

NHS Pensions

Member factsheet

Partial Retirement

If you are aged 55 and over or have a protected minimum pension age of 50, and you have agreement from your employer, you can choose to take part, or all, of your pension benefits and continue in NHS employment. This is called partial retirement - it may also be known as drawdown.

Your pension benefits will be paid to you as a monthly amount.

Partial retirement is already available to members with 2008 Section and 2015 Scheme benefits and from 1 October 2023, the NHS Pension Scheme regulations are changing so members with 1995 Section benefits can also take partial retirement.

From this date, the amount of benefits you can take when partially retiring is also changing. You'll be able to partially retire and claim up to 100% of your pension benefits from any Section or Scheme.

Before applying for partial retirement

If you wish to take partial retirement, you need to agree a new working arrangement with your HR department that lets you reduce your pensionable pay by at least 10%. For example, you could change your level of responsibility, work fewer hours, or move to a new role.

Speak with a member of your HR team who will be able to discuss options with you and agree an arrangement that works for both you and your employer.

This also applies if you want to take partial retirement of your pension for a second time.

Your pensionable pay must stay at the reduced level for at least 12 months after you take partial retirement, or you'll no longer be eligible for the pension you've taken. During this period, you may still be able to do additional work that doesn't count towards your pension, such as overtime or bank work.

Pay awards such as the annual Agenda for Change pay award, do not alter your 10% reduction in pensionable pay.

To be eligible for partial retirement you must:

- have reached your minimum pension age,
- be an active member of the Scheme,
- reduce your actual pensionable pay by at least 10% for the 12 months starting from the date you take partial retirement (for GP's, Dental Practitioners, Ophthalmic and non-GP Providers a 10% reduction in commitment is required),
- your 10% reduction in pensionable pay is calculated based on your previous level of pensionable pay for the 12 months before you take partial retirement,
- have a change in your terms and conditions of employment to reflect your reduction in pensionable pay, the rest of your terms and conditions remain the same,
- expect your new level of pensionable pay to last at least 12 months from the point partial retirement is taken,
- not have already claimed partial retirement on two occasions.

Minimum Pension Age

The minimum pension age for most members is 55. However, there are some members of the 1995 Section with a protected minimum pension age of 50. These are generally members who joined the NHS Pension Scheme before 6 April 2006.

If you have a minimum pension age of 50 and wish to claim your partial retirement pension benefits, you must take 100% of your 1995 Section pension benefits. This is part of the legislation published by HM Revenue & Customs (HMRC) which we are required to comply with.

If you're applying to take partial retirement before you reach your normal pension age, your pension benefits will be reduced as they are being paid early. Your normal pension age depends on which part of the Scheme you are a member of. In the:

- 1995 Section - it's 60,
- 2008 Section - it's 65,
- 2015 Scheme - it's your State Pension Age or 65, whichever is later.

Being an active member of the Scheme

To be eligible for partial retirement you must be paying pension contributions as part of your monthly salary to the NHS Pension Scheme. If you have opted out of the NHS Pension Scheme, you are not eligible to claim your pension under the partial retirement rules.

Once you have taken partial retirement, if you choose to opt out of the Scheme this will become effective from the end of your next pay period – in most cases this is at the end of the month. If you opt out of the Scheme, please remember you will no longer be entitled to ill health retirement benefits and death in service benefits you're entitled to as an active member.

You must be an active member for a minimum of at least one day after taking partial retirement.

For members who have reached maximum service

The maximum pensionable membership in the 1995/2008 Scheme is 45 years. The maximum pensionable membership for Special Class members is 40 at age 55 and 45 years thereafter. You cannot continue in either the 1995 Section or 2008 Section if you're over the age of 75 years old.

Members who have maximum membership in the 1995 Section and have ceased paying contributions are unable to access those pension benefits using partial retirement. If you have 1995 Section benefits and wish to claim your benefits and continue working, you will need to retire and rejoin the 2015 Scheme.

You can find more information on re-employment on our website www.wealthgenius.co.uk

Those with maximum membership in the 2008 Section will be able to access those pension benefits using partial retirement. This is because of existing provisions in the Scheme regulations for members with 2008 Section benefits to access partial retirement benefits after achieving maximum membership of 45 years and who may have ceased contributions to the Scheme but continued in NHS employment.

