

## NHS Pensions

### Employer factsheet

#### Partial Retirement

**A key feature of both the 2008 Section and 2015 Scheme is the option for members to partially retire, which is sometimes known as drawdown.**

Partial retirement is where members aged 55 and over can choose to take part, or all of their pension benefits and continue in NHS employment. The pension benefits are paid as a monthly amount.

From 1 October 2023, the regulations are being changed to enable members of the 1995 Section to also take partial retirement. From this date, the amount of benefits members are able to take when partially retiring is also changing and members will be able to partially retire and claim up to 100% of their pension benefits from any Section or Scheme.

To take partial retirement, members must reduce the annual rate of their pensionable pay by 10% or more of their pensionable pay received in the previous 12 months. This also applies to members who wish to take partial retirement of their pension for a second time.

Members are not required to have a break in employment of 24-hours to claim their partial retirement benefits.

Partial retirement benefits paid before a member reaches their normal pension age will be reduced as they are being paid early. The normal pension age for members of the 1995 Section is 60, 2008 Section is age 65 and for members of the 2015 Scheme it is their State Pension Age or age 65, whichever is later.

A member can take partial retirement of their pension benefits on up to two occasions before fully retiring. Fully retiring means taking a 24-hour break in their contract of employment.

Where partial retirement has already been taken from the 2008 Section before becoming a member of the 2015 Scheme, the member may only take partial retirement on one more occasion before full retirement.

## To be eligible for partial retirement a member must:

- have reached their minimum pension age,
- be an active member of the Scheme,
- reduce their actual pensionable pay by at least 10% for 12 months starting from their partial retirement date (for GP's, Dental Practitioners, Ophthalmic and non-GP Providers a 10% reduction in commitment is required),
- the 10% reduction in pensionable pay will be calculated based on the member's previous level of pensionable pay for the 12 months before they take partial retirement, ending on the day they take partial retirement,
- have a change in their terms and conditions of employment to reflect their reduction in pensionable pay, the rest of their terms and conditions remain the same,
- expect the 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 who will have a protected minimum pension age of 50. These are generally members who joined the NHS Pension Scheme before 6 April 2006.

If a member with a minimum pension age of 50 wishes to claim their partial retirement pension benefits, they must take 100% of their 1995 Section pension benefits. This is part of the legislation published by HM Revenue & Customs, and it is not within our power to waive this requirement.

## Being an active member of the Scheme

To be eligible for partial retirement a member must be paying pension contributions as part of their monthly salary to the NHS Pension Scheme. If a member has opted out of the NHS Pension Scheme, they are not eligible to claim their pension under partial retirement provisions.

A member may only claim pension benefits under partial retirement from the 1995/2008 Section providing they have a final salary link to those pension benefits. A final salary link will apply if the member has not had a break of more than five years.

A member must be an active member paying pension contributions when they apply for partial retirement. Following partial retirement, the member must actively contribute to the Scheme for at least one day. If the member wishes to opt out, this will become effective at the end of the next pay period.

For example, if a member would like to claim their pension from 1 October 2023, they must be actively contributing on this date and can submit an SD502 opt out form on 2 October 2023. However, the opt out takes effect from the end of the pay period and contributions would cease at this point. In most circumstances this would mean the end of the month.

If a member chooses to leave employment, they can do so providing they actively contribute to the Scheme for one day following partial retirement.

In both circumstances, to assess whether the member's pay has reduced by at least 10% for the first 12 months the pay received will be grossed up to the full year. This is achieved by the following calculation:

Pay in period x 365 ÷ number of days = Pay for 12 months

### 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.

Members cannot continue in either the 1995 Section or 2008 Section if they are 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 a member who has 1995 Section benefits wishes to claim their benefits and continue working, they will need to retire and rejoin the 2015 Scheme.

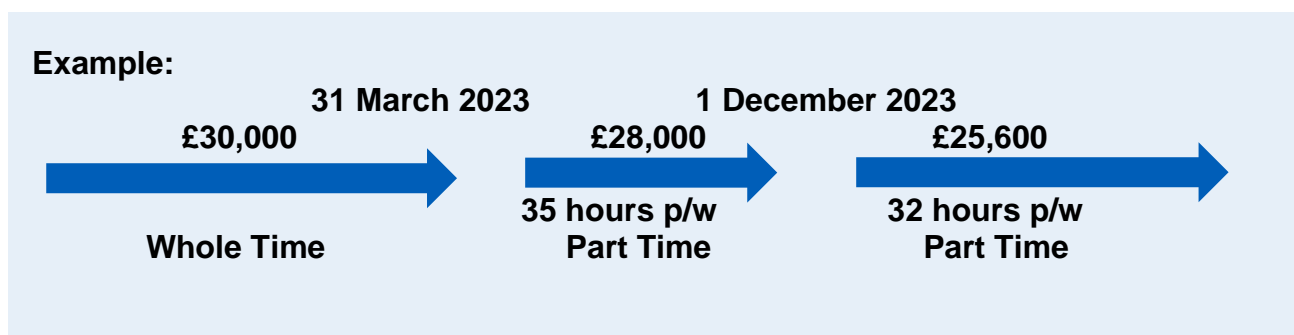
More information on re-employment is available for members on our website [www.nhsbsa.nhs.uk/pensioner-hub/re-employment](http://www.nhsbsa.nhs.uk/pensioner-hub/re-employment)

Those with maximum membership in the 2008 Section will be able to access their 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.

