Flexible retirement and the NHS Pension Scheme

This is a short guide to flexible retirement for employers in the NHS. It outlines how flexible working options interact with the two sections of the NHS Pension Scheme.

Employers will want to ensure that local employment policies and practices are aligned to these flexibilities as part of the NHS Pension Choice exercise. The NHS Pension Choice exercise will commence in January 2010, giving members in the 1995 section of the NHS Pension Scheme the opportunity to transfer to the new 2008 section.

NHS Pension Retirement Age

The minimum pension age is changing for any member who joined the NHS Pension Scheme for the first time on or after 6 April 2006, or who rejoined on or after 6 April 2006 and had previously left before 1 April 2000.

Currently the minimum pension age is 50, however for the above group of members the minimum pension age will change from 6 April 2010 to age 55.

For members who fall into the above category this means that if they wanted to draw voluntary early retirement pension benefits before 6 April 2010 they are able to do so from age 50 but from 6 April 2010 they must be at least age 55 to access these pension benefits.

Members who have transferred into the NHS Pension Scheme as part of a block transfer and who had a minimum pension age of 50 in the sending scheme will retain a minimum pension age of 50.

What is flexible retirement?

Flexible retirement is defined as flexibility regarding the age at which an employee retires, the length of time an employee takes to retire or the nature and intensity of work in the lead up to final retirement. Flexible retirement arrangements will deliver one or more of the following benefits:

- retention of experienced staff with valuable skills
- greater choice for employees
- the creation of a wider pool of expertise for recruitment (by including those aged over 55)
- a strategic and effective response to demographic change
- equality of opportunity and fairness for all employees.
Flexible working options and the NHS Pension Scheme

The new NHS Pension Scheme arrangements introduced in April 2008 have responded to the reality that people often value the opportunity to work later, but with increased flexibly in the transition period between work and retirement. For employers this is an opportunity to retain skills in the healthcare service for longer.

The key flexible working options can be described as follows:

- **Wind down**: as an alternative to retiring staff can opt to wind down by working fewer days or hours in their current post.
- **Step down**: staff who would like to give up the pressure and responsibilities of their current role can opt to step down into a less demanding and lower graded (paid) post, which still makes use of their skills and experience.
- **Retire and return to the NHS**: staff who have reached the minimum retirement age can opt to retire, take all their pension benefits and return to NHS employment. Options available include registering for the staff bank by taking retirement, then opting to work on an ‘as and when’ basis, giving an opportunity to pick and choose the hours worked.
- **Draw down**: this is only open to members of the 2008 section of the NHS Pension Scheme. Draw down allows members to take part of their pension benefits whilst continuing in NHS employment.
- **Late Retirement enhancement in 2008 Section of Scheme**: If the member chooses to retire later than their 65th birthday, their pension benefits will be increased by the application of late retirement factors.

More detail about each of these options is outlined below:

1. **Wind down**
   As an alternative to retiring staff can opt to wind down by working fewer days or hours in their current post.

**Impact on benefits**
Pensions for part time staff are calculated on the whole time equivalent salary, so moving from full time to part time work, rather than retiring, should not reduce the level of pensionable pay for the calculation of pension benefits. However, it will reduce the rate at which members build up future membership.

**1995 section**
Benefits calculated on the basis of 1/80th of the best of the last three year’s pensionable pay for each year of pensionable membership.

**2008 section**
Benefits calculated on the basis of 1/60th of annual average of best three consecutive year’s pensionable pay, in last ten years.
2. Step down
Staff who would like to give up the pressure and responsibilities of their current role can opt to step down into a less demanding and lower graded (paid) post, which still makes use of their skills and experience.

Impact on benefits
The level of pensionable pay is protected for the calculation of pension benefits for staff who are over the minimum retirement age.

1995 section
If a member is over the minimum retirement age 50 (55 for some members) and their pay is reduced by a minimum of 10% they can apply for the higher rate of pay to be protected for pension purposes. The member must apply within 15 months of reduction.

Benefits calculated on the basis of 1/80th of the best of the last three year's pensionable pay for each year of pensionable membership.

2008 section
If a member is over the minimum retirement age 55 they can consider moving towards retirement by switching to a less demanding role. The member’s reckonable pay will still consider any higher earnings they may have had in the 10 years prior to their retirement date.

Benefits calculated on the basis of 1/60th of annual average of best three consecutive year's pensionable pay, in last ten years.

3. Retire and return to NHS
Members who have reached the minimum retirement age can also opt to retire, take all their pension benefits and return to NHS employment. Options available include registering for the staff bank by taking retirement, then opting to work on an ‘as and when’ basis, giving an opportunity to pick and choose the hours worked.

1995 section
If a member joined the 1995 section before 6 April 2006 the minimum retirement age is 50. If the member joined the 1995 section on or after 6 April 2009 their minimum retirement age will change to 55 on 6 April 2010. If a member returned to the Scheme after 6 April 2006 this may also apply to them.

Pensionable re-employment only if the member retires on ill-health grounds, draws a pension and returns to NHS employment under age 50.

If the member leaves NHS pensionable employment after 1 April 2008 and retires before the 'choice' exercise they will be eligible for pensionable re-employment in the 2008 Section but they must wait two years after retirement before they can join.
If the member retires after 1 April 2008 they have to take a 24 hour break before returning back to employment and work less than 16 hours per week in the first calendar month to avoid their pension being suspended.

Abatement applies if the member is re-employed under age 60 and pension was not reduced due to voluntary early retirement.

2008 section
The minimum retirement age in the 2008 section is 55.

If the member retires after 1 April 2008 they have to take a 24 hour break before returning back to employment but their pension will not be suspended if they work more than 16 hours per week in the first calendar month.

Abatement applies if the member was re-employed under age 65 and pension was not reduced due to voluntary early retirement.

4. Draw down
This is only open to members of the 2008 section of the NHS Pension Scheme. This option allows members to take part of their pension benefits whilst continuing in NHS employment.

If members are over the minimum retirement age 55 and their pay is reduced by a minimum of 10% they can partially retire and take some pension benefits. Members can take 20% - 80% of their pension entitlement and continue to build up future membership.

The member’s benefits would be reduced to if they are paid before their 65th birthday. Pensionable pay must remain reduced for at least a year otherwise they will cease to be eligible for the pension they have taken.

Members can draw down benefits twice before retiring completely.

5. Late Retirement enhancement in 2008 Section of Scheme
If the member chooses to retire later than their 65th birthday, their pension benefits will be increased by the application of late retirement factors.