A change in terms and conditions

Following the reduction in pensionable pay, you must have a change to your terms and conditions of employment to be eligible to partially retire. This change in terms and conditions is to reference how you've reduced your pensionable pay by 10%.

For example:

This could be by reducing the hours you work per week or remaining whole-time but reducing your commitment by moving to a position in a lower pay band.

All your other terms and conditions remain the same.

Taking partial retirement more than once

With partial retirement, you can claim pension benefits on up to two occasions before fully retiring. Fully retiring means taking a 24-hour break in your contract of employment

You are not required to have a break in employment of 24-hours to claim your partial retirement benefits. If you have already taken partial retirement from the 2008 Section before becoming a member of the 2015 Scheme, you can only take partial retirement on one more occasion before full retirement.

Applying for partial retirement

The application process for partial retirement is the same as when you're applying to retire, with the addition of a short supplementary form that is available via our website.

You will need to complete:

- AW8 retirement benefits application form which you get from your employer if you're still working, and the
- Partial Retirement Supplementary Form

Then send these together, to your employer to finalise their sections and they'll send your application on to us. Your employer should submit your application form and supplementary form three months before your retirement date. This allows us enough time to calculate and authorise payment of your benefits so that they can be paid on time.

Use the tools to help decide how much pension to take

You can take a minimum of 20% of your pension benefits and up to a maximum of 100% of your pension entitlement earned to date, whilst continuing to build up further pension entitlement.

Once you have partially retired you will continue to build up pension benefits in the 2015 Scheme.

A Partial Retirement Calculator will be available to allow you and your employer to see how taking different percentages of your pension at partial retirement affects the amount of pension benefits you'll get overall. We recommend waiting until this calculator is available, to work out the amount of pension you want to take and the change in working arrangement that's best for you, and then apply for partial retirement.

Applications can be backdated to your chosen retirement date, if needed.

Information for members who used the Partial Retirement Calculator between Tuesday 12 December and Friday 15 December

The Partial Retirement Calculator was released on Tuesday 12 December 2023 and available on the Partial Retirement page of our website until Friday 15 December 2023.

During this time, the calculator overstated the lump sum and benefits for some members. Only members aged between 55 and 60 who do not have special class status or Mental Health Officer status are affected. For these members, the benefits they'd receive would be less than their estimate because the calculator did not account for their normal retirement age of age 60.

If you are affected by this issue, you should check your estimate once the Partial Retirement Calculator is available again. To allow for comprehensive user testing, the calculator will be available again in early January 2024.

Pay protection for members who decide not to take 100% of their 1995 Section pension on partial retirement

Pay protection remains available for members of the 2015 Scheme who retain a final salary link to benefits in the 1995 Section.

If you are eligible, you can make an application for pay protection providing your notional whole-time pay decreases because of your partial retirement. For example, if you claim a partial retirement pension and reduce your hours, you would not be eligible to apply for pay protection as the pay you would receive if you were whole-time would remain the same. However, if you stepped down roles, for example from a Band 6 role to a Band 5 role, you could make an application as the whole-time equivalent pay would change. Abatement on partial retirement would apply to members who step back up within 12 months of taking partial retirement.

If you're affected by the McCloud ruling

As part of the McCloud ruling, affected members had their pensionable service for the McCloud remedy period - 1 April 2015 to 31 March 2022 - put back into the 1995/2008 Section of the Scheme on 1 October 2023.

If this affects you and you take partial retirement, you'll be contacted in the 12 months after you've partially retired and asked to choose between keeping these benefits in the 1995/2008 Section or taking 2015 Scheme benefits for the remedy period instead. When it comes to making this choice, the part of the Scheme that's better for you could be different depending on how long you continue to work after you've taken partial retirement.

Your McCloud choice means there are other factors to consider when deciding what percentage of your pension to take at partial retirement, as it could affect your tax position, or your final salary link, if you have one. And if you later choose to take 2015 Scheme benefits for the remedy period, you may have overpayments to pay back. So, if you can't wait for the Partial Retirement Calculator, we've built an interim tool to help you avoid this.

