



EMPLOYER TECHNICAL UPDATE

CONTENTS

Proposed Employee Contribution Rates for Scheme Year 1 April 2013 to 31 March 2014 (Year Two of Three)	1
Additional Pension - Revised Instalments to be deducted from 1 April 2013	2
Annual Allowance	3
Reminder regarding Pension Commutation - Limits on Maximum Tax-Free Lump Sum Retiring Allowance	4
Annual Certificates of Pensionable Profit	5
GP Partners & Locum Work	6
Payment on Account Forms 2013/14	7
Redundancy & Interests of Efficiency (IOE) Retirements where the member has a Pension on Divorce (POD) Debit - effect on capitalisation charges	8
GP Practice Staff Contributions Process	9

1. Proposed Employee Contribution Rates for Scheme Year 1 April 2013 to 31 March 2014 (Year Two of Three)

Background

Details of the proposed 2013/2014 employee contribution rates have recently been provided. These increases are in respect of the second year of a three year review period. The rates shown are due to be implemented from 1 April 2013 for the Scheme year 1 April 2013 to 31 March 2014. However, these proposals will be subject to normal Legislative processes and approval first. The details shown are therefore, provisional.

Please note that the contribution rates shown may be subject to change following consultation. The table shown in this update may be adjusted for those new to post from April 2013 to reflect any pay uplift that is applied. In the event of any change, you will be informed and details will be published on the HSC Pension Service website.

Proposed 2013/2014 Contribution Rates before tax relief (gross)

Band	Full-Time Pay	Contribution rate (before tax relief) 2012/13 (gross)	Contribution rate (before tax relief) 2013/14 (gross)	Contribution rate Increase 2013/14 (percentage points) (gross)
1	Up to £15,278.99	5.0%	5.0%	0
2	£15,279.00 to £21,175.99	5.0%	5.3%	0.3
3	£21,176.00 to £26,557.99	6.5%	6.8%	0.3
4	£26,558.00 to £48,982.99	8.0%	9.0%	1.0
5	£48,983.00 to £69,931.99	8.9%	11.3%	2.4
6	£69,932.00 to £110,273.99	9.9%	12.3%	2.4
7	£110,274.00 and over	10.9%	13.3%	2.4

Employers must ensure that systems are in place for the correct deduction and collection of contributions.

As you will see there are still seven contribution tiers. **The employer's contribution rate remains at 13.3% for the Scheme year 1 April 2013 to 31 March 2014.**

The rules on the application of contribution rates remain unchanged.

The table should also be used for new joiners, and staff who have had a change in their circumstances in 2013/14. Please note that it is their annualised 2013/14 WTE pensionable pay that must be used.

Disclosure - Notifying Members of the New Rates

Under Disclosure legislation all employees must be notified of the changes. To alert employees to the revised contribution rates and to assist employers in communicating this information, HSC Pension Service will make the following arrangements:

- **Pay slip Leaflet** - Under disclosure legislation, **employers must ensure that all their staff**, not just Scheme members are provided with advance notice of the new rates of contributions. To ensure employers meet their disclosure responsibilities, HSC Pension Service has produced a pay slip [leaflet](#) for employers to distribute with March 2013 pay slips. Supplies of the leaflet will be issued to all employers as soon as possible. Employers can obtain additional copies of the leaflet by contacting HSC Pension Service.
- **Poster** - HSC Pension Service has also made available to you, via the website, an [A4 poster](#) to alert employees to the forthcoming changes to contribution rates. You should download copies and ensure that posters are placed in areas where employees are most likely to notice them. A copy of this poster can be found at: www.hscpensions.hscni.net
- **HSC Pension Service website** - HSC Pension Service [website](#) will be updated with detailed information on the revised member contribution rates and provide specific [factsheets](#) for further information.

Below is a link to a contributions calculator for 2013-14 which is available on the Department of Health's (DoH) website. The calculator will enable HSC Pension Scheme members to calculate how much their contributions will increase, if at all on a monthly basis, on both a gross and net of tax relief basis.

<http://www.dh.gov.uk/health/2013/14/nhsps-contributions-calculator/>

Important – The contribution rates shown in this update may be subject to change following consultation. Should any of the contribution rates shown in this letter change, Employers will be informed and the HSC Pension Service website will be updated.

