NHS Business Services Authority

NHS Pensions

Member factsheet

NHS Pensions - Early retirement reduction buy out (ERRBO)

This factsheet provides members of the 2015 Scheme with information about the facility for buying out the reduction that would apply if retirement benefits were claimed before normal pension age (NPA). NPA in the 2015 Scheme is the same as the member's State Pension age (SPA), or age 65 if that is later, and may rise during membership of the Scheme if SPA rises.

Background

The NPA for this scheme will change in line with any changes to the SPA. An option exists in this Scheme only for you to pay additional contributions to buy out the reduction that would apply if you retired before your NPA. This is known as an 'ERRBO agreement'. Your employer can, if they agree, pay all or part of the required additional contributions on your behalf.

The agreement can be for early retirement one, two or three years before your NPA but no earlier than age 65. An exception to this is where your NPA is not a whole number, for example if your NPA is 65 years and a number of months then an ERRBO agreement can be taken out to include the number of months.

The rate of additional contributions payable is based on your age at the effective date of the agreement (that is your age on 1 April of the first Scheme year to be covered by the agreement) and the number of years reduction being bought out. There is an overall limit on the total value of additional benefits that can be bought in this Scheme by the payment of additional contributions. If you have bought or are buying additional pension (AP) this may limit the scope of the ERRBO agreement available. We will tell you if this applies when you make an application.

The additional contributions are payable during each Scheme year (1 April of one year to 31 March of the following year) that the early retirement reduction is being bought out.

Examples

Member A has a NPA (linked to SPA) of age 66. They can buy an ERRBO agreement for one year and retire at age 65 with unreduced benefits.

Member B has a NPA (linked to SPA) of age 67. They can buy an ERRBO agreement for 2 years and retire at age 65 with unreduced benefits, or buy an ERRBO agreement for one year and retire at age 66 with unreduced benefits.

Member C has a NPA (linked to SPA) of age 68. They can buy an ERRBO agreement for 3 years and retire at age 65 with unreduced benefits, or buy an ERRBO agreement for 2 years and retire at age 66 with unreduced benefits or buy an ERRBO agreement for one year and retire at age 67 with unreduced benefits.

Member D has a NPA (linked to SPA) of age 66 years and six months. They can buy an ERRBO agreement for one year and 6 months and retire at age 65 with unreduced benefits or buy an ERRBO agreement for 6 months and retire at age 66 with unreduced benefits. The ERRBO agreement must result in a reduced retirement age that is a whole number of years.

In all the above examples the additional contributions must be paid for each Scheme year for it to be included in the ERRBO agreement.

When to apply

An application for an ERRBO agreement must be made within 3 months of joining the 2015 Scheme for it to be effective from your first Scheme year. Similarly, an application must be made within 3 months of the beginning of any subsequent Scheme year for it to be effective from that Scheme year. Application forms must be received within 3 months of either joining the 2015 Scheme or the beginning of the Scheme year, whichever is earlier. Once an agreement is in place it will automatically roll forward to subsequent Scheme years until ended.

It is not permissible to make retrospective applications for earlier Scheme years.

Example

A member joins this Scheme on 1 April 2022. Provided an application is received by 30 June 2022 the ERRBO agreement will be effective from the beginning of the 2022/2023 Scheme year (1 April 2022) and arrears of additional contributions will be collected by the employer. An application received after 30 June will be effective from the beginning of the next Scheme year (2023/2024) and additional contributions will be collected by the employer from April 2023. Only Scheme years 2023/2024 and later will be covered by the ERRBO agreement and the pension built up in year 2022/2023 will be reduced for being paid early and for longer.

The cost of an ERRBO agreement

How much an ERRBO agreement will cost depends on your age in complete years at the day before the effective date of the agreement and the number of years' reduction the agreement is for. The effective date is your age at 31 March immediately before the intended start date of the agreement. The table below gives the rate of extra percentage contributions payable each year in addition to your normal tiered contributions, to secure the agreement. Where the agreement is for or includes a number of months, the cost will be pro rata the percentage rate shown in the table for a one year reduction buy out. However, the cost is subject to review based on advice from the Scheme Actuary, and following review the cost of future instalments of an existing arrangement could be changed.

