The NHS Pension Scheme and 24 Hour Retirement

What is it?

24 hour retirement is the process by which members of the NHS Pension Scheme (NHSPS) can take their pension benefits and then return to NHS employment.

The provisions apply to both “Officer” and “GP” members and also to the 1995 and 2008 Sections of the NHSPS as, although the 2008 Section does offer some flexibility to take partial benefits without retiring, it is only possible to take full benefits subject to 24 hour retirement.

The general points covered do not include situations relating to retirement in the event of ill-health or redundancy, where specific issues and rules which are beyond the scope of this article may apply.

Why do it?

A common circumstance is when an individual reaches Normal Pension Age (NPA), which is 60 for the 1995 Section and 65 for the 2008 Section, as benefits are then paid without application of Early Retirement Factors (ERFs).

There are, of course, other circumstances where 24 hour retirement might be of potential interest. For example, some individuals wish to access their lump sum benefit for major capital objectives, e.g. for the purchase of a second home, repayment of their mortgage, or to make inheritance tax (IHT) efficient gifts to children, etc.

Other individuals may even decide to take benefits early to reduce their exposure to the Annual Allowance (AA) and/or Lifetime Allowance (LTA) charges. However, it would be important to consider whether (regardless of AA and/or LTA charges) the NHSPS still represents “good value for money”.

These examples are not exhaustive and in all cases, individuals should carefully consider the potential financial advantages and disadvantages for them personally of taking benefits given that the NHSPS provides valuable, guaranteed, government backed, inflation linked benefits (including dependents benefits) which would be expensive to replicate in for example private pension arrangements.
The Conditions

In order to qualify for full NHSPS benefits, Officers must resign from their NHS contract of employment and GP Principals (Type 1) must resign from their involvement in a GMS, PMS or APMS Contract. Salaried (Type 2) GPs must resign from their contract of employment.

Individuals cannot return to NHS employment within 24 hours and during the first calendar month after retirement 1995 Section, members cannot work for more than a total of 16 hours per week in the NHS.

However, where a 1995 Section member has concurrent NHS pensionable posts, they are only required to retire for 24 hours in at least one post provided that the remaining posts (including the post they are taking 24 hour retirement from) total less than 16 hours a week during the first month after retirement. NHSPS contributions in respect of “continuing” posts (if any) must however cease.

If a 1995 Section member exceeds 16 hours NHS work in any week during the first month after retirement, pension benefits will be suspended until the requirement is met.

After the first month has passed, there are no restrictions on the number of hours that a 1995 Section member can work in the NHS (or indeed the amount they can earn).

The only exception is where a Mental Health Officer (MHO) takes benefits before age 60, in which case abatement applies, which means that, if the NHS earnings from re-employment plus the gross annual pension exceed the pre-retirement earnings, then the pension income is reduced accordingly until the MHO reaches age 60.

It is important to note that GPs do not need to come off their appropriate Performers List in order to access NHSPS benefits.

Implementation - General Points

The minimum retirement age for both the 1995 and 2008 Sections is now 55, but individuals who joined the 1995 Section before 6th April 2006 still retain a contractual right to take their benefits from age 50.

Employees (including salaried GPs) will need agree the process with their employer to ensure they can return to work after 24 hours and (for 1995 Section members only) to ensure their work during the first month does not exceed 16 hours per week (and that any necessary provisions are made within their contract of employment to reflect this).
GPs in partnership will need to agree (in good time beforehand!) their plans with both their partners and NHS England or Primary Care Organisation (PCO).

Single-handed GPs will need to tread more carefully given that they must resign their NHS contract to collect their pension, in which case NHS England/PCO would then be responsible for the provision of medical services and could decide to enter into a new contract with a different provider.

Potential options available to single-handed GPs is to try and ensure they can return after 24 hours would include seeking prior written assurance from NHS England/PCO or, where this is not possible, taking on a partner or merging with another practice in good time beforehand.

In all cases, it is of vital importance to ensure that appropriate procedures, timescales and notice periods are adhered to, so as to avoid any unintended outcomes!

Similarly, it would also be prudent to obtain prior written agreement from all parties involved (employers, partners, NHS England/PCO), including making prior alterations to partnership agreements where necessary.

When an individual has reached agreement with all relevant parties and everything is in place, they will then need to make an application to take NHSPS benefits by submitting the relevant form (AW8) to their employer who, in turn, will forward it to NHS Pensions (NHSP) for processing. As a general rule of thumb, NHSP request that the AW8 form be submitted three months in advance of when benefits are to be taken.

**Seek Personalised Advice**

Clearly, taking 24 hour retirement can have significant financial implications and consequently, given the space constraints of this article, before making a commitment to do so, individuals should seek personalised advice and guidance from their financial adviser, accountant, legal adviser, the BMA and their local medical committee (LMC) as appropriate.