



Health & Social Care Pension Scheme 2015

Administered by.....

**HSC Pension Service
Business Services Organisation**

Final Pay Controls and Employer Charge Factsheet

Final pay control is applicable **ONLY** to all members of the **1995 Section** (or transitional CARE members with 1995 service who retain their Final salary link) of the HSC Pension Scheme who retire with entitlement to officer benefits. This includes non-GP providers and independent healthcare provider employees.

If a member receives an increase to pensionable pay that exceeds the allowable amount in any of the three years prior to their last day of service, the employing authority that awarded the excess pay will be liable for a final pay control charge.

The allowable amount for a relevant year is determined by increasing the member's pensionable pay in the year immediately preceding the relevant year by CPI plus 4.5%.

HSC Pensions will identify each instance of pensionable pay increase in excess of the allowable amount, calculate the employing authority charge and collect payment of that charge. An invoice will be sent to the Employing Authority where a charge is applicable after the member's award has been processed.

The final pay control only applies to pay rises that are awarded on or after 1 April 2015. The date of pay increase is not currently collected or recorded on member records therefore this information will be manually requested from employers

if an excess pay increase is suspected.

Final pay control will not apply to a death benefit.

Final pay control will not be applied to an increase in pensionable pay if that increase occurred before 1 April 2015.

Where there are two or more employing authorities the charge will be made to the authority that increased the pensionable pay. This is classed as unconnected employments.

Where there are two or more pensionable employments and there is no break or a break of less than 365 days between pensionable employments these will be classed as connected employments and the charge will apply to all the pensionable employments.

Salary Sacrifice is not excluded from the charges.

Pay control examples and charges

The examples below use three full years pensionable pay and compare this to the fourth year. To be able to show examples using all four years the examples show dates up to year 2019/20, because this will be the first year that all the four years can be used. From 1 April 2015 HSC Pension will identify pay increases for the financial year 2015/16 only and compare this with the previous 12 months pensionable pay.

Example 1: Final Pay Control Example Best Year is Y1 Whole-time

Scheme years	2015-16		2016-17		2017-18		2018-19		2019-20	
Scheme Year Pay totals	£27,700		£30,500		£33,600		£37,000		£20,400	
	1.4.15–30.9.15	1.10.15-31.3.16	1.4.16-30.9.16	1.10.16-31.3.17	1.4.17-30.9.17	1.10.17-31.3.18	1.4.18-30.9.18	1.10.18-31.3.19	1.4.19-30.9.19	
Scheme Year pay proportioned	£13,850	£13,850	£15,250	£15,250	£16,800	£16,800	£18,500	£18,500	£20,400	
Final pay years for benefits		YEAR 4 1.10.15 – 30.09.16	YEAR 3 1.10.16 – 30.09.17	YEAR 2 1.10.17 – 30.09.18	YEAR 1 1.10.18 – 30.09.19 (LDOS)					
Actual final pay years		£29,100	£32,050 (£29,100 + 10.14%) (Actual Increase)	£35,300 (£32,050 + 10.14%) (Actual Increase)	£38,900 (best year) (£35,300 + 10.2%) (Actual Increase)					
Virtually capped final pay years Allowable Amount		£29,100	£31,224.30 The lower of: • Actual Increase of £32,050 or • Capped Allowable Amount £29,100 + 7.3% = £31,224.30	£33,503.67 The lower of: • Actual Increase of 35,300 or • Capped Allowable Amount £31,224.30 + 7.3% = £33,503.67 or • 31,224.30 x £35,300/£32,050 = £34,390.57 subject to a minimum of £31,224.30	£35,949.44 (best year) The lower of: • Actual Increase of 38,900 or • Capped Allowable Amount 33,503.67 + 7.3% = £35,949.44 or • 33,503.67 x £38,900/£35,300 = £36,920.47 subject to a minimum of £33,503.67 See employer charge at Note 1					

Example assumptions

Membership in final years is whole-time and unbroken last day of service (LDOS) for normal pension age (NPA) of 60, retirement date is 30.09.2019.

