

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) and may rise during membership of the Scheme if SPA rises.

Background

This Scheme has an NPA linked to your SPA which can rise if your SPA rises. 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 1, 2 or 3 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 (i.e. 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 if 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 an NPA (linked to SPA) of age 66. Member can buy an ERRBO agreement for 1 year and retire at age 65 with unreduced benefits.

Member 'B' has an NPA (linked to SPA) of age 67. Member can buy an ERRBO agreement for 2 years and retire at age 65 with unreduced benefits, or buy an ERRBO agreement for 1 year and retire at age 66 with unreduced benefits.

Member 'C' has an NPA (linked to SPA) of age 68. Member 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 1 year and retire at age 67 with unreduced benefits.

Member 'D' has an NPA (linked to SPA) of age 66 years and 1 month. Member can buy an ERRBO agreement for 1 year and 1 month and retire at age 65 with unreduced benefits, or buy an ERRBO agreement for 1 month and retire at age 66 with unreduced benefits.

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

When can I apply?

An application for an ERRBO agreement must be made within three months of joining the 2015 Scheme for it to be effective from your first Scheme year. Similarly, 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.

Example

A member joins this 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?

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 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 1 year reduction buy out.

Age [Complete years at previous 31 March]	Additional contribution rate (% of pay)		
	NPA – 1	NPA – 2	NPA – 3
16	1.27%	2.54%	3.81%
17	1.27%	2.54%	3.81%
18	1.28%	2.56%	3.84%
19	1.28%	2.56%	3.84%
20	1.28%	2.56%	3.84%
21	1.29%	2.58%	3.87%
22	1.29%	2.58%	3.87%
23	1.30%	2.60%	3.90%
24	1.30%	2.60%	3.90%
25	1.30%	2.60%	3.90%
26	1.31%	2.62%	3.93%
27	1.31%	2.62%	3.93%
28	1.32%	2.64%	3.96%
29	1.32%	2.64%	3.96%
30	1.33%	2.66%	3.99%
31	1.33%	2.66%	3.99%
32	1.34%	2.68%	4.02%
33	1.34%	2.68%	4.02%
34	1.35%	2.70%	4.05%
35	1.35%	2.70%	4.05%
36	1.36%	2.72%	4.08%
37	1.36%	2.72%	4.08%
38	1.37%	2.74%	4.11%
39	1.37%	2.74%	4.11%
40	1.38%	2.76%	4.14%
41	1.39%	2.78%	4.17%
42	1.39%	2.78%	4.17%
43	1.40%	2.80%	4.20%
44	1.41%	2.82%	4.23%
45	1.41%	2.82%	4.23%
46	1.42%	2.84%	4.26%
47	1.43%	2.86%	4.29%
48	1.44%	2.88%	4.32%
49	1.44%	2.88%	4.32%
50	1.45%	2.90%	4.35%
51	1.46%	2.92%	4.38%
52	1.47%	2.94%	4.41%

53	1.49%	2.98%	4.47%
54	1.50%	3.00%	4.50%
55	1.51%	3.02%	4.53%
56	1.52%	3.04%	4.56%
57	1.54%	3.08%	4.62%
58	1.55%	3.10%	4.65%
59	1.57%	3.14%	4.71%
60	1.58%	3.16%	4.74%
61	1.60%	3.20%	4.80%
62	1.62%	3.24%	4.86%
63	1.64%	3.28%	4.92%
64	1.66%	3.32%	4.98%
65	1.69%	3.38%	
66	1.69%		
67			

Example

A member has an 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 buy-out and the pension is paid in full. The member will have paid additional contributions of 3.60%, before tax relief, 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 i.e. 3 years earlier than NPA.

How do I apply?

You can download an expression of interest form from our website at www.hscpensions.hscni.net

Use this form to enquire about your eligibility to enter into an ERRBO agreement and seek confirmation of 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 sign and return the agreement document sent to you by NHS Pensions. Your employer will then be instructed to deduct the additional contributions from the effective date.

Changes in your plans or circumstances after an ERRBO agreement has started

Below is a series of questions and answers to explain the impact of any change in your plans or circumstances after an ERRBO agreement has started.

Q1. What happens if I have to retire before my ERRBO retirement age due to permanent ill health?

A1. 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.

Q2. Can I decide to stop and later restart paying ERRBO additional contributions?

A2. Not routinely. However 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 subsequently take out a further agreement. We will tell you when you must restart paying additional contributions to avoid termination of the agreement.

Q3. Can I terminate the agreement before reaching my ERRBO retirement age?

A3. Yes 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 buyout period is limited to the end of the previous Scheme year.

Q4. What happens if I decide to retire before reaching my ERRBO retirement age?

A4. Your pension benefits would be reduced for being paid earlier and longer after taking account of the ERRBO agreement. For example, a member with an NPA of age 66 who purchased an ERRBO agreement of 1 year decides to retire at age 64. 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 at (NPA - 1).

Q5. What happens if I decide to retire later than my ERRBO retirement age?

A5. 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.