



Find clarity in your pension and gain control of your future

A Clear Guide to the 2015 Pension Scheme





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2015 Pension Scheme

Navigating the 2015 NHS Pension Scheme; what it means for your pension

Introduction and Scheme Overview

The 2015 NHS Pension scheme is a Career Average Revalued Earnings (CARE) scheme.

This means your pension is:

- Based on the average of your earnings over your whole career (your career average)
- Calculated based on your actual pensionable pay each year.
- Revalued annually. Earnings from previous years are increased ('uprated') in line with inflation, so they keep value over time.

A 'scheme year' runs from 1 April to 31 March.

The 2015 NHS pension scheme is separate from the State Pension scheme. You get both State pension and NHS pension when you retire. NHS pension is usually paid monthly, and benefits are protected against inflation by Pensions Increase (PI) measures set by the government.

1. How it builds up:

Every year you earn 1/54th of your salary in pension.

So, if you earn £27,000, you will get $27,000/54 = £500$ in yearly pension.

The following year, you earn more pension based on your new pay.

The pension you've already earned increases every year, to keep up with inflation. It increases by 'Treasury orders' + 1.5% until you retire. 'Treasury orders' put simply are how the Treasury evaluate the value of change from inflation. The re-evaluation rate can go up and down and can be a negative amount.

You can take your full pension when you reach State Pension Age. Some of this you can take as a tax-free lump sum. You can take your pension early, but this could mean you receive a smaller pension.

You can build up pension rights in the 2015 scheme until the age of 75, with no limit on the years pensionable earnings. The longer your membership, the larger your pension.

Disclaimer:

Tax treatment varies according to individual circumstances and is subject to change.



2. Membership and Contributions

a) Membership

Membership into the 2015 scheme is voluntary, but you are automatically enrolled, if you're eligible. It's an opt out rather than opt in service. (This excludes freelance locum medical practitioners, who need to opt in.)

You are eligible if you are:

- Directly employed by the NHS
- A medical, dental or ophthalmic practitioner or trainee
- General medical staff
- Freelance locum medical practitioner who opted in.
- Staff of an independent provider granted access to the scheme or deemed eligible by the Secretary of State.
- Non-general practitioner provider.

You are NOT eligible if you are:

- Over 75
- Hold only an honorary NHS appointment
- Employed through a General Dentist Services (GDS) or Personal Dentist Services (PDS), and are not a practitioner
- Receive benefits from 1995 section of the NHS pension scheme (excluding ill health pensions, of if you are under 50 when you rejoin)
- Still paying into 1995/2008 schemes under 'Protection' arrangements.

b) Contributions

Your pension contribution is based on your pensionable earnings. In other words, the more you earn the more contribution you pay. Your employer pays the rest.

Pension contributions are taken before tax. You receive tax-relief on any amount you pay.

3. Increasing pension saving

You can pay extra contributions to increase your benefits at retirement. These are known as Additional Voluntary Contributions (AVCs). There are several ways to do this.

a) Buying additional pension

You buy a set amount of annual pension, either as a lump sum payment or through regular contribution deducted from your pay over an agreed time period. This is a flexible option.

The minimum amount you can buy is £250 per annum, and the maximum is £8036. The maximum changes each year, so it's important to stay updated. Every year your additional pension is revalued by the Treasury Order, which may either increase or decrease the value. After retirement, your additional pension is index-linked and protected from inflation. You can choose if your additional pension is just for you, or for your dependants too. The NHS has a calculator to work out costs of buying additional pension. www.nhsbsa.nhs.uk/nhs-pensions

b) Money Purchase Additional Voluntary Contributions (MPAVC)

You pay lump sums or regular amounts to MPAVC providers who are chosen by your scheme managers. These contributions are invested according to your wishes, and build up a separate retirement fund. This gives you an additional pension for you and your dependants. For most people, 25% of this fund is tax-free cash. You can take the remaining as cash but this is subject to tax. NHS MPAVC providers are: Standard Life and Prudential

c) Early Retirement Reduction Buy Out (ERRBO)

If you want to retire early, you or your employer can take out a ERRBO contract. This lets you pay extra contributions to balance the pensions reduction rate for retiring early. It allows you to retire up to 3 years before your normal pension age as long as it's not earlier than 65. The additional contribution amount depends on your age and how many years of reduction you want to buy out

Factors to consider:

Annual Allowance (AA)

The Annual Allowance is the limit on how much pension saving you can build up tax-efficiently in one tax year. This includes benefits built up in the NHS Pension Scheme and any other pension savings.

