



# EMPLOYER TECHNICAL UPDATE

HSC Pension Service

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## 1. Changes to Employee Contributions

The Department of Health, Social Services and Public Safety has launched a consultation on proposed increases to employee contribution rates paid by members of the HSC Pension Scheme for the year 2012-13.

Staff are asked to note the details of the proposals can be found on [http://www.dhsspsni.gov.uk/index/consultations/current\\_consultations.htm](http://www.dhsspsni.gov.uk/index/consultations/current_consultations.htm).

**The draft proposals are out for 12 week consultation from 24 October 2011 to 21 January 2012.**

Responses can be submitted by email to: [hscpensioncontribs@dhsspsni.gov.uk](mailto:hscpensioncontribs@dhsspsni.gov.uk)

Once the consultation process has been concluded we will then be able to provide more details about any changes.

## 2. Transitional Protection Rules for Redundancy

Members of the 1995 Section who satisfied certain conditions and were made redundant before 1st October 2011 were eligible for special transitional protection arrangements that provided enhanced terms based on the date of redundancy.

From 1st October 2011 the transitional protection has ended. Employers will receive an estimate illustration based on New Rules only.

The AW6 retirement form is in the process of being updated and the latest version will be made available on the website.

## 3. 2011/12: Estimate of GPs (and non-GP Providers) Pensionable Income

Each year, and prior to the start of the 'pensions year', every GP Practice and Directional body (that qualifies as a Scheme Employing Authority) must inform their Employing Authority of the estimated pensionable income of their GPs and non-GP Providers. This is so that the appropriate rate of tiered employee contributions can be deducted during the year by the Business Services Organisation.

The form;

["Calculation of Estimated Monthly Practice Superannuation Payment on Account—2011/12"](#)

declaring the estimated pensionable income for year 2011/12, can be found by clicking on the above link or alternatively on the HSC Pension Scheme [Website](#) under the heading GP Forms.

Every Principal Medical Practitioner, Assistant Medical Practitioner, non-GP Provider (WT Officer) or Salaried GP is legally required to declare their global estimated 2011/12 HSC pensionable income on this form. If they fail to do so the Business Services Organisation are advised to apply a standard 8.5% rate.

The following rules apply;

- They cannot elect for some of their income to be non-pensionable.
- Non-GP Providers may only pension income in respect of one Practice.
- There is no need to declare estimated income in respect of a GP who is solely a freelance GP Locum on this form.
  
- At the end of 2011/12 every GP Provider and non-GP Provider must complete an end of year Certificate declaring their actual pensionable income for the year. If the wrong tiered rate had been applied throughout the year the Certificate will identify it and necessary adjustments can be made.
- At the end of 2011/12 every Salaried GP (or Assistant Medical Practitioner) must complete a self-assessment form declaring their global GP pensionable income for the year. This is to ensure that they have paid employee contributions at the correct tiered rate.

Please note that the GP tiered contribution rates for 2011/12 are the same as the previous year (2010/11) but may be subject to change. If there are any changes to the tiered rates these will be communicated in a future technical update.

## 4. Reminder about Joining the Scheme for Re- Employed Pensioners

Here is a little reminder about the rules for pensioners rejoining the Scheme when returning to HSC work after taking their HSC Pension:

### **Members who retired from 1995 Section:**

- Can re-join the 1995 Section if they are under age 50 and retired on ill health.
- Between 01/04/08 – 30/09/09, (following a 24 hour break) they can join the 2008 Section after two years (or if longer, the calendar length of any enhancement credited under the 1995 section).
- On or after 01/10/09, they cannot re-join either Section of the Scheme.

Pensions from the 1995 Section are subject to Abatement and may be suspended if the member is re-employed within a month of retirement, (excluding those who work 16hrs per week or less in the first month of re-employment). More information about this can be found in the [‘working after retirement factsheet’](#) and [‘returning to work with a tier 2 pension factsheet’](#) which are both available on the [website](#).

### **Members who retired from the 2008 Section:**

- Following a 24hr break, they can re-join the Pension Scheme. This also applies to those who move to the 2008 Section.

Pensions from the 2008 Section are subject to Abatement but are not subject to the suspension rules if re-employed within a month of retirement. More information about this can be found in the [‘working after retirement factsheet’](#) and [‘returning to work with a tier 2 pension factsheet’](#) which are both available on the [website](#).

## 5. Annual Allowance Information

### **Background**

In previous Technical Updates we advised employers that the Government had proposed some changes to the maximum amount of tax free pension savings (excluding State pensions) a person could have in any one year (the annual allowance).

The annual allowance therefore reduced from £255,000 to £50,000 from 6 April 2011. In the HSC Pension Scheme this is the maximum amount of growth a member can have. Members who exceed this limit can also use up to the 3 previous years annual allowances (up to a maximum of £50,000 per year), if unused. This is called ‘carry forward’.

