

JUNE 2016

**A GUIDE TO ERRBO FOR
AMBULANCE STAFF**

Foreword

The National Ambulance Strategic Partnership Forum (NASPF) brings together employers and trade unions to look at workforce issues. Improving the health and wellbeing of ambulance staff is at the top of our agenda. Sadly, there is no silver bullet to reduce the pressure on ambulance staff. We need to look at different ways to ensure our employees are safe and that we promote good health. We also need to recognise that the planned increases to the retirement age of ambulance staff will create challenges for employers. The planning necessary to address this should begin without delay.

This was recognised by the government in their 2015/16 pay offer to ambulance staff. The Secretary of State for Health set out an arrangement whereby the early retirement reduction buy out (ERRBO) scheme could be taken by ambulance staff and their employer would share the payments on a 50:50 basis.

The NASPF has worked in partnership to produce this guide to help you decide whether the scheme will benefit you in future career choices. We are not going to stop here. The NASPF will continue to look at and plan ways to better manage the pressure on ambulance staff, improve the experience of working for ambulance services and ensure a greater level of engagement.

CONTENTS

Introduction	4
Background and context	4
What is an ERRBO agreement?	4
Cost-sharing arrangements for ambulance service employees	5
Considerations for individuals thinking about taking an ERRBO	5
Application process and timescales	7
Appeals process	8
Frequently asked questions	8
Further information	11

Useful terms

NPA – normal pension age

SPA – state pension age

ERRBO – early retirement reduction buy out

Scheme year – 1 April to 31 March



INTRODUCTION

This guide has been developed by NHS Employers with support from NHS Pensions, in partnership with the national ambulance trade unions and ambulance service employers. The guide provides an overview of the early retirement reduction buy out (ERRBO) arrangement that is available to ambulance service employees who are members of the 2015 NHS Pension Scheme. An ERRBO agreement allows members of the 2015 Scheme to retire earlier, while maintaining the value of their pension benefits.

BACKGROUND AND CONTEXT

The normal pension age (NPA) is the earliest age at which members of the NHS Pension Scheme can retire and have their pension paid without reduction for early payment. Members may choose to retire before NPA, but if they do, their pension is reduced to allow for it to be paid early and for a longer period. Currently, pensions are reduced by 5.4 per cent if retirement is one year early, by 10.4 per cent if retirement is two years early and by 15.1 per cent if retirement is three years early.

In the 1995/2008 Scheme, the NPA is either 60 or 65, but for members of the 2015 Scheme, NPA is later because it is linked to the age at which an individual can claim their state pension. The state pension age (SPA) is gradually increasing, and so an individual's SPA will depend on their gender and date of birth. However, for 70 per cent of NHS employees in the 2015 Scheme, NPA will now be between 65 and 68 years old and may rise again in line with any future increases to the SPA. A [state pension age calculator](#) is available on the Gov.UK website to enable individuals to check their current SPA.

WHAT IS AN ERRBO AGREEMENT?

In recognition of the raised NPA, the 2015 Scheme regulations include an optional feature, which allows members to pay additional contributions in order to remove, or lower, the reduction that would normally be applied to their pension on retirement before their NPA. This is known as an early retirement reduction buy out (or ERRBO) agreement. There are other options available in the 2015 Scheme to allow members to increase the value of their benefits by paying additional contributions; these are explained in a comparison document on the NHS Pension Scheme website. Members may find this document useful to explore which option is most appropriate for them.

An ERRBO agreement can be arranged to allow an employee to retire earlier with unreduced benefits, up to three years before their NPA, but no earlier than age 65. For example, a member with an NPA of 68 may buy an ERRBO agreement to remove a three year early retirement reduction, to enable them to retire at age 65 with unreduced pension benefits.

The rate of additional contributions required under the ERRBO agreement depends on the member's age at the start of the agreement and the number of years' reduction the member has chosen to buy out. ERRBO contributions are a percentage of the member's pensionable pay, ranging between 1.16 per cent and 4.86 per cent. They are paid in addition to the member's regular tiered contribution rate. Details of the ERRBO contribution rates are set out in the [ERRBO factsheet](#) on the NHS Pension Scheme website.

Once the ERRBO agreement is in place, members must continue to pay the additional contributions until they retire, or reach their NPA if that is earlier, or decide to terminate their agreement. There is no flexibility to allow members to stop and restart the payment of contributions on a regular basis, but ERRBO agreements may be suspended on the grounds of financial hardship for up to one year. If an agreement is suspended, NHS Pensions will tell the member when they must restart payment of the additional contributions. If they do not restart, the ERRBO agreement is terminated.

