



# EMPLOYER TECHNICAL UPDATE

HSC Pension Service

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## 1. Annual Rate of Pay at Cessation

When providing the annual rate of pay at cessation to HSC Pension Service please adhere to the following guidance:

The annual rate is the pay that the member would expect to receive if he or she worked for 365 days on the salary which is current at the date of retirement. This salary is the member's **actual pensionable pay** received i.e. salary, wages or other payments of a fixed nature that are payable on the last day of employment, plus fees and other payments received that are not of a fixed nature paid during the last full year of employment.

The figure should always be for a full 365 days and 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 (including additional payments as detailed above)	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 that should be provided is £15,000.

If the annual rate of pay is not provided the member's pension will be immediately suspended while we obtain the relevant figures from you.

## 2. Actuarial Reduced Early Retirement Factors

New Actuarial reduced early retirement factors have been produced by the Government Actuary's Department (GAD). The factors have decreased which means that members will benefit from the new factors.

The following tables show how much the pension and lump sum is reduced by if the member chooses to retire early.

### 1995 Section

Age	59	58	57	56	55	54	53	52	51	50
Pension	5%	10%	14%	18%	22%	25%	29%	32%	34%	37%
Lump Sum	3%	7%	9%	12%	15%	18%	20%	23%	25%	27%

### 2008 Section

Age	64	63	62	61	60	59	58	57	56	55
Pension	6%	11%	15%	19%	24%	27%	31%	34%	37%	40%

Government Actuary's Department recently completed a general review of actuarial factors applicable to both Sections of the Scheme. The new factors affect: -

- Early payment of pension and lump sum
- Early payment of added years and additional pensions where the contract ends before the intended completion date.
- Late retirement factors (2008 Section)

### 3.Redundancy & Interests Of Efficiency (IOE) Retirements – Changes To Factors Used For Calculating Employer Additional Contributions

As part of a general review of actuarial factors applicable in both Sections of the Scheme, those used to calculate employer costs in Redundancy and IOE retirements have changed. The capitalisation factors for pensions including any enhanced pension element have increased whereas the factors used for lump sums and spreading the cost over 5 annual instalments have decreased. The overall impact of the revised factors is expected to be a modest increase in the level of employer costs of less than 5% in most cases.

Please click here to view the updated [Employer Redundancy Costs Factor Tables](#)

### 4. Opting Out of the Scheme

Following recent queries regarding opting out of the Scheme and re-joining, HSC Pension Service has now published an Opting Out of the Scheme [Factsheet](#) to assist employers. This information can be found under the [Leaving the scheme](#) section of the [website](#).

HSC Pension Service would like to particularly remind employers that individuals are not permitted to join or re-join the scheme whilst absent from employment for any reason, including absence due to sick leave.

Employers should also note the current position on subsequent posts with the same employer after opting out.

## 5. 24 Hour Retirement

HSC Pension Service would like to remind Employers of the correct procedures that apply to ensure that members are entitled to claim and receive their HSC retirement benefits. The Information contained within this technical update is designed to provide a basic overview.

### **Members of the 1995 Section**

#### **Officers and Practice Staff**

All Officer and Practice Staff members must take a 24-hour break in HSC employment in order to access their retirement benefits. To achieve this they must terminate their contract of employment; they cannot return to HSC work for at least 24 hours.

If members hold concurrent HSC posts at retirement they are only required to retire for at least 24 hours in one of them providing the remaining posts do not exceed 16 hours per week; the remaining posts however cease to be pensionable. If the remaining posts do exceed 16 hours per week then it will also be necessary to retire from one, or all, of these posts for at least 24 hours.

A member who retires on normal age or voluntary early retirement grounds and who returns to HSC employment will have their pension suspended if their employment exceeds 16 hours per week in the first calendar month following retirement.

A member who retires due to ill health, redundancy, or on age grounds as a special class member may have their pension abated if they return to work before age 60.