Pension is payable from 1.10.2019

1995 scheme membership for age pension at NPA is 30 years

All February CPI's in period are at February 2015's 2.8% rate, i.e. **CPI+4.5% = 7.3%**

Applicable pension factor at age 60 is 20.60

Note 1

Actual pension and lump sum payable to member

Pension calculation $£38,900 \times 30/80 = £14,587.50$

Lump sum calculation $£14,587.50 \times 3 = £43,762.50$

Excess pensionable pay charge for employer

Excess pensionable pay $£38,900 - £35,949.44 = £2,950.56$

Excess pension calculation $£2,950.56 \times 30/80 = £1,106.46$

Excess pension x applicable factor 20.60 = $£22,793.08$ (A)

Excess lump sum $£1,106.46 \times 3 = £3,319.38$ (B)

Total employer charge is A + B $£22,793.08 + £3,319.38 = £26,112.46$

Example 2: Final Pay Control Best Year is Y1 Part-time

Scheme years	2015-16		2016-17		2017-18		2018-19		2019-20
Scheme Year Pay totals	£27,700		£30,500		£33,600		£37,000		£20,400
Scheme Year WTE totals	£55,400 (pay x 2)		£61,000 (pay x 2)		£67,200 (pay x 2)		74,000 (pay x 2)		£40,800 (pay x 2)
	1.4.15–30.9.15	1.10.15-31.3.16	1.4.16-30.9.16-	1.10.16-31.3.17	1.4.17-30.9.17	1.10.17-31.3.18	1.4.18-30.9.18-	1.10.18-31.3.19	1.4.19-30.9.19
Scheme Year pay proportioned	£27,700	£27,700	£30,500	£30,500	£33,600	£33,600	£37,000	£37,000	£40,800
Final pay years for benefits		YEAR 4 1.10.15 – 30.09.16	YEAR 3 1.10.16 – 30.09.17	YEAR 2 1.10.17 – 30.09.18	YEAR 1 1.10.18 – 30.09.19 (LDOS)				
Actual final pay years		£58,200	£64,100 (£58,200 + 10.14%) (Actual Increase)	£70,600 (£64,100 + 10.14%) (Actual Increase)	£77,800 (best year) (£70,600 + 10.2%) (Actual Increase)				
Virtually capped final pay years Allowable Amount		£58,200	£62,448.60 The lower of: • Actual Increase of £64,100 Or • Capped Allowable Amount $£58,200 + 7.3\% = £62,448.60$	£67,007.35 The lower of: • Actual Increase of £70,600 Or • Capped Allowable Amount $£62,448.60 + 7.3\% = £67,007.35$ Or • $£62,448.60 \times \frac{£70,600}{£64,100} = £68,781.14$ subject to a minimum of £62,448.60	£71,898.89 (best year) The lower of: • Actual Increase of £77,800 Or • Capped Allowable Amount $£67,007.35 + 7.3\% = £71,898.89$ Or • $£67,007.35 \times \frac{£77,800}{£70,600} = £73,840.96$ subject to a minimum of £67,007.36 See employer charge at Note 1				

Example assumptions

Membership in final 4 years is part-time and unbroken LDOS for NPA 60 retirement is 30.09.2019

Pension is payable from 1.10.2019

1995 scheme membership for age pension at NPA is 26 years, assuming that the last 4 years was at (half) whole-time equivalent (WTE) length and the previous membership all at whole-time length

All February CPI's in period are at February 2015's 2.8% rate, i.e. **CPI+4.5% = 7.3%**