Members may terminate their ERRBO agreement at any time, but once terminated, the individual is not permitted to take out another agreement in the future. If termination is after a period of less than one year, the additional contributions are refunded and the agreement is cancelled. If the period during which additional contributions have been paid is one year or more, the additional contributions paid during any part scheme year will be refunded and the buy-out period is limited to the end of the previous scheme year. Any pension benefits earned either before the ERRBO agreement started, or after it has been terminated, will be reduced if retirement is before NPA.

COST-SHARING ARRANGEMENTS FOR AMBULANCE SERVICE EMPLOYEES

The national ambulance trade unions, together with ambulance service employers, has agreed an ERRBO cost-sharing arrangement for all operational ambulance staff with direct patient contact. Under the arrangement, the employee and their employer will each pay half the additional ERRBO contributions. The cost-sharing arrangement is available to staff who are employed in all variations of the following roles:

- operational roles including emergency care assistants, emergency medical technicians and paramedics
- patient transport service staff
- emergency operations control roles
- clinically qualified managers spending at least 60 per cent of their time delivering direct patient care.

CONSIDERATIONS FOR INDIVIDUALS THINKING ABOUT TAKING AN ERRBO

Future career changes

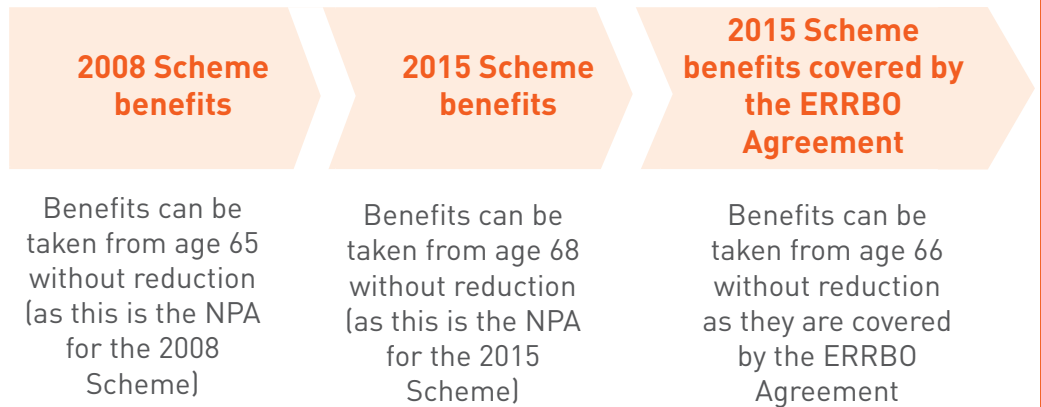
The cost-sharing arrangement is only available to certain ambulance staff with direct patient contact (see above). If in the future an employee who has an ERRBO agreement takes a new role that is not included under the cost-sharing arrangement, the employee may be responsible for paying the full cost of the ERRBO from that point forward. It is important for employers to have internal procedures in place to ensure that where an employee moves to a new role, any existing ERRBO agreements are reviewed and updated as necessary.



The ERRBO agreement may not apply to all pension benefits

The removal of the early retirement reduction only applies to the portion of the member's benefits that are earned during the period in which the ERRBO agreement is in force. The ERRBO agreement will not cover any pension benefits earned in the 2015 Scheme before the effective date of an ERRBO, or after termination of an agreement. Neither will it apply to any deferred pension benefits under the 1995/2008 Scheme.

Example



In this example, an employee is initially a member of the 2008 section of the Scheme and joins the 2015 Scheme on 1 April 2015. After two years' membership of the 2015 Scheme, the member takes out an ERRBO agreement from 1 April 2017. The member has an NPA of age 68 and decides to buy out two years of early retirement reduction in order to retire at age 66 with unreduced benefits. This means that a different NPA is applicable to each of the three portions of their scheme membership. If the member retires at age 66, a reduction will be applied to the pension benefits earned from 1 April 2015 – 31 March 2017. The impact of this is that the early retirement reduction in the 2015 Scheme is not completely removed, but is instead reduced overall.

THE APPLICATION PROCESS AND TIMESCALES

Members have a limited period at the beginning of each scheme year in which to make a formal expression of interest in taking out an ERRBO agreement. The main window for receipt of the expression of interest is between 1 April and 30 June each year. If it is received by NHS Pensions within this three month period, the ERRBO agreement will normally start from the beginning of that same scheme year. Any arrears of contributions in respect of the period between the start of the scheme year and the agreement being accepted must be paid.

