

# Your flexible retirement options

## A quick guide for employees

This factsheet is the second in a suite of resources from the **Working Longer Group**.<sup>\*</sup> It provides information about the range of retirement flexibilities within the NHS Pension Scheme and how these may support and enable you to work to a later, raised, retirement age.

### What does 'raised retirement age' mean?

From April 2015, the Normal Pension Age (NPA) that members can receive their pension under the 2015 NHS Pension Scheme arrangements (without reduction for early payment) will be set equal to their State Pension Age (SPA). For 70 per cent of NHS staff this will mean their pension age is between 65 and 68 years old. For example, if you were born in 1971 your state pension age is 67, but if you were born in 1983 it is 68.

You can find out your SPA using the **SPA calculator**.

Many studies over recent years have shown that workers have a number of motives for extending their working life, including:

- financial need
- benefits to health and vitality from the physical activity involved in working particularly from maintaining routines and obligations
- increased psychological wellbeing by maintaining professional identities and meeting challenges
- continuing personal development
- continuing social affirmation and friendships at work.

### What is flexible retirement?

Retirement has traditionally been seen as an 'all or nothing' cliff edge where work stops and retirement begins. In recent years we have seen trends for people leaving employment and taking their pension – often before they can access their full benefits – and then returning to some form of employment to supplement their pension income. Nowadays, and increasingly in the future, staff are facing a later retirement age before they can access their pension benefits, and many are concerned that they will not be able to continue working in the same way to a later age.

In the NHS Pension Scheme there are a number of options that allow changes to the way in which people work without a major or negative impact on their future pension nor the need to leave work, and the pension scheme, completely. These are often referred to as 'flexible retirement options' and are defined as providing flexibility regarding the age at which an employee retires, the length of time an employee takes to retire or the nature and intensity of work in the lead up to final retirement.

Flexible retirement arrangements that support a longer working life can also benefit staff by:

- supporting work/life balance considerations including caring responsibilities and flexible working
- allowing your skills to be valued and retained whilst changing the physical demands of work and working arrangements (e.g. responsibilities, shift patterns)
- providing a range of choice about your approach to retirement or working longer.

<sup>\*</sup>The **Working Longer Group** was established to address the impact of a raised retirement age on NHS staff, employers and the provision of health services.

Your employer should have a process for requesting flexible retirement that should complement other policies relating to retirement and flexible working. Flexible retirement arrangements will need to be agreed with your line manager and will need to benefit the service as well as you individually.

Knowing what flexible retirement options are available to you now will help you in your thoughts and planning for your future working life.

## What kind of flexible retirement options are available?

The flexible retirement options that may be available to you depend on the part of the pension scheme you are in.

	1995 section	2008 section	2015 scheme
Step down	✓	✓	✓
Wind down	✓	✓	✓
Retire and return*	✓	✓	✓
Draw down	✗	✓	✓
Late retirement enhancement	✗	✓	✓
Early retirement reduction buy out	✗	✗	✓

You can find out which section or scheme you are in through your **Total Reward Statement or Annual Benefits Statement**.

From April 2015 you may have membership in more than one part of the scheme – so will need to ensure that if you wish to take up flexible retirement, the option you chose is applicable to all your pensionable membership.

## Step down

You can 'step down' to a different role to reduce your level of responsibility whilst remaining in NHS employment.

Depending on your age at the time you step down, you may be able to **protect a higher level of pay** for the calculation of your future pension benefits so that the impact of a change in work only affects your future pension earned after stepping down.

This option may support you to remain in work in the run up to NPA as working at a lower level may feel more achievable and may be more financially advantageous rather than retiring from the organisation completely (and see retire and return information below).

## Wind down

You can 'wind down' to retirement by remaining in your current post, but reducing the number of hours or days you work. Pensions for part-time staff are calculated on the whole time equivalent salary and not the actual salary. Therefore, the only impact this may have is on the length of your membership, as it will take longer to build up future membership if you are working less than full time hours.

