

Guide on Early Retirement Reduction Buy Out (ERRBO)

Introduction

In light of the later normal pension age for members of the 2015 Scheme, a new flexibility for members to retire before their normal pension age without a reduction to their pension (but no earlier than age 65) was introduced.

Members can pay additional contributions to buy-out up to three years of the actuarial reduction that would be applied beyond age 65 and on taking their pension before normal pension age.

In order to avail of this flexibility, the member must be an active member, have a normal pension age of over 65 and not have reached that age. Members who meet these criteria are able to elect to pay additional contributions to buy-out up to three years of actuarial reduction.

Process

Normal Pension Age (NPA) in the 2015 Scheme is the same as the member's State Pension Age (SPA) and may rise during membership of the Scheme if SPA rises.

The ERRBO agreement can be for early retirement 1, 2 or 3 years before the member's NPA but no earlier than age 65. An exception to this is where a member's NPA is not a whole number, for example if the 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 the member's age at the effective date of the agreement (i.e. 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 the member has bought or is buying Additional Pension (AP) this may limit the scope of the ERRBO agreement available. HSC Pension Service will tell the member if this applies when the member makes an application.

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

If a member changes employment within the HSC, payment of contributions for an ERRBO should continue. The member must be issued with a [New Joiner Questionnaire](#) on sign up by the new employer. The member must complete question 8 on the New Joiner Questionnaire to confirm that they have a current ERRBO contract in place. The member must submit a copy of the confirmation letter received from HSC Pension Service to HR. This letter will provide details of the contribution rate payable. On receipt of the New Joiner Questionnaire and confirmation letter HR must forward a copy of both documents to Payroll Shared Services Centre to action and ensure continuity of ERRBO contract. The ERRBO contract must be applied to all active employments to which the member is contributing to the HSC Pension Scheme. If the member does not return the New Joiner Questionnaire or does not indicate on the New Joiner Questionnaire the existence of an ERRBO contract there will be no continuation of the ERRBO contract.

An application for an ERRBO agreement must be made within three months of joining the 2015 Scheme for it to be effective in the first Scheme year. The employer should make employees who will be joining the 2015 scheme aware of this time limit.

Similarly, if an employee who is currently a member of the 2015 HSC Pension Scheme wishes to take out an ERRBO, an application must be made within three months of the beginning of any subsequent Scheme year for it to be effective from that Scheme year. Any application made later will only be effective from the beginning of the following Scheme year. 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.

If a member wishes to opt out of their ERRBO Contract they must write to HSC Pension Service providing reasons why they wish to wish to opt out and the effective date of the opt out. The member will be opted out from the next available pay period. A member cannot opt out retrospectively.

The member will be allocated a proportion of the ERRBO in line with the period additional contributions were paid.

Example A member joins the 2015 Scheme on 1 April 2015. Provided an application is received by 30 June 2015 the ERRBO agreement will be effective from the beginning of the 2015/2016 Scheme year (1 April 2015) and arrears of additional contributions will be collected by the employer. An application received at a later date will be effective from the beginning of the next Scheme year (2016/2017) and additional contributions will be collected by the employer from April 2016. Only Scheme years 2016/2017 and later will be covered by the ERRBO agreement and the pension built up in year 2015/2016 will be reduced for being paid early and for longer.

How much will it cost?

The cost of an ERRBO will depend on the age of the member in complete years at the day before the effective date of the agreement and the number of years' reduction the agreement is for.

If a member makes an enquiry about ERRBO, HR should provide the member with a copy of the [ERRBO Factsheet](#) and the [ERRBO Expression of Interest Form](#). The member should complete the form and forward to HSC Pension Service.

HSC Pension Service will provide the member with the costs payable by lump sum or regular additional contributions and a copy of the ERRBO application form. If the member decides to proceed with the application they should complete the [ERRBO](#) application form. The member should then forward the completed form to the HSC Pension Service.

If the member decides to pay by lump sum they should forward the cheque directly to HSC Pension Service. If they decide to pay by regular instalments, HSC Pension Service will liaise with the Payroll Shared Service Centre (PSSC) to set up deductions from the member's salary and HSC Pension Service will inform the member in writing.

Application for ERRBO