### Reduction of pensionable pay

A member must have a reduction in their pensionable pay of at least 10%.

This is based on the pensionable pay they have received in the last 12 months prior to the date they would like to claim partial retirement pension benefits from. If the member's working pattern has changed during the last 12 months, the reduction may still be met.



A member was whole time up to 31 March 2023 with their pay being £30,000.00. From 1 April 2023 they reduce their hours to 35 per week but do not elect to claim partial retirement of their pension. Their pay is reduced to £28,000.00 (actual pay). They take a further reduction in pay from 1 December 2023 by reducing their hours to 32 per week and apply for partial retirement. Their pay from 01 December 2023 is £25,600.00 (actual pay). The pay difference between £28,000 and £25,600 is less than 10% and at first glance the requirement is not met.

However, the member's total pay in the last 12 months was:

$$\begin{aligned} &£30,000 \times 4\text{months} \div 12\text{months} = £10,000, \text{ and} \\ &£28,000 \times 8\text{months} \div 12\text{months} = £18,666.67 \end{aligned}$$

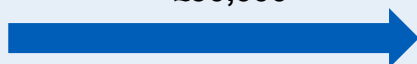
$$£10,000 + £18,666.67 = £28,666.67 \text{ for the whole 12-month period.}$$

In the example, the difference between £25,600 (their new pensionable pay from 1 December 2023) and £28,666.67 is more than 10%. Therefore, the requirement is met, and partial retirement can be taken. If the difference was less than 10% then partial retirement would not be available.

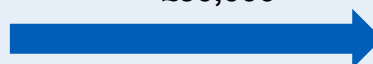
For members who have more than one employment, the member must take a reduction of at least 10% on the combined pay across all pensionable employments. The pensionable pay is that up to the maximum of whole time only and the reduction can be achieved by varying one employment or both.

#### Example:

**Employment 1**  
**= £50,000**



**Employment 2**  
**= £30,000**



**Total pay = £80,000**

**We would expect a reduction so that the overall pay is no more than**  
**£80,000 – 10% = £72,000**

When completing the partial retirement supplementary form and inputting the actual pensionable pay figures, the pay figure should include any deemed pay and expected working pattern. Any pay earned up to the point of completing the application should be included. For those currently absent from work due to sickness, normal rules regarding deemed pay should be followed.

### Achieving the 10% reduction in pay

To take partial retirement, members will need to agree a new working arrangement with you that lets them reduce their pensionable pay by at least 10%. For example, they could change their level of responsibility, work fewer hours, or move to a new role.

The member's pensionable pay must stay at the reduced level for at least 12 months after they take partial retirement, or they'll no longer be eligible for the pension they've taken.

During this period, they may still be able to do additional work that doesn't count towards their pension, such as overtime or Bank work.

Normal annual pay rises, and spine/step points are ignored as the members terms and conditions are not changing. It is only where the member's terms change and the pay increases that may affect the pension in payment.

More information is available on the NHS Employers website: [Using flexible retirement to support retention.](#)

## A change in terms and conditions

Following the reduction in pensionable pay, a member must have a change to their terms and conditions of employment. This change in terms and conditions is to reference how you've reduced their pensionable pay by 10%. In the example used in the reduction of pensionable pay section of this document, the member has reduced their hours from 35 a week to 32 hours a week. This would meet the requirements of partial retirement.

A further option would be for a member to remain whole-time but drop their overall commitment by moving to a lower pay band. For example, a member may move from a Band 6 role to a Band 5 position and meet the requirements of at least a 10% reduction in their pensionable pay.

All other terms and conditions remain the same.

## Partial Retirement Limits

**Subject to overall limits, members can take a minimum of 20% of their pension benefits and up to a maximum of 80% of their pension entitlement earned to date, whilst continuing to build up further pension entitlement.**

The maximum percentage that a member can claim on partial retirement will increase to 100% from 1 October 2023.

Members who have partially retired will continue to build up pension benefits in the 2015 Scheme.

Overall limits refer to a member only being able to claim a pension that is less than 0.05% of their lifetime allowance. A member may also be impacted by the maximum tax-free lump sum rules.