HSC Pension Service will aim to identify members who exceed the revised limit in respect of the growth in their HSC Pension Scheme benefits and HSC employers will be required to provide information about scheme members to HSC Pension Service within a specified timeframe. This information may enable HSC Pension Service to provide an annual allowance statement to members who could be affected.

## **Purpose of this article**

The purpose of this article is therefore to set out what the changes are, how these might affect members, inform you about your responsibilities as a HSC employer and explain what information HSC Pension Service will provide.

## **What will this change mean to HSC Pension Scheme members?**

The annual allowance restricts the amount of tax relief that a member is entitled to receive on their pension savings. The annual allowance limit covers all their pension savings, except the State pension, so any other pension savings e.g. AVCs or a personal pension a member may have must be added to the capitalized value of their HSC Pension benefits.

- By reducing the annual allowance this may mean that more members could be subject to a tax charge.

## **Which members could be affected?**

The vast majority of members will not be affected. Early indications are that the changes will primarily affect high earners (those earning over £150,000 a year).

Members may also be affected if they earn less than £150,000 but:

- Receive a significant pay rise or are promoted to a higher paid role; or have a long period of pensionable service, or;
- Earn pension at a higher rate than the normal Scheme accrual.

## **What information will HSC Pension Service provide?**

HSC Pension Service will provide an annual allowance statement to members who are over the annual allowance in the HSC Pension Scheme.

However, HSC Pension Service may not be in a position to do this until the summer of 2013, and in the meantime members are responsible for ascertaining their tax position and reporting any tax due to HMRC.

Members will also be responsible for adding any other pension savings they have, to work out their overall annual allowance usage, and for calculating any tax due and for any payment due to HM Revenue and Customs.

HSC Pension Service will deliver annual allowance statements automatically in the Summer of 2013, in relation to the scheme years 2011/12 and 2012/13, provided all information, including accurate pensionable pay and hours information, has been provided by the relevant employer.

## **What information must HSC employers provide to HSC Pension Service and when?**

The HMRC requirements specify that employers must automatically provide:

- Pay (and hours) information\* to HSC Pension Service by 6 July 2013, in respect of 2011/12 and 2012/13. HMRC have advised that employers will need to be able to provide evidence to satisfy both HSC Pension Service and HMRC that they have complied with the requirements.

## **Why must the information be provided?**

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

## **What happens if the information is not provided?**

If the information is not provided, HSC Pension Service will not be able to make 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.

## **What information will the annual allowance statements contain?**

HSC Pension Service will provide an automatic annual allowance statement to all members over the annual allowance in the HSC Pension scheme. The automatic statement will contain details of the amount of annual allowance used (known as the "pension input amount") for the year in question, and for the preceding 3 years. It will also show the annual allowance amount for each year in question.

## **Can members request information from HSC Pension Service?**

HSC Pension Service is not currently able to provide information in relation to the reduced annual allowance for 2011/12 or in relation to the associated 'carry back' years of 2008/09, 2009/10 and 2010/11. HMRC have given all scheme administrators extra time in which to gear up their systems to provide the statements. Administrators have until 6 October 2013 to provide statements in relation to 2011/12 and 2012/13.

## **HMRC Fines for non compliance**

HMRC have published fines for employers and others who are responsible for providing information to scheme administrators. These are:

- Up to £300 for each case where information has not been provided
- An additional maximum of £60 per day once the initial fine above has been levied, if the information remains outstanding

## **Further Information**

Further information is available at:

<http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM06107530.htm>

\*All information required to be able to calculate the pension input amount is required.

## 6. The Lifetime Allowance and Fixed Protection

The Lifetime Allowance is reducing from £1.8 million to £1.5 million from 6 April 2012. HM Revenue and Customs have introduced a new form of protection, called fixed protection.

This is more likely to be relevant to members who are high earners.

Fixed protection needs to be applied for before 6 April 2012, and more details are contained within the Fixed Protection factsheet, which is available from the HSC Pension Service website at: [Reduced Lifetime Allowance and Fixed Protection factsheet](#)

Please bring the availability of this information to the attention of all your senior and high earning personnel.

## 7. Members taking Strike Action

Strike action is classed as “Disallowed Days” by HSC Pension Service as the member receives no pay therefore no pension contributions can be collected and the period cannot count as pensionable membership for benefit purposes.

There is no facility for the employee to make up the pension contributions in this case.

## 8. Internet Updates

**New factsheet available:**

- [Working After Retirement](#)
- [Returning to Work with a Tier 2 Pension](#)
- [Reduced Lifetime Allowance and Fixed Protection factsheet](#)
- [Annual Allowance Information Requirements](#)
- [The Pay Used to Work out Your Pension](#)

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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

If you have any comments about the content or format of this newsletter please email them to [hscpensions@hscni.net](mailto:hscpensions@hscni.net)