

# Your NHS Pension Choice Guide



Understanding  
your choice and  
the factors that are  
important to you

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**Every decision is personal,  
especially your pension**



**Which NHS Pension path  
will you take?**



## How to use this guide

This guide provides you with additional information about Your NHS Pension Choice.

### Step 1

You should read Your NHS Pension Choice Statement (if you have been given one with this pack) and watch the DVD enclosed before you read through the relevant sections of this guide.

### Step 2

You should look at the tables on pages 4-5 and decide what is important to you. Then you can go directly to the relevant pages shown in the table. There is a lot of information in this guide but you probably won't need to read every part of it. Some points will be more important than others for your choice.

### Step 3

If you are interested in understanding more about how your benefits are worked out, on pages 18-20 there is a section on 'Understanding Your NHS Pension Choice Statement' which shows you how some of the key figures are calculated.

Your NHS Pension Choice is an important decision. Neither your employer, nor NHS Pensions, can make the decision for you or tell you what is best for you. Please read this guide carefully and take time to consider your choice.

#### A quick reminder!

There are two different sections of the NHS Pension Scheme. You are currently in the 1995 Section. A new section, the 2008 Section, was introduced on 1 April 2008. You are now being given a choice to move to the 2008 Section. It is a one off choice which cannot be reversed. If you move, all of the pension you have earned to date and all of the pension you earn from future membership in the Scheme will be treated under the rules and regulations of the 2008 Section. You will not be able to change your decision later.

# The differences between the two sections

Here is a table of the differences between the two sections. The page numbers on the right tell you which pages to go to if you want to read more about certain points.

## Retirement ages

Benefit or feature	1995 Section	2008 Section	Page
Normal pension age	60	65	6
Minimum pension age for voluntary early retirement	50	55	6
Normal pension age for members with special class status at retirement	55	Not applicable. Special class status does not apply.	7

## Standard benefits

Benefit or feature	1995 Section	2008 Section	Page
Pension and lump sum at normal pension age	An annual pension equal to 1/80th of your 'Final Year's Pensionable Pay' for each year or part year of membership. <b>Plus</b> a standard lump sum which is normally three times your annual pension.	An annual pension equal to 1/60th of your 'Reckonable Pay' for each year or part year of membership. <b>Minus</b> the amount needed to pay for the minimum lump sum which is paid in addition to the pension.	8
The pay used to work out your benefits	The best pay that you received in any one of the three years before retirement. Known as Final Year's Pensionable Pay.	The annual average of the best three consecutive years pay in the last ten years, re-valued by the increase in the retail prices index. Known as Reckonable Pay.	9
Voluntary early retirement	Your pension is reduced if you retire before 60.	Your pension is reduced if you take it before 65.	10
Late retirement	Late retirement is retiring after age 60.  There is no increase to your pension if you retire late.	Late retirement is retiring after age 65.  Your pension earned up to age 65 is increased if you take it late.	11

## Retirement options

Benefit or feature	1995 Section	2008 Section	Page
A larger lump sum	You can increase your standard lump sum but you will need to give up some of your pension to do this.  The maximum lump sum you can take is generally 5.36 times your 1/80th pension, including your standard lump sum.	You can increase your minimum lump sum but you will need to give up some of your pension to do this.  The maximum lump sum you can take is generally 4.28 times your 1/60th pension before the reduction to pay for the minimum lump sum.	12
Flexible retirement	Your pension is only payable when you retire from the NHS.  You cannot earn further pension after you take your benefits.	On up to two occasions you can take part of your pension whilst still working and earning pension.  You can earn further pension if you return to work after taking your benefits.	13
Ill-health retirement	Tier 2 ill-health benefits provide an enhancement of 2/3rds prospective membership to age 60.	Tier 2 ill-health benefits provide an enhancement of 2/3rds prospective membership to age 65.	13

## Survivor benefits (benefits paid to your dependants on your death)

Benefit or feature	1995 Section	2008 Section	Page
Lump sum paid if you die whilst employed and a member of the Scheme	2 times Final Year's Pensionable Pay.	2 times Reckonable Pay.	14
Survivor pension for your dependant on death in service	The pension will be <b>half (50%) the 1/80th</b> pension you would have received had you retired on ill-health on the day you died.  If you are male the pension paid to your wife will be based on <b>all</b> your service.  If you are female, in a civil partnership or have a nominated partner the pension paid to your survivor will be based on service after 6 April 1988.	The pension would be <b>37.5% of the 1/60th</b> pension you would have received had you retired on ill-health on the day you died.  Any survivor pension paid to a husband, wife, civil partner or legally nominated partner will be based on <b>all</b> your service.	14
Survivor pension for your dependant on death after retirement	A pension of <b>half (50%) the 1/80th</b> pension you would have been paid when you die or, if higher, what it would have been had you not taken a larger lump sum. The pension is based on all your membership if you are a married man but only membership from 6 April 1988 if you are, a woman; in a civil partnership; or have a nominated partner.	A pension of <b>37.5% of the 1/60th</b> pension you would have been paid had no lump sum been taken. It is based on all your membership.	15

