



A clear guide to the 2015 pension scheme

Find clarity in your pension and gain control of your future: what the 2015 NHS Pension Scheme means for you.

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Introduction and scheme overview

The 2015 NHS Pension Scheme is a **Career Average Revalued Earnings (CARE)** scheme. This means your pension is:



Career average

Based on the average of your earnings over your whole career.



Actual pay

Calculated on your actual pensionable pay each year.



Revalued

Earlier years' earnings are increased ("uprated") each year in line with inflation, so they keep their value.

1 Apr to 31 Mar

A **scheme year** runs from 1 April to 31 March

2 pensions

You get **both** the State Pension and your NHS pension when you retire

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



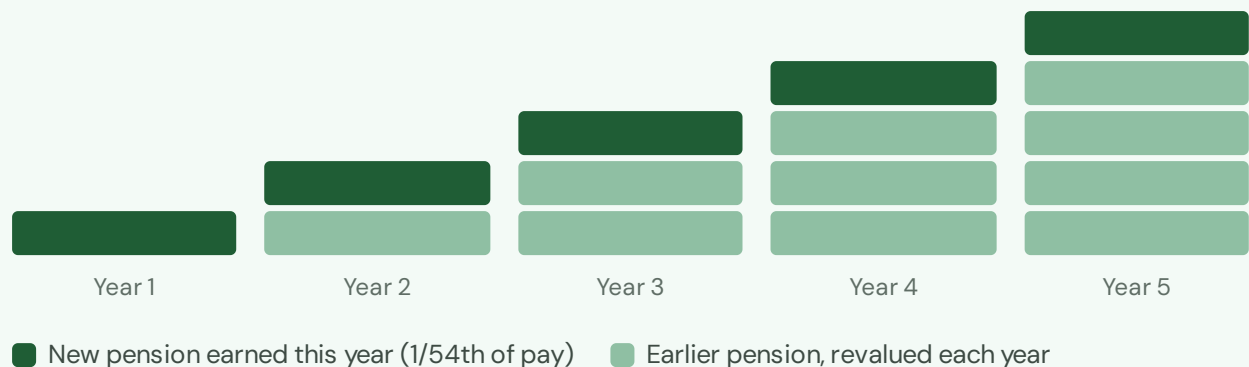
Disclaimer: Tax treatment varies according to individual circumstances and is subject to change.

How your pension builds up

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

So, if you earn £27,000, you will get £500 of yearly pension.

$$£27,000 \div 54 = £500$$



1

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

2

The pension you have already earned increases every year

It increases by “Treasury Orders” + 1.5% until you retire. Put simply, Treasury Orders are how the Treasury measures the change in value from inflation. The revaluation rate can go up and down, and can be negative.

3

You can take your full pension at 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 a smaller pension.

4

You can build up pension until age 75

There is no limit on the years of pensionable earnings. The longer your membership, the larger your pension.

Membership

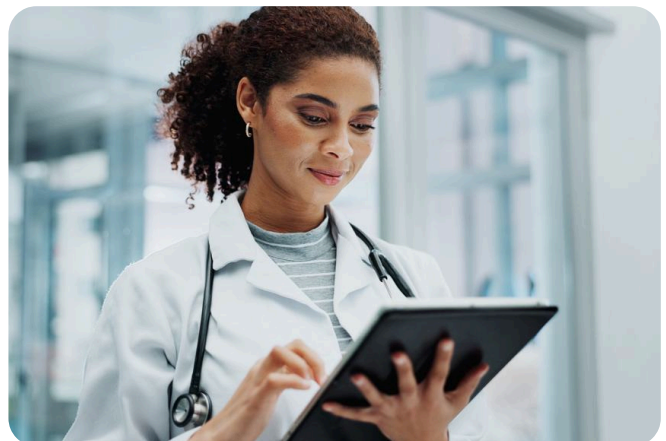
Membership of the 2015 scheme is voluntary, but you are automatically enrolled if you are eligible. It is an opt-out rather than an opt-in arrangement. The exception is freelance locum medical practitioners, who need to opt in.

You are eligible if you are:

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

You are *not* eligible if you:

- ✗ Are over 75
- ✗ Hold only an honorary NHS appointment
- ✗ Are employed through General Dental Services (GDS) or Personal Dental Services (PDS) and are not a practitioner
- ✗ Receive benefits from the 1995 section of the NHS Pension Scheme (excluding ill health pensions, or if you are under 50 when you rejoin)
- ✗ Are still paying into the 1995/2008 schemes under "protection" arrangements



Contributions

Your pension contribution is based on your pensionable earnings: the more you earn, the more you contribute. Your employer pays the rest. Contributions are taken before tax, so you receive tax relief on any amount you pay.

Section 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 or through regular contributions from your pay over an agreed period. This is a flexible option.