### Example:

A member may take 20% of their pension before normal pension age which is reduced for early payment but continue to work past their normal pension age, in this instance the remaining 80%, plus any additional pension they have built up would be subject to late retirement factors if the pension benefits are from the 2008 Section or 2015 Scheme. The 1995 Section does not provide for late retirement factors.

The minimum pension payable, prior to any exchange of pension for a lump sum, cannot be lower than 0.05% of the member's current standard lifetime allowance. The standard lifetime allowance is calculated by multiplying their pension by 20 and adding any mandatory lump sum that is payable.

## Application process

**Members must discuss their partial retirement application with their employer to agree any changes to their working arrangements that may be needed to achieve the required 10% reduction in pensionable pay.**

The member and employer must then complete and send an NHS Pensions – retirement benefits claim (AW8) form to NHS Pensions attaching the partial retirement supplementary form.

If you have a member of the scheme applying to take partial retirement for some of their pension:

1. Do not close the record down through Pensions Online as the member is continuing in that employment.
2. Complete a paper AW8 form as normal marked 'Partial Retirement'.
3. Complete the Partial Retirement supplementary form and attach it to the AW8 form.
4. Send both the form and attachment to NHS Pensions

From 1 October, a Partial Retirement Calculator will be available to allow members to see how taking different percentages of their pension when they partially retire will affect the overall amount of pension benefits, they'll get. So, unless they have a good reason for their partial retirement arrangement to start as soon as is possible from 1 October, we recommend waiting until this calculator is available to work out the amount of pension and change in working arrangement that's best for them.

## Things to consider if a member is affected by the McCloud ruling

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

If a member is affected, they'll be contacted in the 12 months after they've partially retired and asked to choose between keeping these benefits in the 1995/2008 Scheme, 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 their service during the remedy period could be different depending on how long they continue to work, after they've taken partial retirement.

Their McCloud choice means there are other factors to take into account when deciding what percentage of their pension to take as part of their partial retirement, as it could affect their personal tax position, or their final salary link, if they have one. If a member chooses to take 2015 Scheme benefits for the remedy period, they may have lump sum

overpayments to pay back. To help avoid this, we're building tools members can use to help them complete their partial retirement application.

For those members affected by McCloud who want to take partial retirement from 1 October and don't want to wait for the Partial Retirement Calculator, the McCloud Percentage Tool will allow them to see what percentage pension they can take that should help avoid later impacts from their McCloud choice.

To use it they'll need to know the membership used to calculate their pension benefits, known as pensionable service or reckonable service. The member can find this figure on their Annual Benefit Statement (ABS) or Total Reward Statement (TRS).

This tool can't give as much information as the Partial Retirement Pension Calculator, but it will help you see if the percentage of pension the member chooses at partial retirement could affect their pension benefits for the remedy period. If they are a fully protected member for McCloud, they can use the percentage from this tool and their ABS or TRS statement to estimate their benefits.

If they're not a fully protected member, they should follow the guidance on the [getting an estimate of your pension](#) webpage and we'll produce an estimate for them.

## Members with pension benefits in more than one Section/Scheme

Members with entitlements in both the 1995/2008 Section and 2015 Scheme cannot choose which Scheme the amount being taken is applied against.

When a member chooses to take partial retirement, their chosen percentage is applied sequentially across all their benefits in the NHS Pension Scheme. This means they effectively take or use up their 1995/2008 scheme benefits first, followed by their 2015 scheme benefits.

For example, if the member elects to take 80% of their pension benefits, this will be 80% of their total pension from both the 1995/2008 Section and 2015 Scheme combined.

### Example:

1995 Section Pension = £10,000

2015 Scheme Pension = £2,000

Total Pension = £12,000

£12,000 x 80% = £9,600.00

As £9,600 does not exhaust the 1995 Section pension, only benefits from this Section of the Scheme are payable.

1995 Section:

Pension Payable = **£9,600**

Lump Sum Payable = £9,600 x 3 = **£28,800**



If a member wishes to take their 1995/2008 Scheme benefits but not their 2015 Scheme benefits (perhaps to avoid an early retirement reduction being applied to their 2015 scheme benefits) employers will need to indicate this on the partial retirement supplementary form.

If the member retires prior to their 1995 Section normal pension age the pension and lump sum are adjusted for early retirement. The reduction is applied after the application of the percentage the member has elected to take. At the point of applying for their pension on partial retirement, provisions will be made in the application process for a member to select 100% of their pension from a Section or Scheme.

## **Lump sum**

Members are not able to take their lump sum from the 1995 Section separately from their pension. Taking partial retirement involves claiming a proportion of their pension and any lump sum associated with that pension.

The member will have the option to exchange some of their 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 a member has added benefits (additional pension or added years) they can choose to claim them at the same time as their partial retirement benefits.

