

EMPLOYER

Technical Update



HSC PENSION SERVICE

HSCPTU 04/11 AUGUST 2011

www.hscpensions.hscni.net

Contents

1. Annual Allowance – Information Requirements for Employers
2. Standard Lifetime Allowance
3. Abatement (Important note about Annual Rate of Pay)
4. Transferring Benefits
5. Website Updates
6. Reminders

1. Annual Allowance

Information requirements for employers

The annual allowance (the maximum amount of growth a member can have across all their pension arrangements) is reducing from £255,000 to £50,000 from 6 April 2011. This is in draft legislation at present, but due to become law this summer 2011. Legislative requirements place a responsibility upon employers to provide information to HSC Pension Service. This information will enable HSC Pension Service to provide an annual allowance statement to members who could be affected.

What information is to be provided?

The requirements specify that employers must provide:

- Pay (and service) information to HSC Pension Service by 6 July 2012 following the end of the tax year*.

Why must the information be provided?

The information will enable HSC Pension Service to generate an annual allowance statement. This statement will inform members of whether they have breached the annual allowance in the HSC Pension Scheme.

When must the information be provided?

HSC Pension Service is expecting an influx of requests for annual allowance statements in July 2012. In order to be able to respond to these requests, HSC Pension Service must have the available pay and service information from employers for 2011/12, by 6 July 2012.

What happens if the information is not provided?

If the information is not provided, HSC Pension Service will not be able to conduct the necessary calculations to check whether the member has breached the annual allowance limit. HSC Pension Service will not then be able to generate an annual allowance statement and notify potentially affected members in a timely manner.

Members could be subject to fines and late payment penalties from HM Revenue and Customs.

What should employers do?

Employers should ensure that they are geared up to provide pay information to HSC Pension Service by 6 July 2012 in respect of the 2011/12 scheme year.

Where can further information be obtained?

www.hmrc.gov.uk/pensionschemes

[HSC Pension Service Frequently Asked Questions \(FAQs\) | HSC Pension Service](#)

*Employers must provide all information necessary to be able to produce an annual allowance statement.

2. Standard Lifetime Allowance

The Standard Lifetime Allowance (LTA) is reducing

In the Finance Act 2011, the Government confirmed that the standard lifetime allowance (LTA) would be reduced from its current value of £1.8m to £1.5m, effective from the 6 April 2012.

For the purposes of the LTA benefits crystallise on the date the member had an actual right to receive their benefits. This date is the later of:

- The payable date; or
- The date benefits are actually authorised by HSC Pensions

The reduced LTA will therefore apply to members who become entitled to receive their benefits when they:

- Retire on or after 6 April 2012 – and the date the benefits are authorised is before that date; or
- Retire before 6 April 2012 – and the date the benefits are authorised is on or after 6 April 2012.

For those who are affected by the reduced allowance, the percentage of LTA used will be based on £1.5m. In addition, for high earning scheme members any LTA charges that may apply to their benefits will also be based on the reduced allowance. Any delay in claiming benefits may therefore result in:

- A bigger percentage of the LTA being used up – LTA charges may then apply to a later benefit crystallisation because there is insufficient LTA remaining.
- High earning scheme members – may become subject to LTA charges or see those charges increase.

The following examples illustrate when the change would apply:

Member A: Benefits are payable from 01 April 2012. The AW8 is received 3 months before retirement, benefits are calculated and authorised on 19 March 2012. Benefits are tested against a LTA of £1.8m because they crystallise on the payable date of 01 April 2012.

Member B: Benefits are also payable from 01 April 2012. The AW8 is completed 3 months before retirement but there is a delay before HSC Pensions receives the form and benefits cannot be authorised until 09 April 2012. Because of the delay benefits do not crystallise until 09 April 2012 and must therefore be tested against the lower LTA of £1.5m.

Member C: Benefits are payable from 08 April 2012. The AW8 is received prior to the last day of service, benefits are calculated and authorised on 16 March 2012. The benefits are tested against a LTA of £1.5m because they crystallise on the payable date of 08 April 2012.

It is **IMPORTANT** to note that HSC Pensions has no discretion on the date benefits crystallise and the calculation of the LTA used.

IMPORTANT ACTION FOR EMPLOYERS

To allow scheme members to consider how they might be affected by the reduced LTA, Pensions Officers must bring it to the attention of those who are planning to retire during:

- The last quarter of 2011/2012; or
- The first quarter of 2012/2013

This includes members who have already confirmed their intention to retire.

Members who wish to have their benefits assessed against the LTA of £1.8m must retire before 6 April 2012 and allow sufficient time before that date for the benefits to be authorised. The completed application form AW8 must therefore be sent to HSC Pensions at least 3 months before the intended retirement date. HSC Pensions cannot accept responsibility for any delay in authorising benefits if the application is delayed or incomplete.