#### **Practitioners and non-GP Providers**

To access retirement benefits GPs, General Dental Practitioners, Ophthalmic Practitioners, and non-GP Providers must take a 24-hour break.

If a Practitioner has a concurrent Officer post at retirement they are only required to retire for at least 24 hours in that Officer post if it exceeds 16 hours a week. This post however ceases to be pensionable.

A Practitioner or non-GP Provider who retires on normal age or voluntary early retirement grounds and who exceeds 16 hours per week in the first calendar month following retirement will have their pension suspended. Those who retire due to ill health may have their pension abated if they return to work before age 60.

## **Members of the 2008 Section**

### **Officer and Practice Staff**

All Officer and Practice Staff members who elect to 'draw down' some of their retirement benefits may continue in HSC employment and are not required to take a 24-hour break in HSC employment.

However, if they wish to access all their retirement benefits they are required to take a 24-hour break in HSC employment. To achieve this they must terminate their contract of employment.

There is no suspension of pension.

A member who retires due to ill health or redundancy (or 'in the interest of the efficiency of the service') may have their pension abated if they return to work before age 65.

### **Practitioners and non-GP Providers**

GPs, General Dental Practitioners, Ophthalmic Practitioners, and non-GP Providers who elect to 'draw down' some of their retirement benefits may continue in HSC employment and are not required to take a 24-hour break.

However, if they wish to access their pension benefits in full they must take a 24-hour break; i.e. terminate any involvement in their HSC contracts.

If a Practitioner holds a concurrent Officer post at retirement they are only required to retire for at least 24 hours in that post if it exceeds 16 hours per week. This post however ceases to be pensionable.

There is no suspension of pension.

A Practitioner or non-GP Provider who retires due to ill health may have their pension abated if they return to work before age 65.

## 6. 2008 Section Life Assurance Lump Sum (Officers)

For 2008 Section members the life assurance lump sum (death gratuity) was twice the average actual pensionable pay earned since 01.04.2008 until 31.03.2011. From 1 April 2011 the life assurance lump sum will be 2 x reckonable pay.

### How is Reckonable Pay worked out for the 2008 Section?

Working out Reckonable Pay can be complex because it looks back over a longer period and uses an annual average of three consecutive years' pay rather than a single year. Here's how it works:

1. We look at the last 10 years of pay (from 1 April 2008 at the earliest) and revalue it to what it is worth on the last day of membership. This is done so each year's pay can be compared in like terms to today's earnings.
2. We find the best three consecutive years over this 10 year period (or from 1 April 2008 at the earliest) and calculate the average of these three years. We do this using the actual amounts, rather than the revalued amounts.
3. We adjust this average to bring the earliest two of the three years up to date with the last of the three years.
4. Pension benefits are then calculated using this 'Reckonable Pay'. If the earnings used to calculate the benefits are not from the last year of working, it is revalued again to what it is worth on the last day of membership.

An example of how reckonable pay is calculated can be found in the Choice Factsheet:

- [Pensionable and Reckonable Pay Factsheet](#) - Information about the pay used to work out your pension

Due to the complex calculation of the reckonable pay it is advisable not to estimate the amount of death gratuity lump sum payable.

## 7. The standard Lifetime Allowance (LTA) is reducing

This is an **important reminder** that if a member's benefits are paid or authorised on or after 6 April 2012 then their LTA position will be based on the reduced standard LTA unless they have Fixed Protection .

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 Pension Service.

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.

### **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 NHS Pensions at least three months before the intended retirement date.

### **Additional Information:**

For members who give late notification of retirement, it is important that the application for benefits is processed without delay ensuring that the members pension record is up to date. HSC Pension Service will not accept responsibility for any delay if the application is:

- Incomplete
- Inaccurate
- Does not reach this office with sufficient time for the awarding process to be completed and benefits authorised before 6 April 2012

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.

## 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:

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By Fax:- 028 71 319144

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



**HSC Pension Service  
would like to wish all  
Members & Employers  
A Very Merry Christmas &  
A Happy New Year!**

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