

Purchasing Additional Pension

From the 1st April 2008, members of the National Health Service Superannuation Scheme (Scotland) will have the option to purchase an Additional Pension. The option can cover either:-

- An increase in the member's pension, or
- An increase to the member's pension and any pension that may become payable to a surviving partner and dependant children

To purchase additional pension you must be in (NHS) pensionable employment. This facility is open to all NHS staff (both pre 1 April 2008 members and post 1 April 2008 joiners).

Please note: The actuarial factors used to calculate additional pension are based on a normal retirement age of 60 for existing scheme members and 65 for members who joined after 1 April 2008, therefore if you take out an additional pension contract and then retire between the minimum retirement age of 55 and normal pension age for the scheme, your additional pension will be reduced accordingly.

Example – if the member purchases £5,000 additional pension lump sum or periodical instalments they will only actually get £3810 at minimum retirement age 55 once it has been actuarially reduced

How Much Additional Pension can I Purchase?

From the 1st April you have the option to purchase an Additional Pension up to a maximum of £5,000 extra pension a year when you retire, the minimum additional pension you can buy is £250.

You may buy Additional Pension in multiples of £250 and pay for it by either instalments or by a lump sum.

If you buy in instalments you will be required to pay a fixed amount each month and commit to the purchase over whole years. The minimum election period is one year up to a maximum of 20 years, or to your Normal Retirement Age, whichever is the earliest.

The employer may purchase additional pension on behalf of an active member but payment must be made in one lump sum to increase the amount of benefits payable to the member.

An employing authority may only make a contribution of an amount not less than £250. An employing authority may only exercise the option with the member's consent, but may exercise it more than once in respect of the same member but may not exceed £5000.

This must be paid by the employing authority within one month of the date on which the authority gave the notice to pay.

Eligibility & Terms

To purchase additional pension you must be in pensionable employment and contributing to the National Health Service Superannuation Scheme (Scotland).

Members in the current scheme will be able to buy additional pension to be taken without reduction at age 60

You must notify SPPA when you leave employment or change employers. If you leave pensionable employment during an additional pension election, then the election would stop, and you will be credited with the amount of pension accumulated, based on the instalments you have paid to that date.

You may resume paying for the election under the original terms following a break in employment as long as the break is not more than 12 months and the contributions have not been refunded. If the break is more than a year, you may take out a new option to purchase additional pension.

What Happens When I Retire?

The additional pension will be calculated based upon the contributions you have paid up to the day you leave the scheme.

If you retire before your normal pension age and also before the end of an election period you will receive a pension based upon the contributions made to that date.

Calculating the Cost of Additional Pension

The cost of purchasing additional pension depends on the following:-

- Your age at the election date
- The amount of additional pension you wish to purchase
- The way in which you make payment (Single Payment or Lump Sum)
- If your election covers an increase to surviving partner and dependant children's pensions

SEE THE ATTACHED APPENDIX A FOR EXAMPLES

The value of additional pension benefits will be index linked by Retail Price Index (RPI) before and after they come into payment.

Total annual pension contributions will be limited to 100% of pensionable pay. The purchase price of additional pension will be reviewed periodically to take account of changes such as longevity and may change during the period of the purchase.

If you have more than one additional pension these must be claimed at the same time. If you apply for phased retirement benefits whilst in pensionable employment the additional pension may be taken at first or second phased retirement, or paid at the date of the final award.

Ill Health

If you retire on ill-health grounds the additional pension will be paid immediately without reduction provided that you were in good health when you made the election and have paid contributions for a minimum of 12 months.

If you retire on ill health grounds within 12 months after exercising the option, you will be refunded your contributions.

Dependants Benefits

If you have purchased additional pension that extends to a surviving partner and dependant children, benefits will be paid to a partner/ and

your dependants when you die. The additional pension element of your partners' pension will equate to 37.5% of your additional pension.

If you arrange to buy additional pension for dependants a pension will be paid to them on the event of your death regardless of whether or not you have completed the payments, provided that you were in good health when you made the election.

Divorce

If your marriage or civil partnership is legally ended, then the Agency will be required to provide information to the court about the additional pension in the same way as we are required to provide information about main scheme benefits

<u>Example 1</u>		
Members Date of Birth:	04 June 1960	
Members Age at Date of Calculation (14/02/2008):	Age 47	
Gender:	Female	
Normal Pension Age:	Age 60	
Additional Pension Member wishes to Purchase:	£5000.00	
Option to Buy Dependants Benefits:	Yes	
Lump Sum Cost:	£72,000.00	
or		
Instalments (10 Years)	£792.00	Monthly Amount
	£9504.00	Annual Amount
	£95040.00	Total Amount
<u>Example 2</u>		
Members Date of Birth:	14 September 1976	
Members Age at Date of Calculation (14/02/2008):	Age 31	
Gender:	Male	
Normal Pension Age:	Age 60	
Additional Pension Member wishes to Purchase:	£4,250.00	
Option to Buy Dependants Benefits:	No	
Lump Sum Cost:	£33,490.00	
or		
Instalments (20 Years)	£234.60	Monthly Amount
	£2815.20	Annual Amount
	£56304.00	Total Amount

Example 3

Members Date of Birth: 25 March 1951

Members Age at Date of Calculation (14/02/2008): Age 56

Gender: Male

Normal Pension Age: Age 60

Additional Pension Member wishes to Purchase: £3,500.00

Option to Buy Dependants Benefits: Yes

Lump Sum Cost: £65,380.00

or

Instalments (3 Years) £2014.60 Monthly Amount

£24175.20 Annual Amount

£72525.60 Total Amount