EMPLOYER
Technical Update

HSC PENSION SERVICE

HSCPTU 02/11 31 MARCH 2011

www.hscpensions.hscni.net

Contents

1. Important – Tax Changes

The Government has announced that the annual allowance for pension savings is reducing from £255,000 to £50,000 from 6 April 2011. The lifetime allowance is also expected to reduce from £1.8 million to £1.5 million from 6 April 2012. Whilst the majority of HSC Pension Scheme members are not likely to be affected employees need to be alerted to the changes.

To assist in this process HSC Pensions has made available for the following message to be placed on pay slips for April 2011:

"The Government has proposed changes to the amount you can build up towards your pension and benefit from tax-relief. To see if this impacts you, read the 'Pensions Tax Changes Factsheet' available at: HSC Pension ServiceEmployer Circulars/Technical Updates | HSC Pension Service"

2. Access To The HSC Pension Scheme – Secondments In Primary Care

Where an HSC Scheme member, who is not a General Practitioner (GP), is employed by a GP Practice and they are seconded to work for an organisation that is not an Employing Authority, that person remains in the HSC Pension Scheme as a Practice Staff member. This arrangement does not apply to GPs.

Where an individual, who is a GP, is employed by a GP Practice and they are seconded to work for an organisation that is not an Employing Authority, the GP cannot be a member of the HSC Pension Scheme for this employment.

If the GP is working partly for the GP Practice and partly for the other organisation, the GP can only 'pension' income in respect of the Practice's GMS or PMS contract. Any income earned in respect of the secondment is not pensionable.

GP Practices that are employing (or engaging) GPs and then seconding them must make arrangements to close down (or adjust) the pensionable posts immediately.

They will need to liaise with GP Payments Unit, County Hall, 182 Galgorm Road, Ballymena BT41 1QB.

3. 2011/12: Tiered Contributions

The 2011/12 tiered employee contribution rates have now been published. More detailed information can be found on HSC Pensions website: [2011/12 Tiered Contributions Factsheet]

The tiered rates for Officer (and Practice Staff) who are new joiners and for all Practitioners (and non-GP Providers) may be subject to change. Employing Authorities will be notified accordingly. The employer's contribution rate remains at 13.3%. The rules for Officer (including Practice Staff) Scheme members differ to the rules for Practitioner and non-GP Provider Scheme members.

Officer and Practice Staff

Officer or Practice Staff Scheme members are salaried employees of a HSC Trust, the HSC Board, Direction Body, GP Practice or Out of Hours provider (OOHP) who are not GPs or non-GP Providers. The basic rule is that the tier for existing Officers and Practice staff Scheme members in 2011/12 is based on their 2010/11 full year whole time equivalent (WTE) pensionable pay using the table below.

The table below must also be used for new joiners, and staff who have had a change in their circumstances in 2011/12. It is their annualised 2011/12 WTE pensionable pay that must be used.

Tier	Pensionable Pay (whole-time equivalent)	Contribution Rate in 2011/12
1	Up to £21,175.99	5%
2	£21,176.00 to £69,931.99	6.5%
3	£69,932.00 to £110,273.99	7.5%
4	£110,274.00 plus	8.5%

After the new Agenda for Change (AfC) pay rates are released, there may be a change to the tiered rates. However, this may only affect new joiners and staff who have had a change in their circumstances; not existing Officer and Practice Staff Scheme members.

Practitioners and Non-GP Providers

Practitioners are GPs of any type (excluding GP Registrars), General Dental Practitioners, and Ophthalmic Medical Practitioners.
Non-GP Providers are 'single-hander's', partners (including a fixed salary partner), or shareholders in a GP Practice or PMS organisation who are not GPs.
The basic rule is that the 2011/12 tiered rate for Practitioners or non-GP Providers is based on their total **2011/12** HSC pensionable income as a Practitioner or as a non-GP Provider.
All Practitioners and non-GP Providers will have their 2011/12 employee tiered contributions based on the following table. However the table may be subject to revision after the new AfC pay rates are released.

Tier	Pensionable Pay in 2011/12	Contribution Rate in 2011/12
1	Up to £21,175.99	5%
2	£21,176.00 to £69,931.99	6.5%
3	£69,932.00 to £110,273.99	7.5%
4	£110,274.00 plus	8.5%

4. Change from RPI to CPI

All Employers are advised that from the 1st April 2011, the measure by which pensions are increased each year is changing from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This announcement was made by the Chancellor of the Exchequer in his Emergency Budget in June 2010.

