

Joining or rejoining a pension scheme because of Auto Enrolment and its effect on Enhanced or Fixed Protection

With the introduction of the Lifetime Allowance (LTA) HM Revenue & Customs (HMRC) also brought in a number of measures that allowed the protection of existing pension provision, including Enhanced and Fixed Protection. However, both of these types of protection can be lost in certain circumstances.

HMRC have published information on their website about Enhanced and Fixed Protection (<http://www.hmrc.gov.uk/manuals/rpsmanual/index.htm>) in general as well as specific circumstances in which they can be lost. The loss of Enhanced Protection is covered in RPSM03104065, whilst the loss of Fixed Protection is covered in RPSM11101530.

The following information represents the HSC Pension Service's current understanding of the legislation and the possible effects of the (re)commencement of pension contributions:

Joining the HSC Pension Scheme for the first time:

if a HSC worker joins the HSC Pension Scheme for the first time (they have never been a member of this Scheme previously) HMRC state they will have a "new arrangement" on the day they join this Scheme.

A "new arrangement" causes the loss of Enhanced or Fixed Protection except in certain circumstances defined by HMRC – please see webpages above for details.

HSC Workers joining an 'alternative qualifying pension scheme':

A HSC worker who is not eligible to join the HSC Pension Scheme will be automatically enrolled in an „alternative qualifying pension scheme" provided by their employer assuming they meet the auto-enrolment criteria. Where a HSC worker joins such a scheme then HMRC will classify this as a "new arrangement" which will cause the loss of either Enhanced or Fixed protection unless the employee opts out of the scheme within the first month.

Any queries about automatic enrolment into an „alternative qualifying pension scheme" or when this will happen, should be directed to the HSC workers own employer.

Members re-joining the HSC Pension Scheme because of automatic enrolment:

Members who have previously opted out of the HSC Pension Scheme who are auto-enrolled back into the same Section of the Scheme will not lose their Enhanced or Fixed Protection. This is because re-joining the same Section of the Scheme does **not** cause the member to have a “new arrangement”.

However, the fact that the member has re-joined the same Section of the Scheme could affect their Enhanced or Fixed Protection because they will start accruing further benefits:

For members with **Enhanced Protection** the Relevant Benefit Accrual (RBA) test will be affected. This test is carried out by HSC Pension Service when a member’s HSC Pension Scheme benefits crystallise, usually at the time of retirement, death or transfer out to a Qualifying Registered Overseas Pension Scheme (QROPS).

Members with **Fixed Protection** will have to carry out the Benefit Accrual test themselves when they start contributing to this Scheme again. Further information about Fixed Protection and the Benefit Accrual test can be found in:

[Reduced Lifetime Allowance and Fixed Protection Factsheet](#)

[Reduced Lifetime Allowance: Fixed Protection and Benefit Accrual in the HSC](#)

Both fact sheets can be found on the HSC Pension Service website.

Pensioners re-employed in the HSC:

Any pensioner of the HSC Pension Scheme who returns to work as a HSC worker will be eligible to be auto-enrolled. Depending upon the individual circumstances of the pensioner they will either be eligible to rejoin one of the Sections of the HSC Pension Scheme or will be auto-enrolled in an “alternative qualifying pension scheme”, provided they meet the auto-enrolment criteria.

Where a pensioner is re-employed they will have a “new arrangement” either with the HSC Pension Scheme or with an „alternative qualifying pension scheme” causing them to lose either Enhanced or Fixed Protection.

Important note:

Where an individual loses either Enhanced or Fixed Protection they must notify HMRC as soon as possible as HMRC have time limits in which they must be notified. If the individual does not meet those time limits HMRC may impose fines on that person. The time limits and fines are confirmed in the HMRC RPSM manuals at:

(<http://www.hmrc.gov.uk/manuals/rpsmmanual/index.htm>).

Alternative qualifying pension scheme:

Will be the scheme chosen by a HSC employer (from their staging date) to automatically enrol any HSC worker who cannot join the HSC Pension Scheme.