Applicable pension factor at Age 60 is 20.60

Note 1

Actual pension and lump sum payable to member

Pension calculation $£77,800 \times 26/80 = £25,285$

Lump sum calculation $£25,285 \times 3 = £75,855$

Excess pensionable pay charge for employer

Excess pensionable pay $£77,800 - £71,898.89 = £5,901.11$

Excess pension calculation $£5,901.11 \times 26/80 = £1,917.86$

Excess pension x applicable factor is $£1,917.86 \times 20.60 = £39,507.92$

(A) Excess lump sum $£1,917.86 \times 3 = £5,753.58$ (B)

Total employer charge is A + B $£39,507.92 + £5,753.58 = £45,261.50$

Example 3: Final Pay Control Best Year is Y3 Whole-time

Scheme years	2015-16		2016-17		2017-18		2018-19		2019-20	
Scheme Year Pay totals	£24,000		£34,000		£30,000		£30,000		£15,000	
	1.4.15–30.9.15	1.10.15-31.3.16	1.4.16-30.9.16-	1.10.16-31.3.17	1.4.17-30.9.17	1.10.17-31.3.18	1.4.18-30.9.18-	1.10.18-31.3.19	1.4.19-30.9.19	
Scheme Year pay proportioned	£12,000	£12,000	£17,000	£17,000	£15,000	£15,000	£15,000	£15,000	£15,000	
Final pay years for benefits		YEAR 4 1.10.15 – 30.09.16	YEAR 3 1.10.16 – 30.09.17	YEAR 2 1.10.17 – 30.09.18	YEAR 1 1.10.18 – 30.09.19 (LDOS)					
Actual final pay years		£29,000	£32,000 (best year) (£29,000 + 10.35%) (Actual Increase)	£30,000 (£32,000 - 6.25%) (Actual Decrease)	£30,000 (£30,000 + 0%)					
Virtually capped final pay years Allowable Amount		£29,000	£31,117 (best year) The lower of: • Actual Increase of £32,000 or • £29,000+7.3%= £31,117 See employer charge at Note 1	£30,000 The lower of: • £30,000 • £31,117 + 7.3% • £31,117 x £30,000/£32,000 subject to a minimum of £31,117	£30,000 The lower of: • £30,000 • £30,000 + 7.3% • £30,000 x £30,000/£30,000 subject to a minimum of £30,000					

Example assumptions

Membership in final years is whole-time and unbroken LDOS for NPA 60 retirement is 30.09.2019

Pension is payable from 1.10.2019

1995 scheme membership for age pension at NPA is 30 years

All February CPI's in period are at February 2013's 2.8% rate, i.e. **CPI+4.5% = 7.3%**

Applicable pension factor at age 60 is 20.60

The deemed date for PI purposes is 1.10.2015 (since the best year is Y3)

Immediate pension's increases from 1.10.2015 to payable date would be in accordance with the relevant factor from tables, but assume a total of 4%

Note 1

Actual pension and lump sum payable to member

Pension calculation $£32,000 \times 30/80 = £12,000$ (£12,480 with assumed PI of 4%)

Lump sum calculation $£12,000 \times 3 = £36,000$ (£37,440 with assumed PI of 4%)

Excess pensionable pay charge for employer

Excess pensionable pay $£32,000 - £31,117 = £883$

Excess pension calculation $£883 \times 30/80 = £331.13$ (£344.38 with assumed PI of 4%)

Excess pension x applicable factor is $£344.38 \times 20.60 = £7,094.29$ (A)

Excess lump sum $£331.13 \times 3 = £993.39$ (B) (£1,033.13 with assumed PI of 4%)

Total employer charge is A + B $£7,094.29 + £1,033.13 = £8,127.42$

Example 4: Final Pay Control Example Best Year is Y1 Whole-time but Y2 is reduced