The key effects of these changes are:

A) Pensions currently in payment - Those in receipt will see their annual pension increase by CPI instead of RPI from April 2011.
B) Future uprating of deferred pension rights - The yearly uprating of pensions will be based on CPI from April 2011. All uprating before April 2011 will continue to use RPI.
C) The way new Additional Pension contracts are calculated post April 2011.

HSC Pensions is currently undertaking a disclosure exercise to notify all members about this change. The main activities are:

HSC Pensioners

We will include information in our pensioner newsletter.

Active Members

We have updated our website and Employers should include a message on employee pay slips saying:

"The measure by which HSC Pensions are increased each year is changing from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) from 1st April 2011."

We also encourage all employers under your own duty of disclosure to advise their staff via their own internal communication channels where possible. The following statement can be used for this purpose:

"The measure by which HSC pensions are increased each year is changing from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) from 1st April 2011. This means that when you claim to receive your pension it will now annually increase by the CPI."

We have also provided a poster which can be found on our website:
http://www.hscpensions.hscni.net/wp-content/uploads/2012/09/rpi_to_cpi_changes_poster.pdf

Notes:

1: The legislation governing the uprating of public sector pensions allows the Government to choose any appropriate measure to reflect general changes in prices. The Government has decided that the Consumer Prices Index (CPI) is an appropriate index to use going forward to provide protection against inflation from 1st April 2011. CPI is also used to set the inflation target by the Bank of England.

2: We are updating our various booklets, forms and leaflets to reflect this change. It is okay to continue using literature in the short term which features RPI as this was the indexation measure in use at the time of writing.

5. HMRC Guidance on NICs and Injury Benefit Payments from April 2011

HM Revenue & Customs (HMRC) has recently amended its guidance (NIM02245) on National Insurance Contributions (NICs) liabilities in respect of HSC Injury Benefit payments. This clarifies that HSC Injury Benefit payments are liable for NICs in line with other Government and Injury Benefit schemes. HMRC will be contacting all HSC employers directly about the implications of this change and to provide guidance.

The guidance will explain that NICs will be chargeable on HSC Injury Benefits payments made to individuals **in HSC employment**. Class 1 NICs (an employee and employer contribution) will be chargeable on Temporary Injury Allowance payments. Class 1A NICs (an employer only contribution) will be charged on Permanent Injury Benefit where the individual is in HSC employment and the paying employer is funding the benefit. HSC Injury Benefit payments made to former employees are not affected by this change.

Under current rules certain HSC employees may be entitled to receive Injury Benefit payments under the provisions of the HPSS (Injury Benefits) Regulations (Northern Ireland) 2001. These benefits were previously treated as compensatory payments arising out of an accident or disease. As a result NICs deduction had not been applied to the payments. This HMRC change will ensure that payments made under the HSC Injury Benefit scheme will be treated in the same way as payments made under similar schemes.

HMRC guidance has been amended to reflect the position which takes effect from 6 April 2011. The following liabilities will be applied to payments made under the HSC schemes.

- **Temporary Injury Allowance (TIA)** – normally paid to workers for a short period, to compensate for a temporary loss of earnings due to an injury, disease or condition that was wholly or mainly attributable to their HSC duties of employment. In these circumstances, the employee is still employed by the HSC but the injury or illness has caused their temporary absence from work. Payment of TIA brings the individual's income back up to 85% of their pre-injury pay and ceases when they return to work.

These payments are already taxed. From 6 April 2011 primary and secondary Class 1 NICs will also be payable on these earnings.

- **Permanent Injury Benefit (PIB)** – awarded to compensate for loss of earning ability due to an injury or illness wholly or mainly attributable to the individual's HSC duties of employment. Currently, payment of PIB is taxed. From 6 April 2011 Class 1A NICs will need to be charged and accounted for on payments in respect of the employer provided benefit where the employee remains working for the PIB paying HSC employer, or, is subsequently re-employed by that employer.

These changes to the treatment of PIB and TIA will not affect employees who are over pension age although employers (secondary Class 1) NIC will still be payable in such cases. As employees currently in receipt of a TIA will see a reduction in their take home pay employers will need to take steps to identify and communicate the changes to them.

HM Revenue & Customs Contact Points
Employers : John Welsh, Individuals & Public Bodies (Compliance) *J.welsh@hmrc.gsi.gov.uk*

6. Pension Position of On-Call Arrangements for Agenda for Change Staff

In the article contained in the January 2011 (HSCPTU 1/11) Technical Update, HSC Pensions acknowledged that some employers previously operating "combined" on call arrangements (where the commitment/availability payment and payment for work done are paid together), may have pensioned the whole amount of this payment for both part time and whole time staff.