## Additional voluntary contributions options

Benefit or feature	1995 Section	2008 Section	Page
Added years	If you already have an added years contract it can continue until the contract end date.  No new contracts will be accepted.	Not available.	16
Buying additional pension	Any additional pension you buy can be paid at 60 or 65.	Any additional pension which you buy is paid at age 65.	16

# The differences explained

The following pages give you more detail about the differences between the two sections and provides you with some guidance on points to consider. You should read the sections which you think will affect your choice but remember not to consider any one point in isolation. It is important that you weigh up your overall plans to suit your career, lifestyle, earnings and retirement plans.

## Normal pension age

### The differences

Benefit or feature	1995 Section	2008 Section
Normal pension age	60	65

Your normal pension age is the earliest age you can retire and take your benefits without any reduction for early payment.

For information on the effects of retiring early or late please see the sections on pages 10 and 11.

Your statement and the modeller on the website can give you some guidance on how your age at retirement will affect your benefits. You can change your retirement age in the modeller, for example to 62 or 63, and see the changing benefits from each section.

## Minimum pension age for voluntary early retirement

### The differences

Benefit or feature	1995 Section	2008 Section
Minimum pension age for voluntary early retirement	50	55

You can take voluntary early retirement from both sections. The minimum age is different in each section. If you take early retirement your pension is reduced to allow for it being paid early. See the section on voluntary early retirement on page 11.

If you joined the Scheme after 6 April 2006 the minimum age you can retire is changing in 2010 from 50 to 55, even if you remain in the 1995 Section.

# Normal pension age for members with special class status at retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Normal pension age for members with special class status at retirement	55	Not applicable. Special class status does not apply.

Some members of the Scheme have special class status which means they can retire from age 55 without any reduction in their benefits.

Some members of the Scheme have mental health officer status which means that after 20 years they can also retire from age 55 without a reduction in their benefits. In addition, for these members service after 20 years counts as two years for benefit calculations.

If you have special class status or mental health officer status you will lose these rights if you move to the 2008 Section.

To find out more about your special class benefits go to the website where you can view factsheets and the Scheme guide.

## If you leave NHS employment before you retire and do not return you need to understand how this could affect your benefits.

When you leave you still have benefits from the Scheme but you become what is known as a 'deferred' member. As a deferred member you do not earn any further benefits but those that you have earned are held in the Scheme and paid to you when you claim your benefits.

If you move to the 2008 Section and then leave the NHS before you retire, but do not return, your benefits are likely to be lower than if you stay in the 1995 Section. This is because benefits in the 1995 Section are paid from 60 but benefits from the 2008 Section are not paid until 65, unless they are reduced.

If you do not expect to remain in NHS employment until you retire you may not benefit from moving to the 2008 Section.



# Pension and lump sum at normal pension age

## The differences

Benefit or feature	1995 Section	2008 Section
Pension and lump sum at normal pension age	An annual pension equal to 1/80th of your 'Final Year's Pensionable Pay' for each year or part year of membership. <b>Plus</b> a standard lump sum which is normally three times your annual pension.	An annual pension equal to 1/60th of your 'Reckonable Pay' for each year or part year of membership. <b>Minus</b> the amount needed to pay for the minimum lump sum which is paid in addition to the pension.

If you transfer to the 2008 Section you will earn a bigger amount of pension for each year of service but you will need to use some of this to pay for a minimum lump sum. The minimum lump sum is the amount of lump sum you earned in the 1995 Section up to 31 March 2008. Your 1/60th pension is reduced by £1 for each £12 of minimum lump sum. You should refer to your statement to see an illustration of this.

You can earn a bigger amount of pension for each year of service in the 2008 Section, but the benefits from the 2008 Section are paid later (the normal pension age is 65 instead of 60) and will be reduced if you retire early.

The section in this guide called 'Understanding Your NHS Pension Choice Statement' on pages 18-20 shows you how your pension and lump sums are worked out in the two sections.



# The pay used to work out your benefits

## The differences

Benefit or feature	1995 Section	2008 Section
The pay used to work out your benefits	The best pay that you received in any one of the three years before retirement. This is known as Final Year's Pensionable Pay.	The annual average of the best three consecutive years pay in the last ten years, re-valued by the increase in the retail prices index. This is known as Reckonable Pay.

Your pay near retirement is used to work out what your benefits will be. The pay figure used is different depending on which section you are in.