If the amount of benefits the member wants to take for partial retirement is more than the benefits they have in that Section or Scheme, their added benefits will automatically be payable. Their added benefits will be paid in full.

If a member does not use all the benefits in the Section or Scheme when applying to take partial retirement, they can choose if they want to claim their added benefits at the same time. If they choose to take their added benefits, the added benefits must be paid in full, they 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 the member's 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.

## **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 a member is eligible, they can make an application for pay protection providing their notional whole-time pay decreases because of their partial retirement. For example, if they claim a partial retirement pension and reduce their hours, they would not be eligible to



apply for pay protection as the pay they would receive if they were whole-time would remain the same. However, if they stepped down roles, for example from a Band 6 role to a Band 5 role, they 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.

## Abatement and partial retirement

To be eligible for partial retirement, subject to the employer's agreement, a member must reduce their pensionable pay by at least 10% for the first 12 months from the date they take partial retirement.

During this time, if the member's pensionable pay increases to more than 90% of their pensionable pay before they took partial retirement, abatement will apply in full and the member's pension benefits in payment will be stopped.

If a member's pay does increase to more than is allowed and abatement occurs, their pension will only start to be paid again, once their pensionable pay is reduced by a minimum of 10% of the pay that their original decision to take partial retirement was based on (or commitments for practitioner members).

Annual pay awards and pay increases members receive as they move through their pay band or pay scales don't count towards this, but any pay increase resulting from a contractual change to their terms and conditions will. For example, if a member decides to apply for a different job with a higher salary, increase their hours or increase their commitments.

To avoid any overpayments that they would need to pay back when their pension record is updated at year end, it is important to make members aware of the changes that could lead to having their pension benefits stopped.

If contractual changes increase a member's pay to more than 90% of their pensionable pay in the 12 months after taking partial retirement, please inform NHS Pensions. We are asking members to inform NHS Pensions of any increases to their level of pay or changes to their conditions of employment. We'd ask that you also inform us of any changes you're aware of when they occur.

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

You can find more information on how abatement is applied to partial retirement in our 'pay increases within 12 months of draw down' factsheet which is available in the retirement section of the Employer Hub: [www.nhsbsa.nhs.uk/employer-hub/technical-guidance/retirement](http://www.nhsbsa.nhs.uk/employer-hub/technical-guidance/retirement)

The Department of Health and Social Care suspended abatement on partial retirement for members of the 2008 Section and 2015 Scheme until 31 March 2023. This temporary easement was intended to support retired staff to return to work and boost capacity during the pandemic.

**Abatement for those taking partial retirement has resumed from 1 April 2023 and will continue to operate as described above.**

## 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	<p>Twice the percentage* of your reckonable pay at the date of death.</p> <p>Your reckonable pay is the average of the best three consecutive years' pensionable pay in the last 10 years of your career in the NHS.</p> <p>*The percentage used will be the percentage of benefits you did not take when taking partial retirement</p>
Pension benefits you have claimed as part of partial retirement	<p>Where the death occurs within five years of partial retirement, the lesser of either:</p> <ul style="list-style-type: none"> <li>• five times your pension less the amount of pension already paid; or</li> <li>• 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.</li> </ul>

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 and any further benefits 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 the application process for partial retirement

**Important: Do not close the member's record during the application process as they are continuing in the same role.**

1	A member must talk to their HR team about new working arrangements that mean reducing their pensionable pay by at least 10% for the 12 months after taking partial retirement.
2	From 1 October members can use the Partial Retirement Calculator to decide what percentage of pension to take. If they're affected by McCloud and can't wait until then, they use the McCloud Percentage Tool.
3	An AW8 Retirement Benefits Claim Form should be completed.
4	The member and employer should complete the AW8 Partial Retirement Supplementary Form and attach it to the completed AW8, the application should be forwarded to us for processing.
5	Forward the AW8 and partial retirement supplementary form to us for processing. Do not send this by e-mail.
6	The member starts their new partial retirement working arrangement from their partial retirement date. They receive some of the pension benefits they've already built up and continue to add to their pension in the 2015 Scheme.

## Resources for members on awareness 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.

More information and resources for members can be found on [The Pensions Regulator website](#) or the government's [Money Helper service](#), including advice on 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.nhsbsa.nhs.uk/employer-hub/technical-guidance/retirement](http://www.nhsbsa.nhs.uk/employer-hub/technical-guidance/retirement)

## Members may wish to consider the following when deciding the proportion of pension, they take:

Taking a pension or partial pension in addition to income from employment may alter the employee's personal tax position.

If a member takes their benefits before the normal pension age (NPA), their benefits will be reduced. Different NPAs apply in the [1995 Section](#), [2008 Section](#) and [2015 Scheme](#). This may affect the member's preferences around how much pension they wish to take and when.