If the cost of future instalments increases due to a review you will have the option to end your ERRBO agreement. You do not lose everything but simply the pension built up during the payment period of the ERRBO agreement attracts the reduced retirement age.
You do not lose everything, but the reduced retirement age adjustment will only apply to the pension built up during the payment period of the ERRBO agreement.
You do not lose everything but only the pension built up during the payment period of the ERRBO agreement will gain the reduced retirement age

Table – Additional contribution rates (percentage of pensionable pay) payable for 1,2 and 3 year NPA reduction according to member age

Age (Complete years at previous 31 March)	Normal pension age – 1 year	Normal pension age – 2 years	Normal pension age – 3 years
16	1.69%	3.38%	5.07%
17	1.69%	3.38%	5.06%
18	1.69%	3.37%	5.06%
19	1.69%	3.37%	5.06%
20	1.68%	3.37%	5.05%
21	1.68%	3.37%	5.05%
22	1.68%	3.36%	5.05%
23	1.68%	3.36%	5.04%
24	1.68%	3.36%	5.04%
25	1.68%	3.36%	5.04%
26	1.68%	3.36%	5.03%
27	1.68%	3.35%	5.03%
28	1.68%	3.35%	5.03%
29	1.67%	3.35%	5.02%
30	1.67%	3.35%	5.02%
31	1.67%	3.35%	5.02%
32	1.67%	3.34%	5.02%
33	1.67%	3.34%	5.01%
34	1.67%	3.34%	5.01%
35	1.67%	3.34%	5.01%
36	1.67%	3.34%	5.01%

Age (Complete years at previous 31 March)	Normal pension age – 1 year	Normal pension age – 2 years	Normal pension age – 3 years
37	1.67%	3.34%	5.01%
38	1.67%	3.34%	5.00%
39	1.67%	3.34%	5.00%
40	1.67%	3.33%	5.00%
41	1.67%	3.33%	5.00%
42	1.67%	3.33%	5.00%
43	1.67%	3.33%	5.00%
44	1.67%	3.33%	5.00%
45	1.67%	3.33%	5.00%
46	1.67%	3.33%	5.00%
47	1.67%	3.34%	5.00%
48	1.67%	3.34%	5.01%
49	1.67%	3.34%	5.01%
50	1.67%	3.34%	5.01%
51	1.67%	3.34%	5.01%
52	1.67%	3.35%	5.02%
53	1.68%	3.35%	5.03%
54	1.68%	3.35%	5.03%
55	1.68%	3.36%	5.04%
56	1.68%	3.37%	5.05%
57	1.69%	3.37%	5.06%
58	1.69%	3.38%	5.07%
59	1.69%	3.39%	5.08%
60	1.70%	3.40%	5.09%
61	1.70%	3.41%	5.11%
62	1.71%	3.42%	5.12%
63	1.71%	3.43%	5.14%
64	1.72%	3.44%	5.16%
65	1.73%	3.45%	Not applicable
66	1.73%	Not applicable	Not applicable
67	Not applicable	Not applicable	Not applicable

Example

A member has a NPA of age 68 and takes out an agreement to purchase a buy out of three years immediately on joining the 2015 Scheme at age 35. Additional contributions are paid up to their 65th birthday when they retire and claim their pension. The normal actuarial reduction that would apply to the pension being paid 3 years early is eliminated by the ERRBO payments and the pension is paid in full. The member will have paid additional contributions of 5.01% before tax relief (ERRBO contributions do not count towards the annual allowance limit on pension growth), in addition to their normal tiered rate contributions for 30 years to be entitled to claim their entire 2015 Scheme benefits without reduction at age 65, three years earlier than NPA.

How to apply

You can download an expression of interest form (ERRBO1) from our website at. www.nhsbsa.nhs.uk/member-hub/increasing-your-pension. Use this form to check your eligibility to enter into an ERRBO agreement and confirm the rate of additional contributions that you would pay if an ERRBO agreement is possible.

If you then wish to proceed you will need to complete, sign, and return the application for agreement (ERRBO3) form available on our website and return it to your employer.

Your employer will then be instructed to deduct the additional contributions from the effective date.

Changes in plans or circumstances after an ERRBO agreement has started

ERRBO payments during the public service pensions remedy (McCloud) period

If you joined a public service pension scheme on or before 31 March 2012 and:

- you had pensionable service between 1 April 2015 and 31 March 2022 (or your retirement date if earlier), or you left service after 31 March 2012 but returned within 5 years
- your pensionable service was in the legacy scheme (1995/2008 Scheme), or your pensionable service was in the 2015 Scheme, but would have been pensionable service in the legacy scheme but for the discrimination
- you did not choose to give up your transitional protection to move to the 2015 Scheme (option to give up protection – OTGUP)

then you will be affected by the public service pensions remedy (McCloud) and any continuous service you had in the remedy period (1 April 2015 to 31 March 2022) has been placed into your legacy scheme. In the NHS this is the 1995/2008 scheme. This is known as ‘rollback of remedy period service’. For more information about the public service pensions remedy, go to our dedicated webpage: www.nhsbsa.nhs.uk/public-service-pensions-remedy-mccloud.