If you change from a full-time job to a part-time job, it is important to understand that this does not have a negative impact on the pay used to work out your benefits. This is because the pay for part-time employees is assessed at its full-time equivalent when working out pension benefits.

### Voluntary pay protection in the 1995 Section

If you move to a lower paid job (not just go part time) after reaching minimum pension age in the 1995 Section, you can choose to have the option of having the higher pay you were receiving taken into account when your benefits are calculated.

If it is more beneficial this higher pay will be used to work out the pension from the membership you have until the point you moved jobs. This higher pay is revalued in line with the retail prices index until your retirement. This is added to the pension for your membership after you have moved jobs which is calculated using your Final Year's Pensionable Pay.

### Changes in your pay

You need to consider whether your pay is likely to rise steadily or go up and down in the years running up to retirement.

If you have definite plans to reduce your income by moving to a lower paid job more than 3 years before you retire, the 2008 Section may give a higher pay figure. This is because all of your pension would be calculated using your previously higher earnings not just the pension earned before your income reduced. Remember, reducing your hours does not change your Final Year's Pensionable Pay nor your Reckonable Pay unless you also change to a lower paid job.

If you had pay protection from the 'agenda for change' arrangement or any other circumstances this will still apply if you transfer to the 2008 Section.

Your statement shows figures which are worked out using the same pay for both sections because we cannot predict how your pay will actually change in the future.

If your pay was subject to the earnings cap before 1 April 2008, please refer to the factsheet which is available on the website or by calling the helpline.



# Voluntary early retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Voluntary early retirement	Your pension is reduced if you retire before 60.	Your pension is reduced if you take it before 65.

You can retire early from both sections but because the normal pension age is higher in the 2008 Section the age you retire may be classed as early retirement from the 2008 Section but not from the 1995 Section.

You need to consider what age you would like to retire and whether this will be classed as early retirement.

**For example**, if you retire at age 60 this is the normal pension age in the 1995 Section, so your pension would be paid in full. In the 2008 Section retiring at age 60 is 5 years before normal pension age so your pension would be reduced by over a quarter (around 26%) to allow for it being paid 5 years early.

The earlier you retire before normal pension age the bigger a reduction you will see on your pension and lump sum.

**For example**, if you retire at age 55 your pension is being paid 5 years early if you are in the 1995 Section but 10 years early if you are in the 2008 Section. The pension in the 2008 Section would therefore be reduced by a bigger amount.

Retiring at 55 from the 1995 Section will reduce your pension by nearly a quarter (24%), and your standard lump sum by 16%.

Retiring at age 55 from the 2008 Section will reduce your pension by nearly half (44%).

## Reduction to your pension and lump sum if you retire early from the 1995 Section or 2008 Section

### 1995 Section

Age	60	59	58	57	56	55	54	53	52	51	50
Pension	0%	6%	11%	16%	20%	24%	28%	31%	35%	38%	40%
Lump sum	0%	4%	7%	10%	13%	16%	19%	22%	24%	27%	29%

### 2008 Section

Age	65	64	63	62	61	60	59	58	57	56	55
Pension	0%	6%	12%	17%	22%	26%	31%	34%	38%	41%	44%

If you decide to buy a larger lump sum the amount of pension you have to give up is taken after your early retirement pension is worked out.

If you transfer to the 2008 Section and take voluntary early retirement your pension will be reduced to allow for it being paid early. But because you have to take a minimum lump sum your pension will not be reduced by quite as much as the table shows. The figures shown in the table will vary depending on your age and the amount of minimum lump sum you have to take. They will only change by a proportionately smaller amount for example, the reduction at age 55 could at most be reduced to 40% rather than 44% and the reduction at age 64 could be reduced to 5% rather than 6%. An example is shown in the 'Understanding Your NHS Pension Choice Statement' on pages 18-20.

The table shown uses the current scale of reduction but these are reviewed from time to time and may be different when you come to retire.

# Late retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Late retirement	Late retirement is retiring after age 60. There is no increase to your pension if you retire late.	Late retirement is retiring after age 65. Your pension earned up to age 65 is increased if you take it late.

The increase on your pension in the 2008 Section is only applied to the pension you earned before age 65.

The amount of increase you get to your pension depends on how much later than 65 you actually retire. The later you retire the bigger the increase.

**For example,** if you moved to the 2008 Section and retired at age 66 your pension earned up to age 65 would be increased by 5%. If your pension had been £1,000 a year you would actually receive £1,050 a year.

If you retired at age 70 and your pension had been £1,000 it would be increased by a little over 31% so you would actually receive £1,317 a year.

