailto:directionbodies@nhsbsa.nhs.uk).

### Refunds that can be made locally by employer

If a member opts out of Scheme membership within one month of the date they commenced an employment, they are treated as if they never joined the Scheme in that employment. Any contributions collected in that employment must also be refunded.

In these circumstances, employers can refund contributions locally and there is no need to create a membership record for the employment in which the member opted out.

When determining if a local refund applies, the period in which the member must have opted out is within one calendar month from the latter of:

* the date the member was enrolled in the Scheme
* the date the member was provided with written confirmation of being enrolled in the Scheme

This provision applies regardless of whether the member is paid weekly or monthly.

If the contributions to be refunded have already been submitted to us, employers should still proceed with the local refund to the member. The contributions submitted can then be reclaimed by the employer via an adjustment to their next monthly submission.

### Returning contributions collected in error

If contributions are collected in error for any reason, these must be returned locally by the employer. Examples include:

* contributions taken from earnings in excess of whole time
* earnings in excess of the earnings cap (for members subject to the cap)
* for any period where an employee is not eligible for Scheme membership

If we identify that an employee is not eligible to contribute for any reason, we will advise you that contributions will need to be returned. A return of contributions in these circumstances must be done locally by the employer.

**How we use your information**

For more information about how the NHSBSA processes your personal data, see our privacy notice - [www.nhsbsa.nhs.uk/our-policies/privacy/nhs-pensions-privacy-notice](http://www.nhsbsa.nhs.uk/our-policies/privacy/nhs-pensions-privacy-notice)

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