

HSC Pension Scheme: Voluntary Protection of Pay

Employer FAQ's

Q What is Voluntary Protection of Pay?

A Voluntary Protection of Pay was introduced from 1 April 2008 to provide more flexibility in the 1995 Section of the Scheme. The provision supports the improving working lives (IWL) initiatives which exist in the HSC and recognises that in the run up to retirement a member may prefer, if possible, to remain in HSC employment, perhaps in a lesser capacity, whilst protecting their pension benefits.

If a member has attained their minimum pension age and chooses to step down to a less demanding role where their new or remaining duties are less demanding and carry less responsibility than their previous duties then they may be able to apply for Voluntary Protection of Pay, if their pay reduces by at least 10%.

Q Does Voluntary Protection of Pay apply to both the 1995 and 2008 sections of the HSC Pension Scheme?

A No, this provision only applies to the 1995 section. In the 2008 section of the scheme, benefits are based on the reckonable pay, which is the average of the best three consecutive years pensionable pay in the last 10 years. This takes into account any higher pay prior to step down.

Q Can a member apply for Voluntary Protected Pay if a step-down has been arranged between two different HSC employers?

This provision allows an employer to maintain valuable knowledge and skills of a member who, without the opportunity to step-down may otherwise have left the HSC. Therefore, we would normally expect the step-down to occur with the same employer.

However if a suitable role to 'step-down' to cannot be provided in your organisation but can be arranged with another, this would be acceptable. In this case both employers will have to provide information that 'step down' has been agreed.

The provision is not intended for situations where a member merely leaves one employer and joins another on a reduced rate of pay.

Q Why does a member's pay have to reduce by at least 10% for a period of at least one year before they can apply and why can the pay not be subject to any other reductions in the previous 12 months?

A The provision is intended for long-term changes in a member's employment pattern prior to retirement.

Q Should a member apply for Voluntary Protection of Pay if they have downgraded following a period of ill health?

A No, a reduction in pay due to a change in duties following a period of ill health is a valid reason for protection of pay (through no fault of the member). If this is the case you should refer to the Protection of Pay FAQ before contacting HSC Pensions.

Q Can protection be applied if the member only reduces their hours and not the grade?

A No, we can only protect reductions in pay. If hours are reduced we will still use the notional whole time equivalent pay when calculating retirement benefits.

Q Can a practitioner apply for Voluntary protection of Pay?

A Protection of pay is not required for practitioners as pension benefits are based on their earnings throughout their career and revalued. This is known as a Career Average Re-valued Earnings (CARE), pension.

Q If the pensionable pay has previously been protected because of reasons of no fault of the member (see separate FAQ regarding Protection of Pay), can they later also apply for Voluntary Protection of Pay?

A Yes, a member can still apply for Voluntary Protection of Pay if they already have protected pay due to reasons of no fault of their own. However, they are restricted to one application for Voluntary Protection of Pay

Q Can Voluntary Protection of Pay be considered when the member has lost an allowance, for example: a change from nights to days?

A No, all criteria must still be met and in the case of a member changing from nights to days, it cannot merely be the loss of the allowance that would qualify for protection of pay under the Voluntary Protection of Pay provision, the duties must be less demanding and carry less responsibility.

Q How do I check if the pay has reduced by 10 percent?

A The reduction applies to a member's rate of pay, therefore the change to actual and notional whole time pay will be the same. For pension purposes you should always compare the Employers' Actual Total Pensionable Pay (TPP) to the reduced pay 1 year later beginning with the first payday on which the reduced pensionable pay was paid.

You should not use the basic annual rate of pay to check for the reduction.

Q If we know what the reduced pay is going to be, can we submit the request earlier?

A No. We cannot accept Voluntary Protection of Pay requests until the member's pensionable pay has reduced by at least 10 for a period of at least one year beginning with the first pay day the reduced pensionable pay was paid. The provision is intended for long-term changes in a member's working pattern and a member's circumstances may change during the one-year period.

Q How should an application for Voluntary Protection of Pay be made?

A The member should complete the application form Pro Pay 1 and send this to the employer who arranged the step down. Employers should then read the instructions on the Pro Pay 1 form before submitting to HSC Pensions. You should also attach the Pro Pay 2 or formal request from the member in all cases.

Q How will the member benefit by protecting the higher rate of pay pension?

A When a member retires, or transfers benefits out to another pension scheme, if they have one period of protection, two pensions will be calculated. A pension based on the protected rate of pay* plus inflation increases for membership up to the date of protection and a second pension for membership after that date will be calculated using pay* at retirement.

If by retirement the protected pay plus inflation increases is not more beneficial, then the whole of the pension benefits will be calculated using pay* at retirement.

*The best of the last three years of pensionable pay.