In order to deal effectively with any future disputes or complaints about disclosure, you are reminded that you should keep records of how such materials are distributed.

General Rules

The general rules on the application of contribution rates remain unchanged

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 Trust, Direction Body, GP Practice or OOHP who are not GPs or non-GP Providers.

The general rule is that the tier for existing Officers and Practice staff Scheme members in 2013/14 is based on their 2012/2013 full year whole time equivalent (WTE) pensionable pay using the table shown, unless the member's circumstances have changed. More detailed information can be found in the fact-sheets detailed below.

If an Officer (or Practice Staff) Scheme member receives a pay award it may not affect their contribution rate however, the contribution rate should be re-assessed and a new rate applied, if appropriate. Where a reassessment results in a different rate of contributions, the new rate should be deducted from the first day of the next pay period immediately following the pay period in which the change is made. Further information can be found in the factsheets shown on the HSC Pension Service website using the links below.

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-handers', partners (including a fixed salary partner), or shareholders in a GP Practice or APMS/sPMS organisation who are not GPs.

The basic rule is that the 2013/2014 tiered rate for Practitioners or non-GP Providers is based on their total 2013/2014 HSC pensionable income as a Practitioner or as a non-GP Provider.

All Practitioners and non-GP Providers will have their 2013/14 employee tiered contributions based on the following table.

Pensionable Pay in 2013/14	Contribution Rate (before tax relief) 2013/14 (gross)
Up to £15,278.99	5.0%
£15,279.00 to £21,175.99	5.3%
£21,176.00 to £26,557.99	6.8%
£26,558.00 to £48,982.99	9.0%
£48,983.00 to £69,931.99	11.3%
£69,932.00 to £110,273.99	12.3%
£110,274.00 and over	13.3%

More detailed information can be found in factsheets on the HSC Pension Service website at:

<http://www.hscpensions.hscni.net/members/members/factsheets/> for members

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

Important – The contribution rates shown in this update may be subject to change following consultation. Should any of the contribution rates shown change, Employers will be informed and the HSC Pension Service website will be updated.

2. Additional Pension - Revised instalments to be deducted from 1 April 2013

The cost of buying Additional Pension (AP) has changed with some prices increasing and others reducing. This note explains how the review affects new and existing AP agreements, and what action members and employers must take.

Scheme regulations allow for the cost of existing agreements to buy AP by regular contributions (instalments) to be amended from the start of the next scheme year. This applies only to instalments due for payment on or after 1 April 2013. Members cannot continue making payments at the old rates.

Already completed agreements, including those where all instalments are due to be paid before 1 April 2013, are not affected by the review.

Your action

You will receive a copy of the letter(s) sent to each member. Irrespective of whether there is a price increase or a reduction, you must apply the new rate to all instalments due for payment on or after 1 April 2013. If a member asks to stop buying one or more AP at 31 March 2013 but an instalment at the new rate has already been collected, it should be returned through payroll.

Increased cost

HSC Pension Service will write to members informing them of the increased cost that will apply to monthly instalments due for payment on or after 1 April 2013. A separate letter will be sent for each current AP agreement and will explain that they must decide either to:

- a) Pay the increased cost from 1 April 2013 until the AP purchase is complete.
- b) Stop payments due after 31 March 2013 and receive credit for the AP purchased by that date.

Continued payment of instalments at the old rates is not permissible. Members will therefore be informed that to avoid arrears accruing, you have been instructed to apply the increased cost automatically. If they decide to stop buying one or more AP they must complete and return the reply slip confirming their decision for that agreement. They should also ask you to stop deducting the AP payments.

Reduced cost

HSC Pension Service will write to members informing them of the reduced cost that will apply to monthly instalments due for payment on or after 1 April 2013. A separate letter will be sent for each current AP agreement and will explain that they need take no action because you have been instructed to apply the reduced cost automatically.

3. Annual Allowance

The HSC Pension Service website has now been updated to cover the main tax rules that apply to members of the HSC Pension Scheme. More information about [Annual Allowance](#) can be found within the employers' factsheets section of the [website](#).