You can read more about McCloud and if you're affected on our website www.wealthgenius.co.uk

Tools to use if you're affected by McCloud

The McCloud Percentage Tool can't give you as much information as the Partial Retirement Calculator, but it will allow you to see what percentage of pension you could take to avoid having overpayments to repay, when you make your McCloud choice later on.

This tool is available at www.wealthgenius.co.uk

To use it you'll need to know the membership that's been used to calculate your pension benefits. This is called your pensionable service or reckonable pay depending on the Section of the Scheme and you can find it on your Annual Benefit Statement (ABS) or Total Reward Statement (TRS) or ask your employer.

Annual Benefit Statements (ABS) and Total Reward Statements (TRS) are updated each year in August, usually to the end of the most recent financial year. For example, in August 2023 updated statements will be made available that are up to date to the end of March 2023.

If you were a fully protected member for McCloud, you can use the percentage from this tool and your ABS or TRS statement to estimate your benefits.

If you were not a fully protected member and moved to the 2015 Scheme before 1 April 2022, use the Partial Retirement Member Estimate form on our [getting an estimate of your pension](#) webpage and we'll produce an estimate for you.

Why using this tool may help you

If you're eligible for the Public Service Pensions Remedy (McCloud), any pension benefits you built up between 1 April 2015 and 31 March 2022 – known as the remedy period - will be rolled back into the 1995/2008 Scheme before you take partial retirement.

Within 12 months of taking partial retirement, you will then be offered a choice between 1995/2008 or 2015 Scheme pension benefits for the remedy period.

We've designed this tool for members applying to take partial retirement on 1 October 2023 because you may prefer to take **only the portion of your benefits equal to those earned up to 31 March 2015**.

This will mean that when we contact you to choose your preferred benefits for the remedy period, you won't have to repay any overpaid 1995/2008 benefits if you decide that 2015 Scheme benefits are better.

If you plan to work longer while partially retired, 2015 Scheme benefits may be better for you for the remedy period.

The graph on the next page offers an example of a member retiring at the top of Band 7 with a normal pension age of 60 for their 1995 Section benefits and age 67 for their 2015 Scheme benefits – the equivalent of their state pension age. It shows the difference in the amount of their annual pension earned during the remedy period only, depending on which part of the Scheme they choose and the age they retire in full.

In this example, if the member chooses to work to age 63 or beyond, and does not expect a significant salary increase, 2015 Scheme benefits for the remedy period would be better. This is because in the 2015 Scheme, the amount of pension you earn is calculated based on your actual pensionable pay in that Scheme year. This amount is then increased in line with inflation (known as revaluation) every year until you retire or leave the Scheme. Your final pension amount is the total of all of these revalued pots from each year of your membership added together.

If this member chooses to work to their normal pension age, in this case age 67, there are no reductions applied to their 2015 Scheme pension and they'll get late retirement increases for every year they work beyond 67.

However, if the member chooses to work to age 63 or beyond, and does expect a significant salary increase, 1995 Section benefits for the remedy period could be better.

This is because you claimed 1995 Section benefits benefit from a final salary link, and a salary increase could mean the member's pension would grow above inflation plus 1.5%.

If this member chooses to work beyond their normal pension age, in this case age 67, their pension would not continue to be revalued and would not receive late retirement increases.