Employees who join the 2015 Scheme part way through a scheme year (for example, new starters or existing employees who have tapered protection) must make their expression of interest within three months of the date on which they joined the 2015 Scheme. If it is received by NHS Pensions within that period, the ERRBO agreement will normally begin from the date of joining the 2015 Scheme. Any arrears of contributions in respect of the period between the date of joining and the agreement being accepted must be paid.

If an expression of interest is received by NHS Pensions outside the relevant three month period, the ERRBO agreement will be effective from the beginning of the next scheme year.

A summary of the application process:

- **Step 1** – The employee should read this guide along with the [ERRBO factsheet](#).
- **Step 2** – The employee will need to complete the [expression of interest form](#) and return it to NHS Pensions before the end of the relevant three month period.
- **Step 3** – NHS Pensions will write to the employee to confirm whether they are eligible for an ERRBO agreement and provide the cost of the available options.
- **Step 4** – If the employee wants to go ahead, they must complete the first part of the [application for agreement](#), with details of the chosen option. The completed form must be received by their employer no later than one month from the date of the option letter at step 3.
- **Step 5** – The employer must complete the second part of the [application for agreement](#) as soon as possible and send the completed form to NHS Pensions. If the individual wants to use the ambulance cost-sharing agreement, the employer should confirm that the individual has an eligible job role and update any local register*.
- **Step 6** – NHS Pensions will write to the employee and their employer to confirm whether the application has been accepted. Once the application has been accepted, the employer must ensure that the additional ERRBO contributions are collected and paid across to NHS Pensions along with the regular member and employer contributions in one single payment.

*While ESR has the functionality to split the payments between employee and employer, there doesn't appear to be a way to identify staff in this manner. Employers are recommended to keep local records of staff taking advantage of the ambulance cost-sharing agreement.



APPEALS PROCESS

ERRBO is a feature of the 2015 NHS Pension Scheme. Any specific issues or complaints in relation to the administration of an ERRBO agreement should be directed to NHS Pensions, who administer the scheme.

The cost-sharing arrangement for ambulance staff is an agreement put in place by national ambulance trade unions and ambulance service employers for operational staff with direct patient contact. If an employee applies for the cost-sharing arrangement, the employer should consider whether the job role is within scope and inform the employee accordingly.

In the event of an employer informing the member of staff that their role is not covered by the arrangement and the individual does not feel this is correct, or their application has been treated unfairly, they may wish to appeal the decision.

In this case, the individual should follow their employers' local appeals or grievance procedures. Employers may wish to develop a policy or procedure in partnership with trade union colleagues that outlines how those appeals will be considered.

FREQUENTLY ASKED QUESTIONS

Q1. Will members who have tapered protection be able to access ERRBO once their protection runs out?

Yes, once their protection ends and the member moves to the 2015 Scheme, they will be able to apply for an ERRBO agreement. For the buy out to apply to pension earned in the first year of 2015 Scheme membership, the ERRBO application must be received in the first three months after moving scheme.

Q2. If a member has an ERRBO agreement for a one year reduction, is it possible to increase this to more years later on?

Yes, if a member is eligible to increase the number of years of ERRBO that they are buying, the cost is re-assessed based on their age at the date the increase starts. The application must follow the process described above and be made in the period of 1 April to 30 June of the scheme year in which the member wants the increase to take effect.

If accepted, the increased buy out will only apply to pension that is earned in a scheme year after the change has taken effect. Any pension earned before the change will continue to be reduced in line with the original one year buy out.

Q3. Is it possible to change an ERRBO agreement to reduce the number of years' reduction being bought out?

No. Once an agreement has been accepted the buy out cannot be reduced. The member must either continue with the agreement or terminate it.

Q4. Is the percentage contribution rate fixed for the rest of the member's ERRBO agreement?

NHS Pension Scheme contribution rates are reviewed regularly and may change on the advice of the scheme actuary. Following a review, the percentage being paid under an existing ERRBO agreement may change. Any revised rates will still be based on the age of the member when they started the agreement or applied to increase the buyout. The new percentage will be payable from 1 April after the rate change is announced.

Q5. What happens if the member changes job so that they are no longer in a role covered by the ambulance specific arrangement?

The ambulance specific arrangement will no longer apply and the employer may wish to discontinue contributing to the ERRBO agreement. It is recommended that employers put in place checks for internal moves to review if this is the case, and update policies to reflect it. If an employer no longer funds the ERRBO agreement in this instance, the employee can choose to continue the ERRBO agreement and pay the full cost themselves or terminate the ERRBO agreement.

Q6. Can the member terminate the ERRBO agreement before reaching their ERRBO retirement age?

Yes, members can terminate the agreement at any time. If the period during which additional contributions are paid is less than one year, the additional contributions will be refunded and the ERRBO 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 refunded and the buy-out period limited to the end of the previous scheme year for instance the previous 31 March. This results in a partial ERRBO reduction.

