

Opting out of the scheme for part of the year

Some employees are choosing to manage their pension growth by opting out of the NHS Pension Scheme for a period of time during the scheme year and then returning to the scheme.

Key considerations for employers

Independent financial advice

Employers should strongly recommend that employees take independent financial advice before opting out of the NHS Pension Scheme. Employees will need advice to understand the optimum value of pension they should earn during the year and the precise point at which they should opt out and re-join the scheme. Members should also be aware that they will pay more income tax on their salary due to paying lower pension contributions. This should be considered in conjunction with the value of pension gained and any benefit from lower annual allowance tax charges.

Family protection benefits

Employers should ensure staff are aware that they will not be fully covered for death in service and ill-health benefits provided by the NHS Pension Scheme during the part of the year in which they are not an active member of the scheme. If an employee were to pass away or retire due to ill health during a period where the employee had opted out of the scheme a lower level of benefits would be payable. This is outlined in our briefing document and further information is available on the NHS Pensions website. Individuals may wish to consider setting up alternative cover away from the NHS Pension Scheme.

Employers will need to consider if any unused employer contributions could be used to fund an increase in salary.