From 1 April 2011 employers must comply with the pension position as detailed in the January 2011 Technical Update (HSCPTU 1/11). No further protection will be granted.

Pensions may also be protected up to 31 March 2011 where employers review their on-call arrangements and this result in a reduction in pensionable pay.

Action for employers

As employers will be able to identify members whose pensionable pay will reduce in these circumstances employers should issue the Employer On-Call Preservation letter which can be found at: *http://www.hscpensions.hscni.net/wp-content/uploads/2012/09/on_call_preservation_letter.pdf* to confirm to members that their pension benefits will be protected at 31 March 2011. Employers should also provide us with the following information by 30 June 2011 through the spreadsheet provided at: Employer Spreadsheet
Name
SB number
WT or Part-time
Actual Pay
Whole Time Pay if part-time.
The spreadsheet will need to be saved on your local drive, password protected and then returned to kevin.murphy@hscni.net

Please remember:
- A member must have at least two years qualifying service to be able to protect their pension benefits.
- In the 1995 Section benefits are based on the best of the last three years notional whole time pensionable pay.
- In the 2008 Section benefits are based on the average of the best three consecutive years reckonable pay in the last ten years.

HSC Pensions has also received some enquiries in respect of the above article. Questions and answers to the enquiries are provided below to assist employers in their understanding.

Q. On call payments for part-time staff may be paid at time and a half or double time. Why is this payment only pensionable at plain time rates?

A. Within the HSC Pension Scheme part-time members can pension extra hours worked up to the weekly full-time time hours for the grade. Any extra hours worked by full-time members are classed as overtime and non-pensionable

If an employer pays an enhanced rate for work done on-call by a part-time scheme member, (taking into account the principles in Annex 3 of the HSC terms and conditions of service handbook and the HSC Staff Council's accompanying guidance), and the part time member pensioned the hours worked at an enhanced rate, the part-time member may be paying more pension contributions than their full time colleagues.

As a result, if on call work is done during the total pensionable pay period in the 1995 section of the scheme, or the reckonable pay period in the 2008 section, the pay for part-time members and consequently benefits may be higher than that of their full-time colleagues.

Conversely if this work is not done within the pensionable or reckonable pay period, the part-time member would gain no advantage from pensioning the enhanced element of the payment. Therefore part-time members pensioning hours worked on call at plain time rates regardless of the amount paid is equitable for both part-time and full-time staff.

Q. Can you confirm the position of sleep-ins for members who do other work for the Trust?

A. There is a difference in working pattern for those staff who are employed solely to "sleep-in" and who do no other work for that employer and those who are employed in another post and undertake "sleeping-in" in addition to their normal work.

For members of staff undertaking sleep-ins, payments to those staff whose working pattern is wholly sleeping-in are only pensionable where work is done. Work in this case is defined as being woken from sleep.

We consider in order to be equitable, if no work is done; i.e. the member is not woken during the shift, then the availability payment in both cases should be treated as non-pensionable. However, if work is done then both the availability payment and the hours worked are pensionable up to full time.

7. Reminders

HSC PENSION SCHEME CAPITALISATION OF EARLY RETIREMENT COSTS.

Previously, employers were given a time bound facility to capitalise existing quarterly pension charges in relation to redundancy cases. HSC Pension Service are able to offer the same facility in the next financial year however payment must reach us by 31st July 2011.

All HSC Directors of Finance were issued with the guidance on 11 March 2011 by email on how to capitalise these costs. Anyone wishing to avail of this facility should complete and return the relevant pro forma to HSC Pension Service.

Any further clarification can be obtained by contacting Emma Cocks by email to: emma.cocks@hscni.net

Distribution List:

The Chief Executive of the HSC Board & HSC Trusts
The Director of Finance and Director of Human Resources of the:
HSC Board;
The Business Services Organisation;
The Patient and Client Council;
The Public Health Agency;
HSC Trusts;
Each Special Agency;
GP Practices;
Dental Practitioners;
Out of Hours Providers;
Directional Bodies;and
Staff Representative Bodies.

How to contact us:

By writing to us at:-

HSC Pension Service
Waterside House
75 Duke Street
Londonderry
BT47 6FP

Via e- mail at:- **hscpensions@hscni.net**

By Fax:- 028 71 319144

For urgent enquiries only, you can contact us by Telephone: 028 7131 9111

9.00am to 5.00pm – Monday to Thursday; 9.00am to 12.00 Friday

Any enquiries relating to this update should be emailed to Emma Cocks, HSC Pension Service - emma.cocks@hscni.net

If you have any comments about the content or format of this newsletter please email them to hscpensions@hscni.net