A member can only have one ERRBO agreement and if they choose to terminate it, they cannot start a new one later in their career.

Q7. What happens if the member has to retire before their ERRBO retirement age due to permanent ill health?

The ERRBO agreement will have no value and the additional ERRBO contributions will not be refunded. The member will receive their pension early and without any reduction.

Q8. Can the member decide to stop and then later restart paying ERRBO contributions?

Not usually. The only exception is suspension on hardship grounds, and then only for up to one year. If ERRBO contributions are not restarted by the date determined by NHS Pensions, the agreement is terminated and a further agreement cannot subsequently be taken out.

Q9. If members are suffering hardship and have to suspend their payment, will they be able to make additional payments to catch up once they are in a position to do so?

No, the hardship feature of the ERRBO scheme does not allow for this. The suspension is backdated to the start of the scheme year and contributions paid in that scheme year will be refunded. Any pension earned during the period of suspension will not be covered by the ERRBO and will be subject to reduction on early retirement.

Q10. If a member is suffering hardship and has suspended their ERRBO, can the employer continue to pay their half of the contributions?

Usually, no. The full additional contribution rate needs to continue to be paid, so the employer could at their discretion pay the employees' contribution for them. This would need to be agreed locally, and it is recommended that employers have a policy in place that describes instances of when this would occur and how this would work.



Q11. What happens if the member decides to retire before reaching their ERRBO retirement age?

The pension benefits would be reduced for being paid earlier after taking account of the ERRBO agreement. For example, a member with an NPA of 66 who purchased an ERRBO agreement of one year decides to retire at age 64. After taking account of the ERRBO, the retirement age is one year earlier than the effective NPA of 65. The pension would therefore be reduced by the appropriate factor for early retirement one year early.

Q12. What happens to the ERRBO contributions if the member dies in service?

If a member dies before retirement, their ERRBO contributions will not have any value, as any survivor benefits are paid unreduced. Any benefits based on prospective service take account of the service to the member's NPA and the ERRBO is effectively ignored. This is reflected in the way the ERRBO contributions are set.

Q13. What happens if the member decides to retire later than their ERRBO retirement age?

If the member takes their pension later than the date when an ERRBO agreement would completely eliminate the early retirement reduction, ERRBO contribution payments continue to be paid until retirement or NPA if that is earlier. The pension built up in the period of the ERRBO agreement will be increased because it is paid later than the reduced retirement age secured by the ERRBO.

Q14. What are the implications should a member of staff transfer out under TUPE to the private/independent sector?

In this situation we would expect the [New Fair Deal guidance](#) to apply and under New Fair Deal, the new employer is required to offer the transferring eligible employees continued membership or access to the NHS Pension Scheme. The new employer is required to ensure that all pension contributions due under the scheme regulations are collected and paid across to the scheme, including any additional ERRBO contributions. However, whether or not the obligation for the employer to continue to pay half the transfer costs would be a matter of employment law. We would recommend that employers seek legal advice on this matter should it become relevant.

If the new employer was not obligated to offer to pay half of the ERRBO contributions, the member could choose either to pay the full contribution themselves or terminate the agreement.

Q15. What options are there other than ERRBO for members to increase the value of their benefits or reduce their reduction for taking pension benefits earlier?

Members may also wish to consider purchasing an additional pension or building up a separate pension fund to supplement their main NHS scheme pension (money purchase additional voluntary contributions). There is an [NHS Pension factsheet](#) that compares ERRBO with additional pension and additional voluntary contributions.

Further information

Further information is available on the [NHS Pensions website](#). If you have any questions about ERRBO, please contact the scheme administrators at NHS Pensions.

- The helpline for member queries is 0300 3301 346
- The helpline for employer enquiries is 0300 3301 353 and employers may also submit queries by email to nhsbsa.pensionsemployers@nhs.net



NHS Employers

The NHS Employers organisation is the voice of employers in the NHS, supporting them to put patients first. Our vision is to be the authoritative voice of workforce leaders, experts in HR, negotiating fairly to get the best deal for patients.

We help employers make sense of current and emerging healthcare issues to ensure that their voice is front and centre of health policy and practice. We keep them up to date with the latest workforce thinking and expert opinion, providing practical advice and information, and generating opportunities to network and share knowledge and best practice.

We work with employers in the NHS to reflect their views and act on their behalf in four priority areas:

- pay and negotiations
- recruitment and planning the workforce
- healthy and productive workplaces
- employment policy and practice.

The NHS Employers organisation is part of the NHS Confederation.

Contact us

For more information on how to get involved in our work,
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