## Increases to your pension if you retire late from the 2008 Section

Age	65	66	67	68	69	70	71	72	73	74
% pension increase	0%	5%	11%	17%	24%	31%	39%	49%	59%	70%

The full table of increases which shows the increases for each year and month is available on the website.

If you transfer to the 2008 Section and retire late your pension will be increased. But because you have to take a minimum lump sum your pension will not be increased by quite as much as the table shows. Increases shown in the table will be proportionately smaller amounts depending on your age and the amount of minimum lump sum you have to take. For example, the increase at age 74 could at most be reduced from 70% to 62% and the increase at age 66 could at most be reduced from 5% to 4%.

The table shown uses the current scale of increase but these are reviewed from time to time and may be different when you come to retire.



# A larger lump sum

## The differences

Benefit or feature	1995 Section	2008 Section
A larger lump sum	<p>You can increase your standard lump sum but you will need to give up some of your pension to do this.</p> <p>The maximum lump sum you can take is generally 5.36 times your 1/80th pension, including your standard lump sum.</p>	<p>You can increase your minimum lump sum but you will need to give up some of your pension to do this.</p> <p>The maximum lump sum you can take is generally 4.28 times your 1/60th pension before the reduction to pay for the minimum lump sum.</p>

If you want to increase your lump sum you will have to give £1 of annual pension for every extra £12 of lump sum.

Giving up pension for lump sum does not affect the amount of survivor pension paid to your partner on death.

The section on pages 18-20 'Understanding Your NHS Pension Choice Statement' show you how your maximum lump sum is worked out.

The effects of increasing your lump sum are shown in your statement. You can also use the modeller which is on the website to change your lump sum requirements and see what impact it would have on your pension.

The maximum lump sum for each section is limited by tax rules. If you have already taken some benefits from other pension schemes your NHS lump sum may be smaller than the maximum amounts.



# Flexible retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Flexible retirement	<p>Your pension is only payable when you retire from the NHS.</p> <p>You cannot earn further pension after you take your benefits.</p>	<p>On up to two occasions you can take part of your pension whilst still working and earning pension.</p> <p>You can earn further pension if you return to work after taking your benefits.</p>

Flexible retirement is not an option in the 1995 Section. It has been introduced for the 2008 Section to provide more flexibility around options for retirement.

### If you move to the 2008 Section you have a number of flexible retirement options:

- You can reduce your working hours or move to a less demanding job but your pension can still be worked out using the higher pay you earned up to 10 years before retirement if that would give you a better pension.
- You can take part of your pension to boost your income, even if you are still working, and you can continue to earn more pension.
- You can retire and still rejoin the Scheme if you decide to return to work at a later date. You must take a break in employment of at least 24 hours to be able to receive your pension.

### Taking some of your 2008 Section pension before retirement

Any pension, or part pension, you take earlier than 65 will be reduced in the same way as any other voluntary early retirement described on page 10.

You will only be allowed to take some of your pension before retirement if a change in your job grade or hours reduces your pay by at least 10% for at least a year and you are 55 or over.

You can take a minimum of 20% and a maximum of 80% of your pension and continue to build up future benefits.

If you die whilst employed and after taking part of your pension your lump sum payable on death will be reduced to take account of the fact that some pension has already been paid.

# Ill-health retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Ill-health retirement	Tier 2 ill-health benefits provide an enhancement of 2/3rds prospective membership to age 60.	Tier 2 ill-health benefits provide an enhancement of 2/3rds prospective membership to age 65.

If you have to retire due to ill-health you may be entitled to pension benefits from the Scheme. The benefits are the same in each section except for the tier 2 benefits.

There are transitional arrangements in place for ill-health. If you retire on ill-health grounds within 12 months of moving to the 2008 Section you would still receive 2008 Section benefits but the tier 2 benefits would be based on membership if you had stayed in the Scheme until 60 not 65.

The full ill-health benefits are described in the Scheme guide and there is also a factsheet. Both of these are available from the website or the helpline.

# Lump sum on death in service

## The differences

Benefit or feature	1995 Section	2008 Section
Lump sum paid if you die whilst employed and a member of the Scheme.	2 times Final Year's Pensionable Pay.	2 times Reckonable Pay.

If you were to die whilst employed and a member of the Scheme a lump sum payment would be made to your dependants. The payment is calculated using Final Year's Pensionable Pay or Reckonable Pay (see 'The pay used to calculate your benefits' on page 9).