£250

Minimum you can buy, per year

£8,036

Maximum. This changes each year, so stay up to date

Each year your additional pension is revalued by the Treasury Order, which may increase or decrease its value. After retirement it is index-linked and protected from inflation. You can choose whether it is just for you, or for your dependants too. The NHS has a calculator to work out the cost: www.nhsbsa.nhs.uk/nhs-pensions

b) Money Purchase AVCs (MPAVC)

You pay lump sums or regular amounts to MPAVC providers chosen by your scheme managers. Your contributions are invested according to your wishes and build up a separate retirement fund, giving an additional pension for you and your dependants. For most people, 25% of this fund is tax-free cash; the rest can be taken as cash but is taxed. The 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 an ERRBO contract. You pay extra contributions to offset the reduction for retiring early. It lets you retire up to 3 years before your normal pension age, as long as this is not earlier than 65. The cost depends on your age and how many years of reduction you 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. It includes benefits built up in the NHS Pension Scheme and any other pension savings.

£60,000

Standard Annual Allowance for 2025/26

£200,000

Taper applies if threshold income exceeds this...

£260,000

...and adjusted income exceeds this

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. Pension tax thresholds, including the Annual Allowance taper and Lifetime Allowance, are subject to change and are based on current legislation.

Lifetime Allowance (LTA)

The Lifetime Allowance previously limited the total value of pension benefits that could be built up without extra tax charges. From April 2023, the Lifetime Allowance charge was removed. However, limits still apply to the tax-free lump sums that can be taken from pensions, and different lump sum allowances may apply depending on your pension history and any protections you hold.



Important information: capital at risk

Unlike your main NHS pension benefits, which are defined and protected, Additional Voluntary Contributions (AVCs) are invested in funds. Their value can go down as well as up due to market movements, and you may get back less than you invest. AVCs can offer greater flexibility and the potential for long-term growth, but they are subject to investment risk and are not guaranteed in the same way as NHS Pension Scheme benefits.

Section 4

Transferring benefits

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

HMRC

Your previous scheme was **HMRC registered**

12 months

You apply within 12 months of **joining** the 2015 scheme

Transfers give you pensionable earnings credits. The credit is added to your first scheme year's pensionable earnings and used to work out how much pension you built up that year. A transfer from another public sector CARE scheme buys a "Club" transfer earned pension, which is still revalued in line with your previous scheme's rates; extra time limits apply to Club transfers. If you worked in NHS Scotland or Northern Ireland, you may be able to transfer to the scheme for England and Wales, depending on your last membership status and how long ago you left.

 **Please note:** Benefits do not transfer automatically. You need to apply in writing to NHS Pensions. Contact your employer before transferring.

Section 5

Leaving and rejoining

Membership	Your options if you leave early
Less than 2 years	Transfer your benefits, or receive a refund of contributions
2 years or more	Leave your benefits in the scheme, or transfer to another registered pension arrangement

In most cases, a refund is the least beneficial outcome for you. The scheme allows contributions to be linked after a break of 5 years or less, which is worth considering.

Rejoining the scheme



Before retirement

If you rejoin after a break of **5 years or less**, your previous contributions link to your current period. Pension built up before the break is revalued for each year of the break at Treasury Order + 1.5%.



If you do not rejoin

If you leave the NHS Pension Scheme permanently, deferred benefits are revalued in line with **CPI only**.



After retirement

You can rejoin up to age 75, even if you are drawing 2015 pension benefits. Different rules may apply if you were in the 1995/2008 schemes, or have claimed or will claim benefits from them; see our 1995/2008 guide too.



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Retirement

65 or SPA

Your **normal pension age**: 65 or your State Pension age

55

Your **minimum pension age**. Retiring this early means a smaller pension, paid for longer

Benefits at retirement

The total value of your pension benefits becomes payable. You can exchange some pension for a tax-free lump sum, within limits.

£12 per £1

You get **£12 of lump sum** for every **£1 of pension** you give up

25%

Maximum tax-free lump sum, as a share of the **capital value** of your benefits

Capital value = payable pension × 20 + lump sum to be paid

Capital value is calculated by HMRC, and tax-free lump sum limits are governed by HMRC. You cannot exchange pension for a lump sum if it would take you over HMRC's tax-free limit.

Partial retirement (drawdown)

If you are 55 or over, you can take between 20% and 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 do not need to leave work or take a 24-hour break to claim it.

Early retirement and redundancy

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

Your pension is smaller because you claim it earlier and for longer. The reduction depends on how early you retire. If you have an ERRBO, its extra contributions are taken into account before early retirement reductions are applied.

Redundancy and premature retirement

Your benefits can be paid immediately if you retired early through redundancy. You must have:

- ✓ Reached 55 or older
- ✓ Worked for 2 years in the NHS
- ✓ 2 years of continuous employment
- ✓ Contract terms that allow a redundancy pension instead of a cash redundancy payment

If you are made redundant after 55, you can choose to take a redundancy payment **and** have your normal pension paid at normal pension age. If you take your pension immediately, your employer uses your redundancy payment to meet the extra costs and pays you the balance. If the payment does not cover the costs, your employer pays the shortfall if your contract says so. If not, you can:

1

Pay the shortfall

And receive unreduced benefits.