For the 2025/26 tax year, the standard Annual Allowance is £60,000.

If you are a high earner, your Annual Allowance may be reduced under the Tapered Annual Allowance rules. Tapering applies if:

- Your threshold income exceeds £200,000, and
- Your adjusted income exceeds £260,000.

If both limits are exceeded, your Annual Allowance is reduced by £1 for every £2 of adjusted income above £260,000, down to a minimum of £10,000.

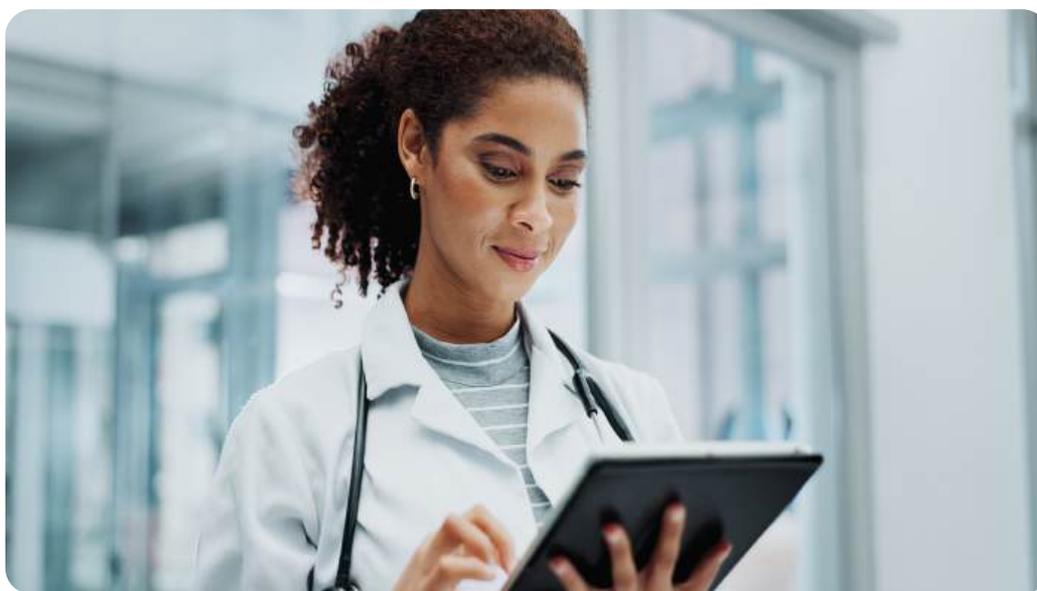
Please note that pension tax thresholds, including the Annual Allowance taper and Lifetime Allowance, are subject to change and are based on current legislation.

Lifetime Allowance (LA)

The Lifetime Allowance previously limited the total value of pension benefits that could be built up without additional tax charges.

From April 2023, the Lifetime Allowance charge was removed. However, limits still apply to the amount of tax-free lump sums that can be taken from pensions.

Different lump sum allowances may apply depending on your pension history and any protections you hold.



Important information – capital at risk

Please note that, unlike your main NHS pension benefits, which are defined and protected, Additional Voluntary Contributions (AVCs) are invested in funds.

The value of these investments can go down as well as up due to market movements, and you may get back less than you invest.

While AVCs can offer greater flexibility and the potential for long-term growth, they are subject to investment risk and are not guaranteed in the same way as NHS Pension Scheme benefits.

4. Transferring benefits

You can transfer previous pension rights into the 2015 scheme, but ONLY if:

1. your previous scheme was HMRC registered
2. you apply within 12 months of joining 2015 NHS pension scheme.

Transfers give you pensionable earning credits. Credit is added to your first scheme year's pensionable earning, and used to calculate how much pension you built up in that year. If you transfer from another public sector CARE pension scheme, it buys you a "Club" transfer earned pension, meaning transfer will still be revalued in line with rates from your previous scheme. There are additional time limits for transfers between 'club' schemes' If you worked in NHS Scotland or Northern Ireland, you can transfer pension rights over to your NHS pension scheme for England and Wales. However, this depends on your last membership status with NHS Scotland/Northern Ireland, and how long ago you left the scheme. Benefits do not transfer automatically, you need to apply in writing to NHS pensions to secure this transfer. Before transferring, contact your employer.