# Survivor pension for your dependant on death in service

## The differences

Benefit or feature	1995 Section	2008 Section
Survivor pension for your dependant on death in service	<p>The pension will be <b>half (50%) the 1/80th</b> pension you would have received had you retired on ill-health on the day you died.</p> <p>If you are male the pension paid to your wife will be based on <b>all</b> your service.</p> <p>If you are female, in a civil partnership or have a nominated partner the pension paid to your survivor will be based on service after 6 April 1988.</p>	<p>The pension would be <b>37.5% of the 1/60th</b> pension you would have received had you retired on ill-health on the day you died.</p> <p>Any survivor pension paid to a husband, wife, civil partner or legally nominated partner will be based on <b>all</b> your service.</p>

If you were to die whilst employed and a member of the Scheme a survivor pension would be paid to your dependant.

If you joined the Scheme after 6 April 1988 survivor benefits are the same in each section so this issue does not affect your choice.

If you are a married woman, in a civil partnership or have a nominated partner and you joined the Scheme before April 1988 you may be interested in moving to the 2008 Section so that all your service counts towards the survivor pension.

Some members may have elected to purchase dependant's pension for service from before 5 April 1988. If you have done this the benefits in each section are the same.



# Survivor pension for your dependant on death after retirement

## The differences

Benefit or feature	1995 Section	2008 Section
Survivor pension for your dependant on death after retirement	A pension of <b>half (50%) the 1/80th</b> pension you would have been paid when you die or, if higher, what it would have been had you not taken a larger lump sum. The pension is based on all your membership if you are a married man but only membership from 6 April 1988 if you are, a woman; in a civil partnership; or have a nominated partner.	A pension of <b>37.5% of the 1/60th</b> pension you would have been paid had no lump sum been taken. It is based on all your membership.

If you were to die whilst as a retired member of the Scheme a survivor pension would be paid to your dependant.

Survivor pensions in both sections are worked out based on no additional lump sum being taken.

Mathematically speaking 50% of 1/80 is equal to 37.5% of 1/60, so any difference in the survivor pension in the two sections in your statement are not because of these fractions and percentages but because of differences in terms of eligibility.



# Added years

## The differences

Benefit or feature	1995 Section	2008 Section
Added years	<p>If you already have an added years contract it can continue until the contract end date.</p> <p>No new contracts will be accepted.</p>	Not available.

Added years contracts are a way of paying extra contributions to build up extra membership in the Scheme to increase your pension.

If you do have an added years contract you will only be able to continue it if you remain in the 1995 Section. If you move to the 2008 Section you will need to end your contract. You will receive a credit for the years you purchased as the point of transfer.

If you had a refund of contributions for service before 6 April 1978 and you stay in the 1995 Section you keep the right to buy back added years at half the cost.

# Buying additional pension

## The differences

Benefit or feature	1995 Section	2008 Section
Buying additional pension	Any extra pension you buy can be paid at 60 or 65.	Any extra pension which you buy is paid at age 65.

You can buy additional pension to boost your income at retirement in both sections but it is taken at different times.

If you buy additional pension you can only take this at 65 if you move to the 2008 Section.

If you stay in the 1995 Section you can take your additional pension at 60 or 65.

For more details about added years and additional pension please refer to the factsheet which is available on the website or by calling the helpline.



# Transferring your membership to the 2008 Section

## How much will you get?

### What membership transfers to the 2008 Section?

If you choose to transfer to the 2008 Section your membership up to 31 March 2008 will transfer from the 1995 Section to the 2008 Section. The amount of membership you will get as a result of this transfer is dependent on your age on 1 October 2009 (see below). Any membership from 1 April 2008 will automatically become membership in the 2008 Section.

### Under age 60

If you are under 60 and move to the 2008 Section you will receive a 'day for day' credit for the membership you transfer over. In other words, 1 days' membership in the 1995 Section will equal to 1 day in the 2008 Section.

### 60 or over

If you are 60 or over on 1 October 2009 you will not get a 'day for day' credit for your membership. You will get less than 1 day transferred for each day of membership. The actual amount of membership transferred depends on your age and is worked out using a factor.

The tables below set out the factors which will apply on a month by month basis. The example shows how the factor is used to work out how much membership you get if you transfer.

**For example,** If you were aged 62 and 5 months on 1 October 2009 and had 20 years' membership in the 1995 Section you would get 19 years' membership transferred to the 2008 Section (20 years x 0.95 = 19 years). The factor used is the one from the shaded box in the table below.

