

NHS Pension Schemes 2023/04

Who should read: NHS HR and Payroll Managers
GP Practice Managers
Direction Bodies
Practitioner Services Division and Dental Payments

Action: Employers to note and inform scheme members of upcoming changes to the scheme

Subject: Introduction of new options for flexible retirement and changes to NHS Pension Scheme (Scotland) rules regarding inflation and the impact on pension tax

Date: 29 March 2023

The purpose of this circular is to provide Employers with information on upcoming changes to the NHS Pension Scheme (Scotland) (NHSPS[S]) designed to give members more flexibility around retirement.

Key information in this circular:

- From 1 April 2023, all members will have the option to retire and re-join the pension scheme.
- From 1 October 2023, a new partial retirement option will be introduced for members with 1995 Section pension benefits.
- From 1 April 2023, 'the 16-hour rule' preventing retired members from working more than 16 hours per week in the first month after retirement will be permanently removed
- From April 2023, the date on which NHS pensions are revalued is changing from 1 April to 6 April.

Background

On behalf of the Scottish Ministers, the SPPA undertook a [consultation](#) between 22 December 2022 and 16 February 2023 on proposals to allow for the introduction of new retirement flexibilities to the NHSPS(S) and to make changes to scheme

rules regarding inflation. On 28 March 2023, SPPA published a [consultation response](#) which confirmed the intention to implement the proposals.

Those detailed proposals are as follows:

1. From 1 April 2023, all members will have the option to Retire and Re-Join the pension scheme

- If members are not ready to stop work altogether, they can retire and take their full pension, then return to work after a break of at least 24 hours and **re-join the 2015 NHS Pension Scheme** to earn further benefits.
- This is already available to members of the 2008 Section or 2015 Scheme and once the changes take effect on 1 April 2023, it will also be an option for members who have retired with 1995 Section pension benefits.
- Members who wish to re-join the pension scheme for their re-employed post (including those 1995 Section pensioners who have already resumed employment after retirement and are not currently eligible to join the NHS Pension Scheme) will need to be made aware of this option.
- Members can return to the NHS or increase working commitments without having pension payments reduced or stopped (known as 'abatement').
 - Special Class or Mental Health Officer members who take their pension, but return to work before they reach age 60, would normally be subject to abatement if their post-retirement pay plus pension exceeded their pre-retirement earnings - this rule is currently suspended until 31 March 2025.
- Members can return and earn 2015 Scheme benefits even if they have 45 years of service in the 1995 and 2008 Sections, as long as they're under age 75.
- Members who decide to re-join the NHS can work as many hours as they choose straightaway – previously, members of the 1995 Section were limited to working 16 hours a week in the first month after retirement to avoid their pension payments being affected. As long as members have had a break of 24 hours from their previous job, they can move to a new employment contract and start building 2015 benefits immediately.

2. From October 2023, a new partial retirement option will be available.

- From 1 October 2023, changes to the pension scheme will make it simpler for members to take **partial retirement**, allowing members to claim their pension and work in a flexible way without having to leave their job.

- This option is already available to members in respect of their benefits in the 2008 Section and 2015 Scheme. And these changes will mean it will also include 1995 Section benefits.
- From age 55, members will be able to take between 20% and 100% of all their pension benefits in one or two drawdown payments, without having to leave their current job.
 - Members of the 1995 Section who have a protected minimum pension age of 50 will also be able to claim pension benefits without leaving their job. To do this between the ages of 50 and 55, members will need to take 100% of their pension benefits.
- After accessing their benefits through partial retirement, members can continue to build up pension in the 2015 Scheme.
- Members don't need to take a break or change jobs to access their pension through partial retirement. They can carry on working. However, they must reduce their pensionable pay by 10% for a period of 12 months. GPs, non-GP providers, and dental practitioners need to reduce NHS commitments by 10%.

3. From April 2023, the date on which NHS pensions are revalued is changing from 1 April to 6 April.

- On 1 April each year, 2015 Scheme pensions are revalued to keep up with the rise in cost of living. The Scheme measures the cost of living using the Consumer Price Index (CPI) in the year before. 2015 Scheme pensions are revalued using CPI, plus an additional 1.5%. This ensures the value of the pension will be above inflation.
- This is revaluation usually happens on 1 April, but from this year onwards it will happen on 6 April instead. For GPs, non-GP providers, and dental practitioners, this uplift happens to pensionable earnings in the 1995 and 2008 Sections, and it will also take place on 6 April from 2023 onwards. The change will align the CPI used in pension benefit revaluation with the CPI used for working out the pension growth for annual allowance tax calculations. This means that the pension growth calculation will only consider growth in pension benefits above inflation.
- **The value of members' pension benefits will be unaffected by this change.** However, members who are affected by pension tax won't have a larger annual allowance tax charge in 2022-23 because of high inflation.

Please contact sppapolicy@gov.scot if have any enquiries about this circular.

SPPA Policy Team - 29 March 2023

Annex A

Question and Answer

Q. I have retired from the 1995 Section of the Scheme and have already resumed working in the NHS before 1 April 2023. I have previously not been allowed to contribute to the 2015 Scheme, can I now backdate my contributions to the date I came back to work?

A. No. This change is being introduced prospectively which means you can only join the 2015 Scheme for future pension accrual.

Q. In order to take partial retirement do I need to have a 24-hour break from my job?

A. No. For partial retirement you do not need to take any break from your current job. You will, however, need to reduce your pensionable pay by 10% for a minimum of 12 months.

Q. I want to fully retire and then re-join the scheme, do I have to end my current employment contract?

A. Yes. Where members retire and re-join, they must enter a new contract. Employers are encouraged to offer staff the same terms and conditions on this new contract, however, the terms of that re-employment offer are a matter for employers.