5. Leaving and Rejoining

Leaving early

- Members with less than 2 years membership can transfer their benefits or receive a refund of contributions.
- Members with 2 or more years can leave benefits in the scheme or transfer to another registered pension arrangement.

Refunding your contributions is in most cases, the least beneficial outcome for you. The 2015 does provide opportunities for linking contributions (with a break of 5 years or less) , which are worth considering.

Rejoining before retirement

If you join after a break of 5 years or less, previous contributions will link to your current period. Pension you built up before the break will be revaluated for each year during your break. Again at the rate of Treasury Order + 1.5%. If a member leaves the NHS Pension Scheme permanently and does not rejoin, deferred benefits are revalued in line with CPI only

After Retirement

You can rejoin up to the age of 75, even if you've been drawing 2015 pension benefits. Rejoining regulations may differ if you were a member of 1995/2008 NHS pension schemes, have claimed or will claim benefits from that scheme. You should consult 1995/2008 guide also.





6. Retirement

Your Normal Pension Age (NPA) in this scheme is 65 or the same as your state pension age. You can retire at your minimum pension age (age 55), but your benefits will be less because you will receive your pension earlier and for longer.

Benefits at Retirement

The total value of your pension benefits will be made payable.

You can exchange some pension for a tax-free lump sum within limits. You get £12 of lumpsum for every £1 of pension. You have a maximum tax-free lump sum of 25% of the capital value of your benefits.

Capital value is calculated by HMRC as payable pension x 20 + lumpsum to be paid. Tax-free lump sum limits are governed by HMRC. You cannot exchange pension for lumpsum if it would cause you to go over HMRC's tax-free limit.

Partial Retirement/ Drawdown

If you're aged 55 or over, you can take between 20% - 80% of your NHS pension whilst still working.

- Your pension will be reduced if taken before your normal pension age.
- You must reduce your pensionable pay by at least 10% for 12 months, or your partial pension will stop.
- You can do this twice before fully retiring.
- You don't need to leave work or take a 24-hour break to claim it.

Early retirement

You can claim your pension early if:

- You are 55 or over
- Have been in the scheme for more than 2 years
- Have stopped working

Early retirement pension is less, because you claim it earlier and for longer. The reduction depends on how early you choose to retire. *If you have an ERRBO, additional contributions will be taken into account before early retirement reductions are applied. Redundancy and premature retirement Your benefits can be paid immediately if you retired early because you were made redundant. To claim this you must have:

- reached 55 or older
- Worked for 2 years in the NHS
- Have 2 years of continuous employment
- Contractual terms and conditions that allow you to claim redundancy pension as opposed to a cash redundancy payment.

If you're made redundant after 55, you can choose to take redundancy payment AND have your normal pension paid at NPA. If you take your pension immediately, your employers will use your redundancy payment to meet additional costs, and pay the balance to you. If your redundancy payment doesn't cover additional costs, your employer will pay the shortfall if stated in your contract.

If not then, you:

- Pay the shortfall and receive unreduced benefits
- Pay part of the shortfall and avoid early retirement reduction
- Pay no shortfall but receive benefits part reduced and unreduced.



Efficiency retirement

If you retired to make your service more efficient, then you can receive benefits without reduction. Your employer will pay the costs of your early retirement.

Multiple NHS Jobs

If you have more than one NHS job, and you retire for efficiency.

You can:

- Take benefits from all pensionable NHS jobs, but you must leave all jobs for 24 hours.
- Take benefits from role you are prematurely retiring from.



7. Ill health and life assurance benefits

You can retire early and take your pension benefits if you:

- Have >2-year membership
- Are too ill to work

There are 2 tiers, which determine how much benefits you get.