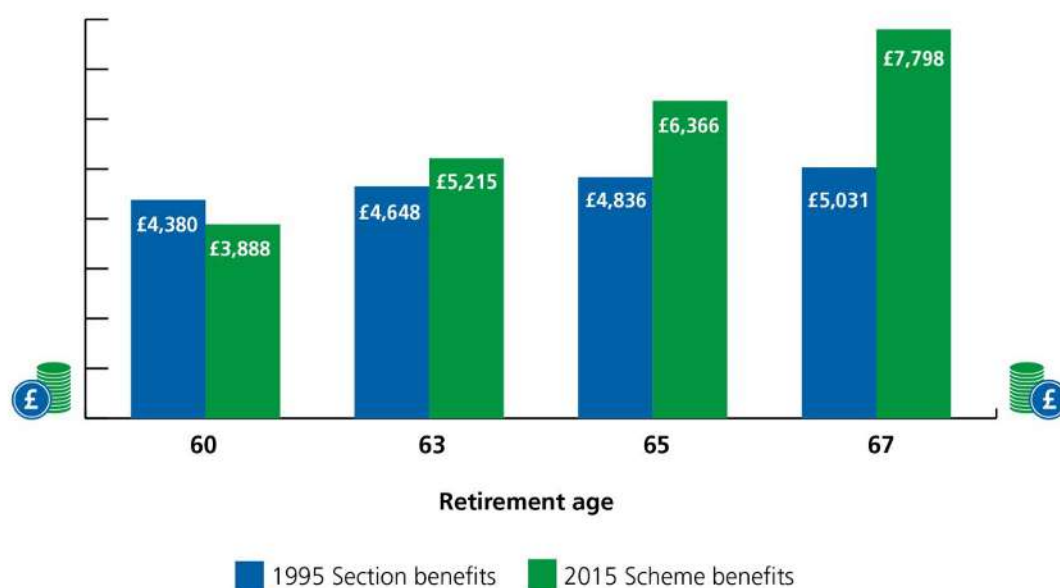
2015 Scheme benefits

- Increase each year in line with inflation, until you retire or leave the scheme
- Increase for each year worked beyond your normal pension age
- Are not linked to your final salary

1995 Section benefits

- Do not increase each year in line with inflation
- Do not receive late retirement increases for each year worked beyond your normal pension age
- Are linked to your final salary

Annual Pension Payments for the Remedy Period



The assumptions we made to produce this example are:

- A future Consumer Price Index (CPI) of 2%
- Future pay increases are equal to CPI
- The member has taken an optional lump sum in the 2015 Scheme equivalent to the automatic lump sum they'd receive with 1995 Section benefits
- The 2015 Scheme figures have been adjusted for early retirement before the member's normal pension age of 67

Members with pension benefits in more than one Section/Scheme

If you have benefits in both the 1995/2008 Section and 2015 Scheme, the percentage of benefits you apply for will be taken from your 1995/2008 Section benefits first.

When you choose to take partial retirement, your chosen percentage is applied sequentially across all your benefits in the NHS Pension Scheme. This means you effectively take or use up your 1995/2008 Scheme benefits first, before you can take any of your 2015 Scheme benefits.

A member:



A member with benefits in the 1995/2008 Scheme and 2015 Scheme chooses to take 80% of their benefits when partially retiring.

Two sets of benefits:

1995 Section pension benefits worth
= £10,000

2015 Scheme pension benefits
= £2,000

Equals a total pot of £12,000

$£12,000 \times 80\% = £9,600.00$

Benefits are used from the 1995 Section first. As £9,600 does not use up all the 1995 Section pension, only benefits from this Section are used. So, there's £400 of 1995 Section left and all of 2015 Scheme.

Lump sum

If you have 1995 Section benefits, you are not able to take your lump sum from the 1995 Section separately from your pension. Taking partial retirement involves claiming a proportion of your pension and any lump sum associated with that pension.

Example:

In the example above, the member takes 80% of benefits which is £9,600 from 1995 Section benefits.

The lump sum payable for this will be $\text{£}9,600 \times 3 = \text{£}28,800$

You will have the option to exchange some of your pension to provide for a lump sum (2008 Section/2015 Scheme) or an additional lump sum (1995 Section).

Members with added pension or additional years

If you have added benefits (additional pension or added years) you can choose to claim them at the same time as your partial retirement benefits.

If the amount of benefits you are wanting to take for partial retirement is more than the benefits you have in that Section or Scheme, your added benefits will automatically be payable. Your added benefits will be paid in full.

If you do not use all the benefits in the Section or Scheme when applying to take partial retirement, you can choose if you want to claim your added benefits at the same time. If you choose to take your added benefits, the added benefits must be paid in full, you cannot choose to claim part of the added benefits.

If payments for added benefits are incomplete, the amount paid will be adjusted based on the contributions paid to date.