### Factors used in transferring your membership

Age on 1 October 2009													
Years \ Months	59	60	61	62	63	64	65	66	67	68	69	70	71
0	1.00	0.99	0.97	0.95	0.93	0.91	0.89	0.85	0.81	0.77	0.73	0.69	0.65
1	1.00	0.99	0.97	0.95	0.93	0.91	0.89	0.85	0.81	0.77	0.73	0.69	0.65
2	1.00	0.99	0.97	0.95	0.93	0.91	0.89	0.85	0.81	0.77	0.73	0.69	0.65
3	1.00	0.99	0.97	0.95	0.93	0.91	0.88	0.84	0.80	0.76	0.72	0.68	0.64
4	1.00	0.99	0.97	0.95	0.93	0.91	0.88	0.84	0.80	0.76	0.72	0.68	0.64
5	1.00	0.99	0.97	0.95	0.93	0.91	0.88	0.84	0.80	0.76	0.72	0.68	0.64
6	1.00	0.98	0.96	0.94	0.92	0.90	0.87	0.83	0.79	0.75	0.71	0.67	0.63
7	1.00	0.98	0.96	0.94	0.92	0.90	0.87	0.83	0.79	0.75	0.71	0.67	0.63
8	1.00	0.98	0.96	0.94	0.92	0.90	0.87	0.83	0.79	0.75	0.71	0.67	0.63
9	1.00	0.98	0.96	0.94	0.92	0.90	0.86	0.82	0.78	0.74	0.70	0.66	0.62
10	1.00	0.98	0.96	0.94	0.92	0.90	0.86	0.82	0.78	0.74	0.70	0.66	0.62
11	1.00	0.98	0.96	0.94	0.92	0.90	0.86	0.82	0.78	0.74	0.70	0.66	0.62

The figures shown in the table are rounded. The table with the full figures is available on the website.

### If I'm 60 or over why don't I get the 'day for day' credit?

To understand why the transfer is less than day-for-day if you are 60 or over it is helpful to consider the trade-off that members are accepting when they transfer from the 1995 Section to the 2008 Section. Most members who choose to transfer are agreeing to give up their right to retire with an unreduced pension at any time from age 60 in the 1995 Section, in return for a higher amount of annual pension in the 2008 Section. For members who are already age 60 or over the trade-off changes because they gain the same (a higher pension amount) but they only lose the right to retire with an unreduced pension between their current age (not 60) and 65. The transfer for members aged 60 or over is therefore less than day-for-day to reflect the different trade-off for these members.

# Understanding Your NHS Pension Choice Statement

To help you understand the key figures in your statement, this section takes you through part of an example statement to show you how the figures in it are worked out.

The example statement relates to the calculation of figures for a member retiring at age 60 whose comparison is based on the following personal details:



- Date of birth **6 September 1971**
- Membership start date **16 May 1999**
- Length of time contributing to the Scheme **9 years 321 days**
- Membership in the 1995 Section which counts for the calculation of pension and lump sum estimates **7 years 329 days up to 1 April 2009.**
- Membership as at 1 April 2008 (used for calculating the minimum lump sum from the 2008 Section) **7 years 37 days**
- Pensionable pay used to work out pension and lump sum **£25,000**

In this example the member happens to be a part-time employee who, throughout their career works 30 hours a week rather than 37.5 hours. This is why the membership that counts for the calculation of their pension is less than their length of time contributing to the Scheme, as pension calculations are based on full-time equivalent membership. Pension calculations are also based on full-time equivalent pensionable pay. This is why this member whose actual pensionable earnings, on which they pay contributions, are £20,000 has their pension calculated on a pensionable pay figure of £25,000 (the salary if they were working 37.5 hours).

## Age 60

**Table 1a**

Table 1a – standard benefits	1995 Section	2008 Section
Membership	25 Years 310 days	25 Years 310 days
Annual pension	£8,078	£7,496
Lump sum	£24,234	£6,648

## 1995 Section benefits

Annual pension is 1/80 of your **Final Year's Pensionable Pay** for each year or part year of membership

$$1/80 \times £25,000 \times 25 \text{ years } 310 \text{ days} = \mathbf{£8,078}$$

The standard lump sum is 3 times your annual pension

$$3 \times £8,078 = \mathbf{£24,234}$$

## 2008 Section benefits

**Step 1** We first need to calculate the minimum lump sum the member must take as this is paid for by a deduction from the 2008 Section pension.

The minimum lump sum is 3 times the pension that the member had earned in the 1995 Section for their service up to 1 April 2008 that transferred into the 2008 Section, which is 7 years 37 days of membership.

$$1/80 \times \pounds 25,000 \times 7 \text{ years } 37 \text{ days} = \pounds 2,219$$

$$\pounds 2,219 \times 3 = \pounds 6,657$$

This rounded down to the nearest amount which can be divided by 12, which is **£6,648**.

**Step 2** A basic pension calculation of 1/60 of Reckonable Pay for each year or part year of membership

$$1/60 \times \pounds 25,000 \times 25 \text{ years } 310 \text{ days} = \pounds 10,771$$

**Step 3** An adjustment is made to this pension for early retirement 5 years before normal pension age, which means a 26% reduction

$$\pounds 10,771 \times 0.74 = \pounds 7,970$$

**Step 4** Because you have to take part of your pension as a lump sum, an adjustment to the early retirement reduction is made as lump sum is reduced less for early retirement than pension is.

