

UNISON Briefing note: Partial retirement (drawdown) and the calculation of NHS contractual redundancy pay

This briefing note provides an update on a known issue affecting the interaction between partial retirement (draw down) and the NHS Terms and Conditions for redundancy.

Key messages

The current climate of cuts and re-organisations across England mean that people are facing the real prospect of losing their jobs. UNISON has launched our [One Team, One NHS – Together Against Cuts campaign](#) to help branches campaign against cuts.

Alongside this is a briefing note on [Mutually Agreed Resignation Schemes](#) (MARS), which some employers are presenting as an alternative to redundancy – which it is not – or using confusing terminology to muddy the waters.

Now voluntary redundancy schemes are being drawn up by some employers and UNISON is aware of an issue affecting the interaction between partial retirement (draw down) and the NHS Terms and Conditions for redundancy.

The impact is that redundancy payments for someone who has taken partial retirement may be reduced because employers are basing their calculation of contractual redundancy payments on a shorter period of employment.

Scheme members were not made aware of this impact prior to taking partial retirement. UNISON is raising this unintended consequence as a priority to the Department of Health and Social Care.

Until or unless this is resolved, members should be aware that choosing to take partial retirement could mean a lower payment in the event of redundancy. If a member has already taken partial retirement and is considering taking voluntary redundancy, they should base their decision on the offer made to them by their employer.

Background

Since October 2023, some NHS pension scheme members have had the option of 'partial retirement'. It is similar to 'retire and return' in that it is a way of bringing pension benefits into payment whilst continuing to work in the NHS.

Unlike retire and return, partial retirement does not involve a break in service. For partial retirement, a change in terms and conditions is required to reference how the requirement to reduce pensionable pay by 10% is met, but all other

terms and conditions should remain the same. [Guidance](#) provided by NHS Employers answers the following question about terms and conditions:

Will employees retain their existing terms and conditions of employment after taking partial retirement?

Yes. Members may take all or part of their pension while continuing to work for the NHS. As there is no break in service, their terms and conditions of employment will remain mostly unchanged. This includes annual leave entitlements. A change or amendment to the existing terms and conditions of employment is required in order to reflect the 10 per cent reduction in their pensionable pay.

Recently, we have become aware of instances where employers are basing their calculation of contractual redundancy payments on a shorter period of employment for staff who have taken partial retirement (just as they do for staff who have done a retire and return).

There is no reference to redundancy payments potentially being reduced for workers who take partial retirement in the guidance provided on retirement flexibilities by NHS Pensions or NHS Employers.

Employers are citing the [NHS terms and conditions of service handbook](#) which states in section 16.6:

"16.6 The following employment will not count as reckonable service: ...

where the employee has previously been given NHS pension benefits, any employment that has been taken into account for the purposes of those pension benefits."

Our belief is that this is an unintended outcome and that the intention was not that those who take partial retirement should have reduced payments in the event of redundancy. With the current scale of cuts planned across the NHS, this is creating uncertainty for people who might lose their jobs. We think this is wrong and should be resolved as quickly as possible.

This is why UNISON has approached the NHS Staff Council and DHSC to seek an urgent amendment to the wording of 16.6, such that full employment service counts for staff who have partially retired.

Based on the current circumstances, our guidance to members is:

For members who are considering taking partial retirement:

Guidance from NHS Employers and NHS Pensions indicates that nearly all terms and conditions remain the same after taking partial retirement. However, UNISON is aware of some employers currently calculating redundancy payments on the basis of a shorter period of service for scheme members who have taken partial retirement. Members should be aware that choosing to take partial retirement could mean a lower payment in the event of redundancy.

For members who have already taken PR and are considering voluntary redundancy:

UNISON is aware of some employers currently calculating redundancy payments on the basis of a shorter period of service for scheme members who have taken partial retirement. UNISON is challenging this nationally with the DHSC. However, given the current position, members who are considering taking voluntary redundancy should base their decision on the offer made to them by their employer.

For members who have taken a reduced redundancy payment following taking partial retirement, branches should follow case work processes and complete a case form with all relevant information.

More information

[Using flexible retirement to support retention | NHS Employers](#)

[NHS redundancy arrangements | NHS Employers](#)

[Partial Retirement Member Factsheet | NHS Business Services Authority](#)

[Flexible retirement options for NHS staff – information for branches | Article | News | UNISON National](#)

[Read the UNISON MARS briefing](#)

[NHS cuts | Campaigns | UNISON National](#)