

EMPLOYER TECHNICAL UPDATE

HSC Pension Service

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1. The standard Lifetime Allowance (LTA) is reducing to £1.25m from 6 April 2014

This is a reminder that the standard LTA is to reduce from £1.5m to £1.25m from 6 April 2014 as confirmed in HSC (P) 05/13.

This means a standard LTA of £1.25m will apply to members who become entitled to receive (crystallise) their HSC benefits when they:

- retire on or after 6 April 2014 – and the date their benefits are authorised is before this date
- retire before 6 April 2014 – and the date their benefits are authorised is on or after 6 April 2014.

For all scheme members the percentage of LTA used will be based on £1.25m unless they hold fixed protection. In addition, for higher earning scheme members any LTA charge that may apply to their HSC benefits will also be based on the reduced LTA unless they hold a valid protection certificate from HMRC. Any delay in claiming benefits may therefore result in:

- a bigger percentage of the LTA being used up – LTA charges may then apply if there is 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.

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

Important action for employers

Members who wish to have their benefits assessed against the LTA of £1.5m must have a last day of membership of 4 April 2014 or earlier, therefore their completed application form must be sent to HSC Pensions at least three months before the intended retirement date.

This is essential for those members who hold an Enhanced Protection certificate from HMRC as there is a requirement on HSC Pensions to check for Relevant Benefit Accrual (RBA) before HSC benefits are authorised. Where HSC benefits fail RBA the member may have scope, within the Scheme's Regulations, to 'rearrange' those HSC benefits in order to remain within RBA limits and keep their Enhanced Protection before they are authorised.

Information about Relevant Benefit Accrual (RBA) is available on the website at:

<http://www.hscpensions.hscni.net/wp-content/uploads/2012/09/Reduced-Lifetime-Allowance-Fixed-Protection-and-Benefit-Accrual-in-the-HSC-Pension-Scheme1.pdf>

To allow members to consider how they might be affected by the reduced LTA Employers must bring the reduction in the standard LTA to the attention of those who are planning to retire during:

- the last quarter of 2013/2014
- the first quarter of 2014/2015.

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

Employers must ensure that for those members who give late notification of retirement then their application for benefits must be processed without delay ensuring that the member's pension record is up to date. HSC Pensions will not accept responsibility for any delay if the application:

- is incomplete
- is inaccurate
- is from a member with enhanced protection
- does not reach this office with sufficient time for the awarding process to be completed and benefits authorised before 6 April 2014.

Any revision to benefits (substitute awards) that is authorised on or after 6 April 2014 will be a separate crystallisation of benefits and based on the lower standard LTA of £1.25m.

2. Fixed Protection 2014

HMRC has introduced Fixed Protection 2014, for those scheme members who wish to protect their pension benefits from the reduced LTA of £1.25m from 6 April 2014. Fixed Protection 2014 is available to members who do not have Enhanced Protection, Primary Protection or Fixed Protection 2012. HMRC has introduced Fixed Protection 2014, for those who wish to protect their pension benefits from the reduced LTA. Members should consider taking independent financial advice before making a decision about applying for Fixed Protection.

Action for employers

Employers should bring this article to the attention of any employees who are earning, or have a notional whole-time equivalent, in the region of £100,000 or more or who are known to have considerable work commitments outside the HSCNI.

Individuals must apply directly to HMRC before 6 April 2014 if they require Fixed Protection using the form APSS228, which can be downloaded from the HMRC website at:

<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=eD4vCN4VDKQ&formId=7378>

Further guidance can be found at:

<http://www.hmrc.gov.uk/pensionschemes/fp2014guidance.pdf>

Important note:

- Members do not require a valuation of their HSC benefits from HSC Pensions, and HSC Pensions cannot assist members with their application to HMRC for Fixed Protection 2014.
- Fixed Protection 2014 can be lost if the member has Benefit Accrual, it is the member's own responsibility to test for Benefit Accrual.
- Members should keep their Fixed Protection 2014 certificate in a safe place until it is required e.g. at retirement when they will be asked to declare they have not had Benefit Accrual.

Information about Fixed Protection is available on the Factsheets page of the website at:

<http://www.hscpensions.hscni.net/employers/reference-material/factsheets/>

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If you have any suggestions for the newsletter or would like a particular topic covered in future publications please do not hesitate in contacting us by emailing: hscpensions@hscni.net