Tier 1: Permanent ill health which leaves you unable to do your current job

What you receive: Pension already earned paid with no reduction

Tier 2: Permanently ill health which leaves you unable to do your current job OR any job similar in hours or pay to your NHS job before you reach

Normal pension age. What you receive: Tier 1 + tier 2 addition (pro rata enhancement based in $\frac{1}{2}$ of your prospective pension up until NPA)

Lump sums

You can also take your benefits as an immediate lump sum if you become terminally ill. This is subject to HMRC conditions. You must fill out form AW341 to claim your lump sum. If you 75+, serious ill health lump sums are subject to a charge of 45%. This is deducted before payment of the lump sum. NB: Ill health benefits are affected by HMRC Annual Allowance legislation. A separate test is required to meet HMRC's Severe Ill Health Condition, even if you qualify for Tier 2 benefits.

8. Life assurance and family benefits

Under 2015 scheme you can pass on lump sums and pension benefits to eligible dependants before your death. The benefits your dependant receives depends on your circumstance at the time of your death.

Death benefit nomination

You can nominate one or more people, or an organisation to receive a lump sum on death benefit. This nomination can be changed or cancelled at any time. To make or change a nomination, fill in the form DB2.

To cancel a nomination, fill in the form NOM1. Lump sums will be paid to your spouse, civil partner or qualifying scheme partner, unless you choose someone else to receive it. Lump sums are subject to Inheritance Tax if they are not paid to your spouse or civil partner. If you don't have a spouse/civil partner/scheme partner or you don't nominate anyone, then the lump sum will be paid to your personal representative.

It's important to note that HMRC have strict rules on lump sum payments on death benefit. It must be paid within 2 years of the member's death, otherwise 45% charge is applied.

If you die after 75, 45% charge is incurred if your lump sum is paid to an organisation, otherwise the marginal tax rate of the recipient is applied.

Payment Dependants' pensions

This is payable to your dependant (spouse/civil partner/scheme partner/dependant child) from date of your death. If your dependant doesn't have a legally recognised relationship to you, you must fill out form PN1.

Types of dependants' pensions:

1. Adult dependants' pension : payable for life to a spouse/civil partner/scheme partner.

2. Children's pensions: payable to an eligible child until the age of 23, or if the child cannot earn a living due to a condition (in existence at your retirement and date of death)



Death and family benefits summary

If you die...	Lump Sum Payment	For Your Partner or Spouse	For Your Children
While still paying into the NHS Pension	2 × your pensionable pay (or highest revalued earnings in last 10 years, whichever is higher)	Around one-third (33.75%) of your pension. Partner may also get full pay for 6 months after death.	Each child gets 16.875% of your pension, shared up to 33.75% total. May also get a few months' full-pay support.
After you've retired	Up to 5 × your yearly pension, minus what's already been paid	About one-third of your pension. Paid for life. Plus 3–6 months' full-rate pension at first.	Same rates as above – 16.875% per child, or 33.75% split between two or more.
After leaving the NHS but before taking your pension	About 2 × the pension you would have received if you'd retired that day	About one-third of your estimated pension (depends on when you left).	Same rates as above; no short-term payment.
After leaving with less than 2 years' service	About 2 × your would-be pension	Usually no pension for a partner (unless death-in-service applies).	Same rates – around 16.875%.

Bank staff and Freelance GP locums

Bank staff and freelance GP locums are part of pensionable service if they are at work and pay into the scheme. Bank staff and freelance GP locums who are available but not actually at work are not covered for 'death in service' benefits.

For example: If you are contracted to work Monday-Wednesday 9–5pm but dies outside these hours, then you would not receive 'death in service' benefits. You would receive death benefits as though you'd died 12 months of leaving pensionable employment.

Conclusion

This is a comprehensive guide of 2015 Pensions scheme, based on and with close reference to the NHSBSA Pensions 2015 guide.

At Wealth Genius, we endeavour to explain your pension schemes as simply as possible, but with as much detail as they require. If you are struggling to understand your pension arrangements and how to navigate the 2015 scheme, book a consultation with our team, who can resolve your specific queries.

About Us:

Wealth Genius is a specialist financial planning firm. Our dedicated team have in-depth knowledge of the NHS pension system, and the careers paths of doctors, dentists, GPs and locums. We are committed to delivering a personalized, face-to-face service.

We are part of the Quilter Financial Planning network, one of the UK's largest advice networks, dedicated since 2006 to helping clients secure their financial futures.

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