As ERRBO is not available in the 1995/2008 Scheme, you can find out your options for payments made during this period at www.nhsbsa.nhs.uk/public-service-pensions-remedy-mccloud/contingent-decisions.

Retirement before ERRBO retirement age due to permanent ill health

The ERRBO agreement will have no value and you will not have your additional contributions returned. You will, however, receive your pension early and without reduction.

Stopping and restarting paying ERRBO additional contributions

An ERRBO agreement can be suspended, on hardship grounds only, for up to one year. If the additional contributions are not restarted within one year the agreement is terminated and you cannot take out any further agreements. We will tell you when you must restart paying additional contributions to avoid termination of the agreement.

Terminating the agreement before reaching ERRBO retirement age

You can terminate the agreement at any time. If the period during which additional contributions are paid is less than one year, then the additional contributions will be repaid, and the agreement cancelled. If the period during which additional contributions have been paid is one year or more, then 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.

Retiring before reaching ERRBO retirement age

Your pension benefits would be reduced for being paid earlier and longer after taking account of the ERRBO agreement. For example, a member with a NPA of age 66 who purchased a ERRBO agreement of one year decides to retire at age 64 instead of 65. After taking account of the ERRBO, the retirement age is one year earlier than the effective NPA and the pension would be reduced by the appropriate factor for early retirement, in this example 'normal pension age -1'.

Retiring later than ERRBO retirement age

If you take your pension later than the date when an ERRBO agreement would completely eliminate the early retirement reduction, you must continue to pay the ERRBO contributions until you retire or reach your NPA. The pension built up in the period of the agreement will be increased because it is paid later than your reduced retirement age.

Death before reaching ERRBO retirement age

If you die before retirement your ERRBO will not have any value as any adult dependants' benefits are paid unreduced. Any benefits based on prospective service take account of the service to the member's NPA and the ERRBO is effectively ignored. This is reflected in the way the ERRBO contributions are set.

Leaving on redundancy grounds or in the interests of efficiency before reaching ERRBO retirement age

If you are made redundant and choose to claim your pension the cost of paying it early is assessed on the reduced retirement age taking into account the ERRBO agreement. This may result in less of your redundancy payment being needed to offset the employer's cost and the surplus (if any) returned to you will be greater than if no ERRBO had been purchased.

Breaks in NHS pensionable employment

If you have a break in pensionable service of 5 years or less, an ERRBO agreement will automatically recommence on the same basis as that on which it was previously agreed. This is subject to any changes to the costs as part of the reviews by the Scheme Actuary.

If there is a break in pensionable service of more than 5 years, the ERRBO agreement is terminated. You do not ‘lose everything’ but simply the pension built up during the payment period of the ERRBO agreement attracts the reduced retirement age.

Increasing ERRBO contributions for an earlier retirement age

A member who has an existing ERRBO agreement may increase the amount of ERRBO contributions to secure an earlier reduced retirement age, no lower than age 65. The cost of increasing the agreement is determined by the age of the member as at 31 March immediately prior to the increase.

The earlier retirement age will only affect the pension accrued after the date the revised contributions commenced. The pension accrued before the change will continue to be based on the reduced retirement age made in that previous election.

Changes to ERRBO contributions

Once a member has entered into an ERRBO agreement they cannot elect to reduce their payments. If you no longer wish to continue your payments, then you should inform your employer and write to us to terminate your agreement.

You can download the ’Request to suspend, terminate or vary an ERRBO agreement’ form from our website at www.nhsbsa.nhs.uk/member-hub/increasing-your-pension.

How we use your information

The NHS Business Services Authority – NHS Pensions will use the information provided for administering your NHS Pension Scheme membership and processing payment of your NHS pension benefits. We may share your information to administer and pay your NHS pension, enable us to prevent and detect fraud and mistakes, for debt collection purposes, or as required by law. For more information about who we share your information with and how long we keep your personal data and your rights, please visit our website at www.nhsbsa.nhs.uk/yourinformation

NHS Pensions

Early retirement reduction buy out (ERRBO) factsheet

www.nhsbsa.nhs.uk/nhs-pensions