Scheme years	2015-16		2016-17		2017-18		2018-19		2019-20
SY Pay totals	£27,700		£30,500		£31,800		£32,000		£18,162
	1.4.15–30.9.15	1.10.15-31.3.16	1.4.16-30.9.16-	1.10.16-31.3.17	1.4.17-30.9.17	1.10.17-31.3.18	1.4.18-30.9.18-	1.10.18-31.3.19	1.4.19-30.9.19
SY pay proportioned	£13,850	£13,850	£15,250	£15,250	£16,800	£15,000	£16,000	£16,000	£18,162
Final pay years for benefits		YEAR 4 1.10.15 – 30.09.16	YEAR 3 1.10.16 – 30.09.17	YEAR 2 1.10.17 – 30.09.18	YEAR 1 1.10.18 – 30.09.19 (LDOS)				
Actual final pay years		£29,100	£32,050 (£29,100 + 10.14%) (Actual Increase)	£31,000 (£32,050 - 3.276131%) (Actual Decrease)	£34,162 (best year) (£31,000 + 10.2%) (Actual Increase)				
Virtually capped final pay years Allowable Amount		£29,100	£31,224.30 The lower of: • Actual Increase of £32,050 or • Capped Allowable Amount $29,100 + 7.3\% =$ £31,224.30	£31,000 The lower of: • Actual Decrease of £31,000 Or • Capped Allowable Amount $£31,224.30 + 7.3\% = £33,503.67$ Or $£31,224.30 \times £31,000 / £32,050 = £30,201.35$ subject to a minimum of £31,224.30	£33,263 (best year) The lower of: • Actual Increase of £34,162 Or • Capped Allowable Amount $£31,000 + 7.3\% = £33,263$ Or • $£31,000 \times £34,162 / £31,000 =$ $£34,162$ subject to a minimum of £31,000 See employer charge at Note 1				

Example assumptions

Membership in final years is whole-time and unbroken

LDOS for NPA 60 retirement is 30.09.2019

Pension is payable from 1.10.2019

1995 scheme membership for age pension at NPA is 30 years

All February CPI's in period are at February 2013's 2.8% rate, i.e. **CPI+4.5% = 7.3%**

Applicable pension factor at Age 60 is 20.60

Note 1

Actual pension and lump sum payable to member

Pension calculation $£34,162.00 \times 30/80 = £12,810.75$

Lump sum calculation $£12,810.75 \times 3 = £38,432.25$

Excess pensionable pay charge for employer

Excess pensionable pay $£34,162.00 - £33,263.00 = £899.00$

Excess pension calculation $£899.00 \times 30/80 = £337.13$

Excess pension x applicable factor 20.60 = $£6,944.88$ (A)

Excess lump sum $£337.13 \times 3 = £1,011.39$ (B)

Total employer charge is A + B $£6,944.88 + £1,011.39 = £7,956.27$

Annex 1: Final pay control factors applicable to members retiring with an immediate pension

Age last Birthday	Factor
50	24.10
51	23.78
52	23.46
53	23.13
54	22.79
55	22.45
56	22.10
57	21.73
58	21.37
59	20.99
60	20.60
61	20.20
62	19.78
63	19.36
64	18.93
65	18.48
66	18.02
67	17.56
68	17.08
69	16.57
70	16.06
71	15.57
72	15.08
73	14.59
74	14.04
75	13.48

Annex 2: Final pay control factors applicable to members entitled to a deferred pension

Age last birthday	Pension Factor	Lump Sum Factor
26	7.92	0.37
27	8.14	0.38
28	8.37	0.39
29	8.60	0.40
30	8.84	0.42
31	9.09	0.43
32	9.34	0.44
33	9.61	0.45
34	9.88	0.47
35	10.15	0.48
36	10.44	0.50
37	10.73	0.51
38	11.03	0.53
39	11.35	0.54
40	11.66	0.56
41	11.99	0.57
42	12.33	0.59
43	12.68	0.61
44	13.04	0.63
45	13.41	0.65
46	13.79	0.66
47	14.18	0.68
48	14.58	0.70
49	15.00	0.72
50	15.43	0.75
51	15.87	0.77

52	16.33	0.79
53	16.80	0.81
54	17.28	0.84
55	17.79	0.86
56	18.31	0.89
57	18.85	0.92
58	19.41	0.94
59	19.99	0.97