

FACTSHEET – NHS Early retirement reduction buy out (ERRBO)

This factsheet provides you with information about the facility available in the NHS Pensions Scheme (Scotland) (NHS 2015), for buying out the reduction that would apply if retirement benefits were claimed before Normal Pension Age (NPA). Please note that NPA in NHS 2015 is the same as your State Pension Age (SPA).

Background

From 1st April 2015 members of NHS 2015 and their employers can elect to pay extra contributions to reduce, or remove the early retirement reduction if you retire after age 65 and before your NPA. This is known as an ERRBO.

You can apply at any time, however, you must submit your application within 3 months of joining, if you want to backdate the election to your start date in NHS 2015. If you apply before the end of June your contract can be backdated to the previous 1st April, otherwise it will begin from the following 1st April.

ERRBO elections can be taken out for 1, 2 or a maximum of 3 years depending on your NPA. The exception is only if your NPA is not your birthday e.g. if your NPA is 66 years 4 months you could elect to purchase 1 year and 4 months. However, you cannot reduce your early retirement age below 65.

Examples:

Member has and NPA (linked to SPA) of age 68.

Member can buy out an ERRBO arrangement for 3 years and retire at age 65, or buy 2 years and retire at age 66 or 1 year and retire at age 67 with unreduced benefits.

Member has an NPA (linked to SPA) of age 66 years and 1 month.

Member can buy an ERRBO for 1 year and 1 month and retire at age 65, or buy an ERRBO for 1 month and retire at age 66 with unreduced benefits.

Important note: The allowable limit for the purchase of additional pension benefits is £6,500 from 1st April 2015. This limit will be amended each year by a rate equal to the change in prices (currently the consumer prices index).

When can I apply?

An application for an ERRBO agreement must be made within three months of joining NHS 2015 to be effective from the start of the same scheme year. The same applies to an application made within three months of the beginning of any subsequent scheme year for it to be effective from that year. Any application made later than three months will only be effective from the beginning of the following year.

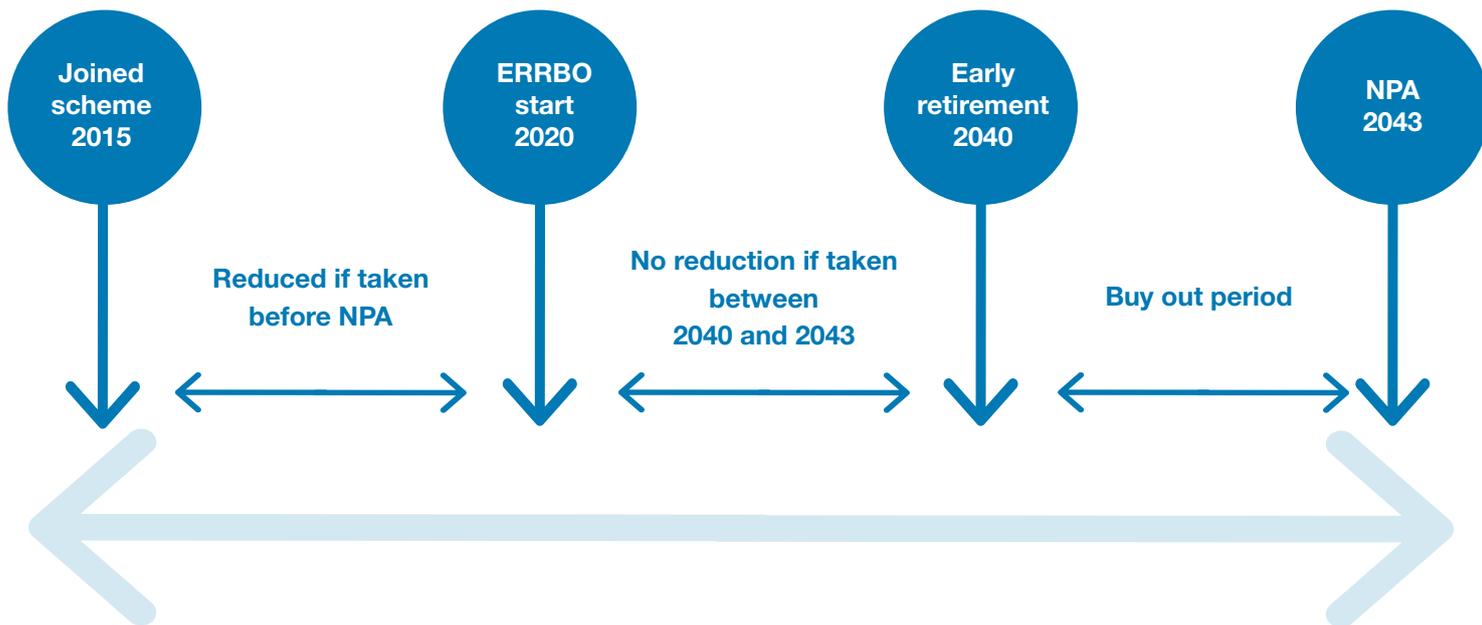
Examples:

A member who joins NHS 2015 on 5th May and submits their application before the end of June will start paying contributions from April of the same year.

A member who joins NHS 2015 on 5th May but does not submit their application until September will not start paying contributions until the following April.

It is not possible to make retrospective applications for earlier scheme years.

Important note: It is only scheme years covered by the ERRBO agreement and the pension built up in those years that will not be reduced if you take your pension earlier than your NPA.



How much will it cost?

How much an ERRBO costs depends on your age in complete years at the day before the effective date of the arrangement and the number of years' reduction the arrangement is for. Contributions are payable on all of your pensionable earnings in addition to your normal tiered contributions.

Please see the **attached table** which demonstrates the additional contribution rates applicable from 1st April 2015.

You must pay the extra contributions from the start date of your contract up to your retirement date unless you apply to cease the contract early on grounds of hardship or leave the scheme.

You must pay the extra contributions on all your pensionable earnings i.e. if you have more than one employment contract the extra contributions must be paid on each contract. If you change employment you must notify your employer with details of the extra contributions you are paying for the ERRBO contract.

Important note: If you apply to take out an ERRBO agreement, the value of any Additional Pension contract you have in NHS 2015 will be taken into account when calculating the ERRBO. This is to ensure that the maximum amount allowable is not exceeded.

How do I apply?

You can download a form from the website www.2015.sppa.gov.uk. Use this form to find out about your eligibility to enter into an ERRBO and the rate of the additional contributions you would pay. If you wish to proceed you will need to sign and return the form. Your employer will be instructed to deduct the additional contributions from the effective date.

What if my circumstances change?

You can terminate the arrangement at any time. If the period during which additional contributions are paid is less than one year, the additional contributions will be repaid and the arrangement cancelled. If the period is one year or more, additional contributions paid during any part scheme year will be repaid and the buy out period is limited to the end of the previous scheme year.

If you decide to retire before reaching the ERRBO retirement age, your pension benefits would be reduced for being paid earlier after taking account of the ERRBO agreement.

Questions?

If you have any questions about the information contained in this factsheet, please contact SPPA at 7 Tweedside Park, Tweedbank, Galashiels TD1 3TE.