2

Pay part of the shortfall

And avoid part of the early retirement reduction.

3

Pay no shortfall

And receive benefits that are partly reduced and partly unreduced.



Efficiency retirement

If you retired to make the service more efficient, you can receive benefits without reduction. Your employer pays the cost of your early retirement.



Multiple NHS jobs

If you have more than one NHS job and retire for efficiency, you can take benefits from all pensionable NHS jobs (leaving all jobs for 24 hours), or from the role you are retiring from.

Ill health benefits

You can retire early and take your pension benefits if you have **more than 2 years' membership** and are **too ill to work**. There are 2 tiers, which determine how much you receive.



Tier 1

Permanent ill health that leaves you unable to do your current job.

You receive the pension you have already earned, with no reduction.



Tier 2

Permanent ill health that leaves you unable to do your current job, or any job similar in hours or pay, before normal pension age.

You receive Tier 1 plus a Tier 2 addition: a pro rata enhancement based on $\frac{1}{2}$ of your prospective pension up to normal pension age.

Lump sums

If you become terminally ill, you can take your benefits as an immediate lump sum, subject to HMRC conditions. Fill in form **AW341** to claim.

45%

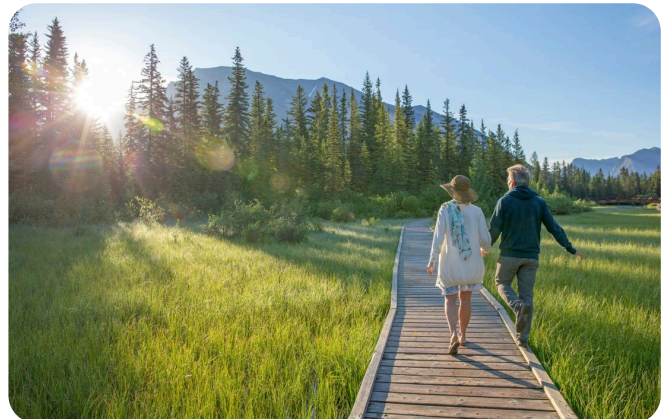
Charge on serious ill health lump sums if you are **75 or over**, deducted before payment

AW341

The form to claim a serious ill health lump sum



Please note: Ill health benefits are affected by HMRC Annual Allowance legislation. A separate test is needed to meet HMRC's Severe Ill Health Condition, even if you qualify for Tier 2 benefits.



Life assurance and family benefits

Under the 2015 scheme, lump sums and pension benefits can be passed on to eligible dependants. What your dependants receive depends on your circumstances at the time of your death.

Death benefit nomination

You can nominate one or more people, or an organisation, to receive a lump sum death benefit. You can change or cancel this at any time.

DB₂

Form to make or change a nomination

NOM₁

Form to cancel a nomination

PN₁

Form for a dependant without a legally recognised relationship to you

Lump sums are paid to your spouse, civil partner or qualifying scheme partner, unless you choose someone else. Lump sums are subject to Inheritance Tax if not paid to your spouse or civil partner. If you have no spouse, civil partner or scheme partner, or do not nominate anyone, the lump sum is paid to your personal representative.



HMRC's rules on death lump sums

The lump sum must be paid within 2 years of the member's death, otherwise a 45% charge applies. If you die after 75, a 45% charge applies if the lump sum is paid to an organisation; otherwise the recipient's marginal rate of tax applies.

Dependants' pensions



Adult dependant's pension

Payable for life to a spouse, civil partner or scheme partner, from the date of your death.



Children's pensions

Payable to an eligible child until age 23, or longer if the child cannot earn a living because of a condition that existed at your retirement and date of death.

Death and family benefits summary

If you die...	Lump sum payment	For your spouse or partner	For your children
While still paying into the NHS Pension Scheme	2 × your pensionable pay (or highest revalued earnings in the last 10 years, whichever is higher)	Around one-third (33.75%) of your pension. Your partner may also get full pay for 6 months after death.	Each child gets 16.875% of your pension, shared up to 33.75% in total. May also get a few months' full-pay support.
After you have retired	Up to 5 × your yearly pension, minus what has already been paid	About one-third of your pension, paid for life, plus 3 to 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 had 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 in pensionable service when they are at work and paying into the scheme. Those 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 to Wednesday, 9am to 5pm, but die outside these hours, you would not receive death in service benefits. You would receive death benefits as though you had died within 12 months of leaving pensionable employment.

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Talk to us about your 2015 pension

This guide closely follows the official 2015 scheme guidance. We aim to explain your pension as simply as possible, with as much detail as you need. If you are unsure about your arrangements, book a consultation and our team will answer your specific questions.

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About us

Wealth Genius is a specialist financial planning firm. Our dedicated team have in-depth knowledge of the NHS pension system, and the career paths of doctors, dentists, GPs and locums.

We are committed to delivering a personalised, face-to-face service.

How we use your information. For more information about how we process your personal data, see our privacy notice: www.quilter.com/important-information/privacy-notices/appointed-representative-privacy-notice/

Part of a wider network

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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