4. Reminder regarding Pension Commutation - Limits on Maximum Tax-Free Lump Sum Retiring Allowance

Please be aware that the maximum tax-free lump sum, known as the Pension Commencement Lump Sum (PCLS), a member could receive is the lower of:

- 25% of the available standard Lifetime Allowance (LTA); or
- 25% of the capital value of the HSC pension benefits being paid.

On 6 April 2012 the standard LTA changed from £1.8 to £1.5 million which means the maximum possible tax-free lump sum has reduced from £450,000 to £375,000, unless the member has either fixed protection or a protected lump sum from HMRC.

The actual amount of tax-free lump sum available at retirement will depend on the member's individual circumstances and may be higher than £375,000 if they hold fixed protection or have a protected lump sum from HMRC. It may be lower than £375,000 if they already have benefits in payment (either from the HSC Pension Scheme or another pension provider) which reduces their available standard LTA.

5. Annual Certificates of Pensionable Profit

Any GP's/Accountants who have not already submitted the 2009/10 & 2010/11 Annual Certificate of Pensionable Profit must do so with immediate effect.

Under the scheme regulations, a GP who fails to submit all relevant documentation can have their pensionable profit for that year deemed to be zero. This can have a major effect on a member's pension and/or survivors benefits.

The 2011/12 Annual Certificates of Pensionable Profit is due for submission by 28th February 2013.

6. GP Partners & Locum Work

GP Partners who carry out Locum work in **their own** Practice must Pension/Superannuate this income through their Annual Certificate. It is **strictly forbidden** under the Scheme Regulations for GP Partner's to Superannuate/Pension earnings from their own practice through Locum Forms A&B.

GP Partners who locum in **other** practices should Pension/Superannuate these earnings through Locum Forms A & B.

7. Payment on Account Forms 2013/14

The 2013/14 Payment on Account form will be available on the Scheme website later this month.

All GP and non GP Providers must submit an estimate of Superannuable earnings as determined by the HSC Pension Scheme Regulations and the General Medical Services (Statement of Financial Entitlements) Directions (Northern Ireland) 2010.

It is important that all GP Practices submit their Payment on Account form prior to 01/04/2013 in order to eliminate a possible shortfall in contribution payments which can cause financial difficulties at a later stage.

8. Redundancy & Interests of Efficiency (IOE) Retirements where the member has a Pension on Divorce (POD) Debit - effect on capitalisation charges

The HSC Pension Scheme, to bring it in line with other Public Sector Pension Schemes has changed the way it pays benefits before normal pension age where those benefits are subject to a Pension Sharing Order (debit). This follows the High Court Judgement 'Slattery v Cabinet Office (Civil Service Pensions) EWHC 226'.

Effective from November 2012, where a member retires due to redundancy or because of interest of efficiency (IOE) who is subject to a debit there will be no reduction to their pension until they reach their normal pension age. At normal pension age the pension will be reduced to take the debit into account.

Any lump sum debit will be actuarially reduced and deducted from the member's lump sum retiring allowance before its early payment.

Employer capitalised charges will be calculated on the pension in payment until normal pension age and the reduced lump sum

You should bear in mind that a further capitalisation charge will apply for cases estimated before November 2012.

9. GP Practice Staff Contributions Process

The process of paying GP Practice Staff contributions is changing from April 2013 onwards.

*There are now **2 payment options** available for a trial period;*

Option 1: An **estimated** payment on account method

OR

Option 2: **Actual** contribution payments made by BACS/Internet Banking on a monthly basis

Actual contributions payments **must** reach our account by the 19th day of the following month.

An individual breakdown of the monthly payment must be emailed to hscpensions@hscni.net by 19th day of the following month.

Any payments not received on time will incur an administration fee.

Once a method of payment has been chosen, it cannot be changed until the following financial year. Please forward an email to hscpensions@hscni.net by the 15th February 2013, stating which option your practice has chosen.

If you have any queries, please do not hesitate to contact the Interface Team on 028 7131 9111.

Distribution List:

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The Director of Finance and Director of Human Resources of the:
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9.00am to 5.00pm – Monday to Thursday; 9.00am to 12.00pm Friday

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