
STATUTORY INSTRUMENTS

2015 No. 94

The National Health Service Pension Scheme Regulations 2015

PART 4

Contributions

CHAPTER 3

Buy-out: actuarial reduction

Eligibility to make buy-out election

43.—(1) A member (M) who has a prospective normal pension age over 65 may elect to pay contributions to buy out the actuarial reduction (“buy-out election”) in accordance with this Chapter.

- (2) A buy-out election ceases to have effect when the earliest of the following occurs—
- (a) M reaches normal pension age;
 - (b) a retirement pension other than a partial retirement pension becomes payable to M;
 - (c) M revokes the election or is taken to revoke the election.
- (3) A buy-out election may only be made before the end of the period of 3 months after—
- (a) M enters pensionable service under this scheme; or
 - (b) the beginning of a subsequent scheme year.
- (4) When making a buy-out election, M must—
- (a) be in pensionable service; and
 - (b) not have reached normal pension age.
- (5) An election under this regulation may be made by M on only one occasion.

Making and varying a buy-out election

44.—(1) A buy-out election made by a member (M) must state the number of years in respect of which the actuarial reduction is to be bought out.

- (2) The number of years—
- (a) must not exceed 3 or (if less) the number of years from the date of M’s 65th birthday until M’s prospective normal pension age; and
 - (b) must be a whole number of years unless—
 - (i) M’s prospective normal pension age is expressed otherwise than as a whole number of years; or
 - (ii) the scheme manager (having considered the advice of the scheme actuary) considers in M’s circumstances it is unreasonable to restrict the period to whole years.
- (3) A buy-out election must be made by written notice to the scheme manager.

- (4) The notice of election must—
- (a) if M is a member of this scheme by virtue of more than one employment, specify the names of each of the employing authorities; and
 - (b) be in such form and provide such other information as the scheme manager requires.
- (5) The scheme manager may ask M to provide further information.
- (6) M may by written notice to the scheme manager vary a buy-out election to increase the period for which the actuarial reduction is bought out at any time before a retirement pension becomes payable to M.
- (7) Paragraph (6) is subject to paragraph (2) and regulations 43(3) and (4).
- (8) Regulation 46 applies to a notice under paragraph (6) as it applies to an election under regulation 43(1) and, for the purposes of this paragraph, the amount found under regulation 46(2) includes the value of any increase mentioned in paragraph (6).

Accepting a buy-out election

- 45.**—(1) The scheme manager may accept a buy-out election by giving written notice to the person who made the election (M).
- (2) The notice must state—
- (a) the rate of the monthly payments determined under regulation 47; and
 - (b) the date on which M reaches prospective normal pension age.
- (3) A buy-out election takes effect when M receives notice that the scheme manager has accepted the election.
- (4) The buy-out period is the number of scheme years starting with (and including) the scheme year in which the buy-out election takes effect and ending with (and including) the scheme year in which the earliest of the following occurs—
- (a) M revokes or is taken to have revoked the election;
 - (b) M ceases to be a member of the scheme;
 - (c) M reaches normal pension age.
- (5) The buy-out period does not include a scheme year in which payment of buy-out contributions is suspended by virtue of regulation 49.

Overall limit on extra pension

- 46.**—(1) The scheme manager must not accept an election under regulation 43(1) from a member if—
- (a) the member has made an election under regulation 55; and
 - (b) paragraph (2) applies.
- (2) This paragraph applies if the value of the actuarial reduction bought out exceeds the greater of the first and second amounts in paragraph (3).
- (3) In this paragraph—
- (a) the first amount is $B - A$;
 - (b) the second amount is $L - A$,

where—

B is the maximum potential value (determined having regard to the advice of the scheme actuary and the limits in regulation 44(2)) at the date of the election

under regulation 43 (in terms of annual pension) of the reduction for the period for which the buy-out has effect;

L is the overall limit for the purposes of regulation 61; and

A is the value (in terms of annual pension) of any additional pension purchased or being purchased by the member under this scheme.

(4) A reference to the value of an additional pension is, in the case of a member who has made more than one election under regulation 55, a reference to the aggregate value of all the additional pensions in respect of which the member has made an election.

Determination of contributions payable

47.—(1) The scheme manager must, after consultation with the scheme actuary, determine the rate of the monthly payments to be paid in respect of a buy-out election.

(2) The scheme manager—

(a) may determine the rate of the monthly payments by reference to the length of the period between the date of the buy-out election and the date when the member will reach prospective normal pension age; and

(b) may exercise the functions under this paragraph so as to re-determine the rate of the monthly payments during that period.

(3) Unless the scheme manager re-determines the rate, monthly payments following a gap in service not exceeding 5 years are the same as before the gap.

Payment of buy-out contributions

48.—(1) A member (M) must—

(a) make the first monthly payment within 2 months after the end of the month in which a buy-out election is accepted; and

(b) continue to make the monthly payments until the end of the period mentioned in regulation 47(2)(a).

(2) If the scheme manager re-determines the amount of the monthly payment during the period mentioned in regulation 47(2)(a), M must pay the re-determined amount from—

(a) the start of the next scheme year; or

(b) such later date as the scheme manager specifies.

(3) If the member's employing authority agrees to pay any or part of the contributions, the amount payable by the employing authority must be paid at the time the member would otherwise have been required to pay them.

(4) For the purpose of determining the amount of contributions payable during any period in which M's pensionable earnings are reduced as mentioned in regulation 28, the reduction in pensionable earnings must be disregarded.

(5) In this regulation, "the first monthly payment" includes any monthly payment due in arrears for the period between the start of the scheme year in which the buy-out election is accepted and the date of that first payment.

Suspension of buy-out: hardship

49.—(1) The scheme manager may, at the request of the member (M), agree to the suspension of the payment of contributions due under regulation 48 if the scheme manager is satisfied that M's circumstances are such that M will suffer hardship if the payments are not suspended.

- (2) A period of suspension is permitted only if—
 - (a) there has been no previous suspension; or
 - (b) if there has been an earlier suspension, contributions have been paid for not less than a full scheme year since the earlier suspension ended.
- (3) If the scheme manager agrees to the suspension, paragraph (4) applies unless—
 - (a) not later than one year after the request under paragraph (1) is made M applies to resume making contributions; and
 - (b) M resumes making the contributions at the start of the following scheme year.
- (4) If this paragraph applies—
 - (a) M is taken to have revoked the buy-out election; and
 - (b) M is not entitled to make any other buy-out election under the scheme.
- (5) Paragraph (6) applies if—
 - (a) the scheme manager agrees to the suspension of payment of contributions by M; and
 - (b) M's employing authority has agreed to pay contributions as mentioned in regulation 48(3).
- (6) Payment of contributions by M's employing authority is suspended for the same period as the payment of contributions by M is suspended.

Revoking a buy-out election

50.—(1) A member (M) may revoke a buy-out election at any time before the end of the period mentioned in regulation 47(2)(a).

(2) The scheme manager may revoke M's buy-out election if M does not pay contributions for a period of 12 months.

(3) If a buy-out election is or is taken to have been revoked, M's monthly payments cease to be payable on the date of revocation.

(4) If, at the revocation date, the buy-out period during which the contributions were paid was less than 12 months—

- (a) the contributions must be re-paid to M; and
- (b) the buy-out election ceases to have effect.

(5) If, at the revocation date, the buy-out period during which the contributions were paid is 12 months or more—

- (a) contributions paid during the scheme year in which the election is revoked must be repaid to M; and
- (b) the buy-out period ends at the end of the previous scheme year.

(6) The revocation date is the date the buy-out election is, or is taken to have been, revoked.