

Actuarially Reduced Early Retirement following Preservation (EPPB)

Benefits for Members – 1995 Section

Age

Members who leave the Scheme and/or HSC employment, without immediate entitlement to benefits, but retain deferred benefits in the Scheme for payment at age 60, are classed as deferred members.

For these members, benefits are normally payable at age 60 on age retirement grounds. From 30 June 2000 a new facility was introduced that allows members who leave the Scheme, on or after that date with deferred benefits, to claim them at any point between age 50 and 60 with an actuarial reduction. This is known as Early Payment of Preserved Benefits (EPPB).

Who can apply?

EPPB is available to ALL deferred members providing they were in pensionable HSC employment on or after 31 March 2000 and have two or more years' membership in the HSC Pension Scheme.

In addition, a deferred member must not be in HSC work at the time of claiming the benefits. If they are still working but not paying pension contributions they need to take the 24-hour break from their employment.

When applying for EPPB, all applicants should be made fully aware of the financial implications of their decision such as:

- Not to make any definite plans until it has been confirmed that the actuarially reduced pension will satisfy the Guaranteed Minimum Pension conditions set out below;
- The actuarially reduced pension remains in payment for the pensioner's lifetime; and
- The gross pension and lump sum are not restored at age 60; and
- The pension and lump sum are only payable from when a member first enquires about EPPB, or age 50, whichever is the latest.

EPPB is not allowed if the reduced pension is less than the GMP.

Consequently, if the early retirement costs are to be met by an actuarial reduction, the reduced pension must be at least equal to, or better than, the Statutory Standard (previously the GMP), as required under Social Security legislation.

If the reduced pension is not at least equal to the Statutory Standard/GMP the retirement on EPPB grounds is not permitted.

The only exception to this rule is a married woman paying reduced rate National Insurance Contributions ('E' rate), as these members are not subject to the GMP test.

What does it provide?

It provides an annual pension of $1/80^{\text{th}}$ of the best of the last 3 years pensionable pay for each year and part year of reckonable membership, plus a lump sum equal to three times the annual pension. However there are three exceptions where the lump sum will be lower.

These are:

- For men who are/have been married, have membership before 25 March 1972 and have not purchased the full-unreduced lump sum; or
- For women who have decided to purchase the Bigger Widower's pension by payment from their lump sum: or
- Where the member owes money to HSC Pensions or the employer for outstanding pension contributions and elects to repay this money from their lump sum.

These benefits are then reduced to take account of the benefits being taken earlier than a normal retirement age of 60.

How to apply?

If a former member approaches you about a claim for payment of actuarially reduced deferred benefits, please ask them to write directly to HSC Pension Service, giving their personal details, National Insurance number and the date they are thinking of taking their benefits.

HSC Pension Service will then apply the GMP test, and if the criteria are met, will respond by providing the member with an estimate of the basic deferred benefits and the actuarially reduced amounts for them to consider.

Once a member has confirmed to HSC Pension Service that they are happy to accept the reduced amounts payable, we will supply them with the application form AW6P.

On receipt of the completed forms AW6P HSC Pension Service will process the member's application.

The accuracy of a HSC Award is dependent on the information recorded on the member's pension record. It is vital that employers record accurate details of pension contributions, earnings and hours for each employee at the end of each financial year and up to the last day of membership. We may also contact you to confirm the total pensionable pay figure to be used in the calculation of benefits, if not already held, or ask that you provide us with an accurate pay figure as soon as possible.