The adjustment is calculated as the lump sum times a factor

$$\pounds 6,648 \times 0.012 = \pounds 80$$

$$\pounds 7,970 + \pounds 80 = \pounds 8,050$$

**Step 5** The pension is then further adjusted to pay for the minimum lump sum (found at step 1)

Each £12 of a lump sum reduces the pension by £1

$$\pounds 6,648 / 12 = \pounds 554$$

$$\pounds 8,050 - \pounds 554 = \pounds 7,496$$

### Table 1b

This table shows what the annual pension would be in the 2008 Section if the member chose to take a lump sum in the 2008 Section equal to the standard lump sum they would have had if they had remained in the 1995 Section. It is intended to clearly show the difference in value between the benefits of the two sections.

Table 1b – equal lump sum	1995 Section	2008 Section
Annual pension	£8,078	£6,031
Lump Sum	£24,234	£24,234

The 2008 Section pension is reduced by £1 to pay for every £12 of this lump sum.

$$\pounds 8,050 \text{ (found in step 4 above)} - \pounds 24,234 / 12 = \pounds 6,031$$

**Table 2**

This table shows what the maximum lump the member can choose in each section is and what the reduced pension in each section would be if they chose this amount

Table 2 – maximum lump sum	1995 Section	2008 Section
Annual pension	£6,492	£5,175
Lump sum	£43,266	£34,500

**1995 Section benefits**

The maximum lump sum is another complex calculation but is generally 5.36 times the 1/80 pension shown in Table 1a. The exact amount is £43,266.

$$£43,266 - £24,234 = £19,032 \text{ additional lump sum}$$

To pay for this additional lump sum the member must give up £1 of pension for every £12 of lump sum.