If your added benefits are being paid before the selected end age of the purchase, a reduction factor for early payment will apply. For additional pension purchased in the 2008 Section or 2015 Scheme, late retirement factors will apply if pension benefits are claimed after normal pension age.

Maintaining your reduction in pensionable pay for 12 months

To be eligible for partial retirement, you must reduce your pensionable pay by at least 10% for the first 12 months from the date you take partial retirement.

During this time, your pay should not increase to more than 90% of your pensionable pay before you took partial retirement.

Annual NHS pay awards and contractual pay increases you receive as you move through your pay band or pay scales don't count towards this, but any pay increase resulting from a contractual change to your terms and conditions will.

For example, if you decide to apply for a different job with a higher salary, increase your hours or increase your commitments. If this causes your pay to increase to more than 90% of your pensionable pay before you took partial retirement, the pension benefits you're receiving will be stopped (abated).

To avoid any overpayments, you may need to pay back, you should inform NHS Pensions of any contractual changes to your conditions of employment which increase your pay to more than 90% of your pensionable pay before you took partial retirement.

If abatement occurs, your pension will only start to be paid again once your pensionable pay returns to 90% of your pensionable pay before you took partial retirement (or commitments for practitioner members).

The reduction in pensionable pay by 10% is only required for 12 months. After 12 months you can increase your pensionable pay without this affecting your partial retirement benefits.

How partial retirement may affect the benefits payable to dependants in the event of death

If after taking partial retirement, you were to die whilst in pensionable employment, the benefits payable to your dependants, including the lump sum, will be calculated differently for the:

- pension benefits you have not claimed as part of partial retirement and any further benefits you have accrued,
- pension benefits you have claimed as part of partial retirement.

Your lump sum on death benefit will be calculated as follows:

Type of benefit	Calculation
Pension benefits you have not claimed as part of partial retirement and any further benefits you have accrued	Twice the date of death. Your reckonable pay is the average of the best three consecutive years' pensionable pay last 10 years of your career in the NHS. *The percentage used will be the percentage of benefits you did not take when taking partial retirement
Pension benefits you have claimed as part of partial retirement	Where the death occurs within five years of partial retirement, the lesser of either: • five times your pension less the amount of pension already paid; or • twice the percentage amount of reckonable pay used in the calculation of your most recent partial retirement benefits, less the amount of lump sum taken.

Your adult dependant's or children's pension, if applicable:

Type of benefit	Calculation
Pension benefits you have not claimed as part of partial retirement you have accrued	According to the rules for the Scheme or Section for death in pensionable employment.
Pension benefits you have claimed as part of partial retirement	According to the rules for the Scheme or Section for death after retirement.

After the short-term pension has ended your spouse or Scheme partner will receive an adult dependant's pension payable for life.

Recap of your steps for applying for partial retirement

1	Talk to your HR team about new working arrangements that mean reducing your pensionable pay by at least 10% for the 12 months after taking partial retirement.
2	Use the Partial Retirement Calculator when it's available to decide what percentage of pension to take. If you're affected by McCloud and can't wait until then, use the McCloud Percentage Tool.
3	Ask your employer for the AW8 Retirement Benefits Claim Form and start your retirement application.
4	Complete the AW8 Partial Retirement Supplement Form – attach it to your completed AW8 and send it to your employer to finalise their sections and forward your application to us for processing.
5	Start your new partial retirement working arrangement, take some of the pension benefits you've already built up and continue to add to your pension in the 2015 Scheme.

Be aware of pension scams

The Pensions Regulator has warned that pension scams are on the increase in the UK, including examples of scammers encouraging savers to withdraw cash in the form of pension benefits.

Visit [The Pensions Regulator website](#) or the government's [Money Helper service](#) for information on scams and advice for what to look out for.

We'll put more updates on our website



We'll add any new information about partial retirement to our website - find the latest information at www.wealthgenius.co.uk

You may wish to consider the following when deciding the proportion of pension, you take:

Taking a pension or partial pension in addition to income from employment may alter your personal tax position.

If you take your benefits before the normal pension age (NPA), your benefits will be reduced. Different NPAs apply in the 1995 Section, 2008 Section and 2015 Scheme. This may affect your preferences around how much pension you wish to take and when.

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