For example, if you wind down to work half-time hours it will take two years to build up one year of pension benefits, but the final salary used to calculate benefits will not be affected so long as your salary band or level remains the same. If your salary band or level reduces, please see the previous information on step down.

This option may support you to remain in work for a longer period of time before retirement and could be used in conjunction with a flexible working request.

\*Members of the 1995 section will not be eligible to rejoin the NHS Pension Scheme on their return to employment.

## Retire and return to NHS employment

Once you have reached the minimum pension age of the pension scheme you can choose to retire, claim your pension benefits and then return to NHS employment.

Remember if you retire before NPA your benefits will be reduced on account of them being paid early. You should also be aware of the timings of your return to NHS employment as you are expected to have a break in service before you do so. If you do not wish to break your service you may be better off considering 'draw down' (if you are eligible – see the table on page 2).

If you retire from the 1995 section you may return to NHS employment but cannot continue to contribute to the NHS Pension Scheme, unless you retire on ill health grounds and are under the age of 50. You may however, be able to join an alternative pension scheme under auto enrolment. Further details can be supplied from your employer.

If you retire from the 2008 section or the 2015 scheme, you may return to NHS employment and will be able to continue contributing to the NHS Pension Scheme.

## Draw down

Draw down allows you to access some of your pension benefits without having to retire from employment. You can take between 20 per cent and 80 per cent of your pension benefits, stay working and continue to build up future membership in the scheme. You can **draw down** on up to two occasions before retiring completely. But please note that any benefits drawn down before your NPA will be reduced to take account of their early payment.

If you are aged over your NPA and your pay is reduced by at least 10 per cent, you can also partially retire and take some pension benefits. The pensionable pay must be reduced for at least a year or you will cease to be eligible for the pension you have drawn down.

This option can be attractive if you need to supplement your income in the run up to full retirement.

## Late retirement enhancement

If you continue working past NPA and have not drawn down from your pension at all, **your pension benefits will be increased** by the application of late retirement factors.

You can benefit from working longer to achieve an increase in pension benefits when you come to draw your pension.

## Early retirement reduced buy out

This new provision to the 2015 pension scheme arrangements allows staff – and/or their employer – to make additional contributions to the scheme that will allow you to retire earlier than your NPA without any early retirement reduction (although not more than three years earlier than your NPA and not allowing for a retirement age of less than 65 years old). It is known as 'buying out' the early retirement reduction that would otherwise apply.

For example, a member of staff with an NPA of 68 could make arrangements to buy out three years' worth of early retirement reduction so that they can retire at age 65 without suffering any reduction in the pension benefits. However, a member of staff with a future NPA of 66 could only buy out a one-year reduction, allowing them to retire at age 65. They could not buy out the full three years as this would take their retirement below age 65.

There are strict time limits on when you can enter into such a buy-out arrangement. More information will be available on the **NHS Pension Scheme** website in due course.

Employers can also fund this buy-out arrangement and are being encouraged to draw up a transparent and fair framework for making decisions about who should be supported in this way.

This provision is different to retirement in the interests of the service detailed in the Agenda for Change handbook in paragraphs 16.26–16.28.

## Looking to the future

A longer working life means that you may want to consider your career, pension and retirement choices at an earlier age so that you can plan for the best pension provision possible. Your employer and union representatives will be able to explain the policies and practices available in your organisation to support working longer, for example flexible working, flexible retirement, voluntary job change and retraining.

With a greater number of staff working into their later 60s, employers will need to consider what steps should be taken to ensure the motivation, engagement and productivity of the whole workforce.

The Working Longer Group will be producing more guidance over the next 12 months and information will be available on our website.

Further resources and information about pension and retirement flexibilities are available on the **NHS Pensions website**.

## More information on the NHS Working Longer Group

[www.nhsemployers.org/wlg](http://www.nhsemployers.org/wlg)

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