$$£19,032 / 12 = £1,586$$

$$£8,078 - £1,586 = \mathbf{£6,492}$$

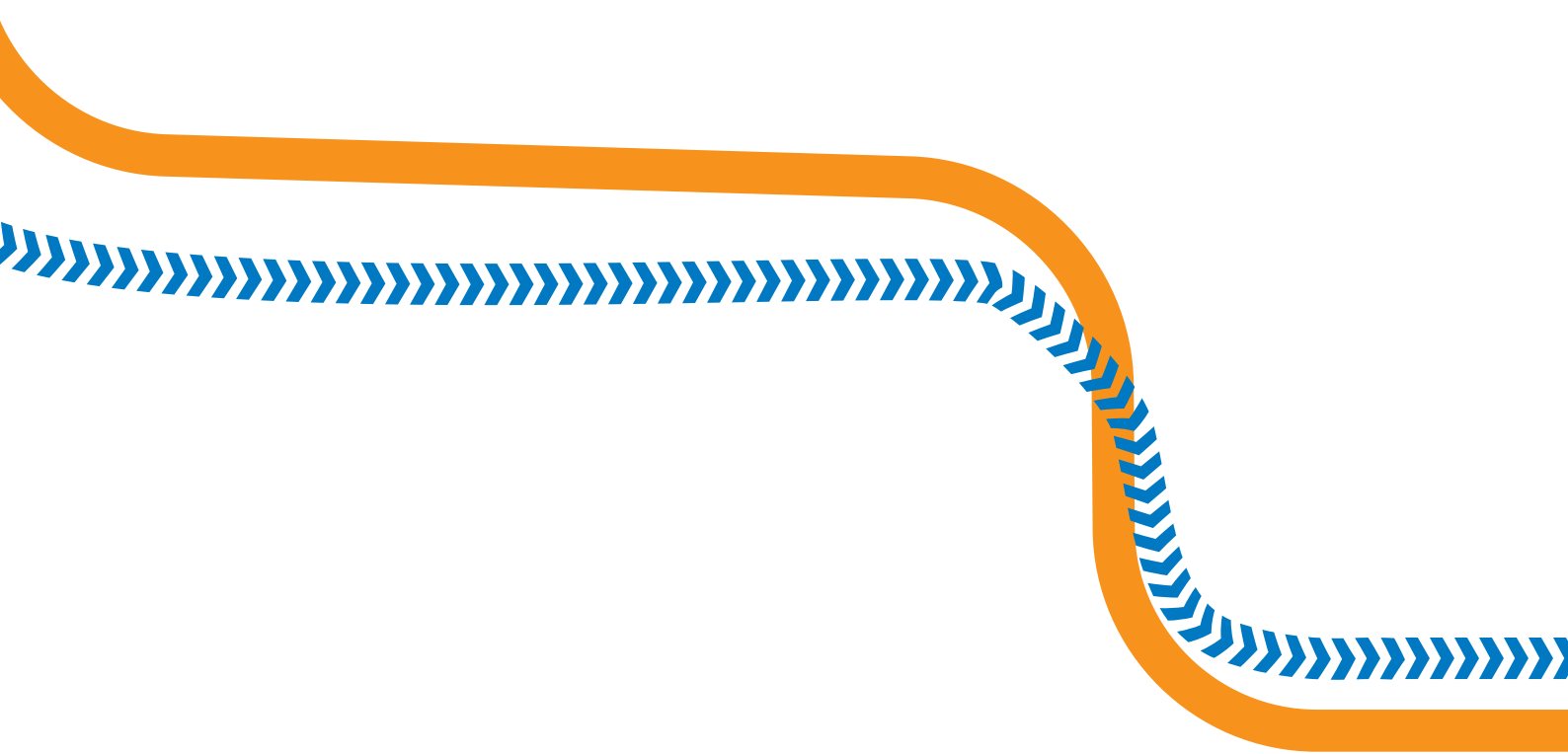
**2008 Section benefits**

The maximum lump sum is another complex calculation but is generally 4.28 times the 1/60 before any reduction for the minimum lump sum (the £8,050 calculated at step 4 above). The exact amount in this case is actually £34,500.

To pay for this lump sum the member must give up £1 of pension for every £12 of lump sum

$$£34,500 / 12 = £2,875$$

$$£8,050 - £2,875 = \mathbf{£5,175.}$$



## Some words and terms explained

Some of the words and terms used in this guide are specific to pensions and to the Scheme and may not be words or terms you hear used every day. A list of some of these and an explanation is given below. In your NHS Pension Choice Statement there is also a page of important terms which are used more in the statement.

**Minimum lump sum** – the amount of lump sum you have to take if you transfer to the 2008 Section. It is the amount of lump sum you earned from your membership in the 1995 Section up to 1 April 2008 and you have to give up some of your annual pension to pay for it.

**Standard lump sum** – the amount of lump sum you get in addition to your pension in the 1995 Section. It is normally three times your annual pension.

**Reckonable Pay** – the amount used to work out your benefits in the 2008 Section. It is the annual average of the best three consecutive years pay in the last ten years, re-valued by the increase in the retail prices index.

**Final Year's Pensionable Pay** – the amount used to work out your benefits in the 1995 Section. It is the best pay that you have received in any one of the three years before retirement.

**Normal pension age** – the earliest age you can retire and take your benefits without any reduction for early payment. It is 60 in the 1995 Section and 65 in the 2008 Section.

**Factors** – are figures which are used in calculations for pensions to adjust the amount you receive. They are calculated by the Scheme actuary.

**Re-valued** – means that the amount is increased.



## Where to find out more

To find out more about your NHS Pension Choice there are a range of other materials to help you.

With this guide you will have received:

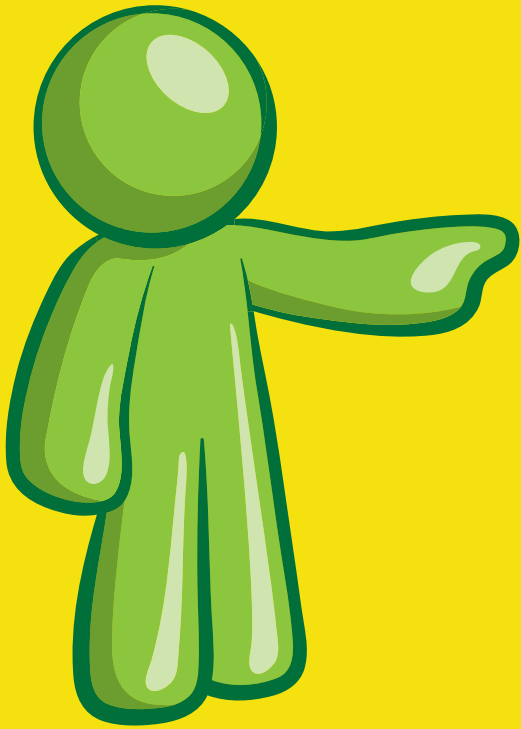
- Your NHS Pension Choice Statement (for most members)
- Your NHS Pension Choice DVD

### Additional materials:

- The website [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)
- The helpline 0300 123 1601 (calls charged at local rate)
- A series of factsheets which give you more detailed information about some of the points discussed in this guide. You can view these on the website and obtain them from the helpline.
- The modeller, which is on the website, allows you to change the circumstances around your retirement such as age or increasing your lump sum and see the benefits you might get from each section.

For more general information about the Scheme there is a Scheme guide which you can view on the website. If you would like to find out about how to increase your savings for the future you can also find out about this on the website.





**Which NHS Pension path  
will you take?**