Any revision to benefits (substitute awards) that is authorised on or after 6 April 2012 will be a separate crystallisation of benefits and based on the lower standard LTA of £1.5m.

3. Abatement (Important note about Annual Rate of Pay)

If a retired member returns to work in the NHS, their pension may have to be abated (reduced) until they reach age 60 (65 for the 2008 Section of the HSC Pension Scheme).

The 2008 review of the HSC Pension Scheme introduced changes to the way abatement is applied. These changes are documented in the [Working after Retirement Fact Sheet](#) within the Member Guides on our [website](#).

To enable the abatement rules to be applied correctly, it is vitally important that HSC Pensions receive the correct information with regard to an employee's Annual Rate of Pay at Cessation as detailed below:

First Awards

The award application form (AW6) contains a field for Annual Rate at Cessation, which must be completed accurately in all cases.

Please note that the Annual Rate should always be the employee's actual annual salary rate at the last day of pensionable employment. The figure required is the pay that the member would receive if he or she worked for 365-days on the salary which is current at the date of retirement.

It should NOT be the whole time equivalent rate.

For example:

Member working part time for half the standard hours, retiring on 31 May 2011.

Pay period	Actual annual salary	Whole-time salary
1 June 2010 to 31 March 2011	£14,000	£28,000
1 April 2011 to 31 May 2011	£15,000	£30,000

The annual rate to be entered on the AW6 is £15,000.

Revised Awards

Where an employee's pay details change after retirement, HSC Pensions must be notified of the revised pay using forms SD55A and AW171.

In addition to completing the relevant changes to pay, contributions and hours etc, on form SD55A, the correct Annual Rate must also be included.

When completing form AW171, in all cases both the front and rear of the form must be completed with the new total superannuable remuneration rate.

The figure required is the employee's actual annual salary rate at the last day of pensionable employment, as explained in the above example.

4. Transferring Benefits

Transfers into the HSC Scheme

If you have been a member of another pension scheme you can apply to transfer your pension rights into the HSC Pension Scheme to buy additional membership. If you wish to consider a transfer please contact your employer who will advise of what action you need to take.

If you have worked for the NHS in any other part of the UK you may be able to transfer those pension rights into the HSC Pension Scheme. The section that these are transferred into will depend on which section you were in, and how long ago you left that scheme.

Any pension rights transferred in will increase the amount of membership that you have and will therefore increase your benefits in the HSC Pension Scheme. Transferred in benefits will be treated in the same way as your HSC Scheme pension benefits.

Important notice: If you have been a member of the NHS Pension Schemes elsewhere in the UK it is important to note that your benefits will not transfer automatically to the Scheme.

You must apply in writing to HSC Pension Service for a transfer to be made.

1995 Section Important Notice: Applications to transfer benefits into the Scheme must be made within 12 months of joining the Scheme for the first time and before the normal pension age. Special rules apply to HSC employees transferring from NHS Pension Schemes elsewhere in the UK.

2008 Section Important Notice: Applications to transfer benefits into the Scheme must be made within 12 months of becoming eligible to join the Scheme for the first time and before the normal pension age. Special rules apply to HSC employees transferring from NHS Pension Schemes elsewhere in the UK.

5. Website Updates

- [Refund of Pension Contributions Factsheet - both section all members](#)
- [Refund of Pension Contributions Member FAQs - both sections all members](#)
- [Career Breaks Factsheet - both sections all members](#)
- [Redundancy - HSC Staff Only - Employer FAQs \(not including interest of efficiency\)](#)
- [2008 Section Draw Down Applications Factsheet](#)
- [Pension Commutation Factsheet](#)
- [Pension Commutation Employer FAQs](#)
- [Pension Commutation Member FAQs](#)

6. Reminders

1. Please ensure that all cheques are made payable to the HSC Pensions Scheme Account

2. Reduction in Pay and Impact on Pension Benefits

Employers should be aware that when a member's earnings are reduced, they may have the option of having their period of membership at the higher rate of pay preserved.

If a member's earnings are reduced:-

- Through no fault of the member – employers must certify within three months of the member's earning being reduced that the reduction is due to either:-
 - The member being transferred to other employment with an employing authority.
 - A change in the member's duties, while continuing in the same employment, other than at the member's request.

If a member's earnings are reduced because:-

- The member would like to do a less demanding job – employers must certify that the member's pay has been reduced by at least 10 per cent for a period of one year, and:
 - The member must have reached minimum pension age
 - The member must write to the HSC Pension Service within 15 months of their earnings being reduced.

HSC Pension Service will work out the pension benefits in two ways when the member comes to retire:

- We will work out the benefits separately for the two periods of higher and lower pay.
- We will work out the benefits using the pensionable pay at retirement for all membership.

We will use whichever method gives the bigger pension.

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 12.00pm Friday

Any enquiries relating to this update should be emailed to Elaine Mitchell, HSC Pension Service
- elaine.mitchell@hscni.net

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