

HSC Pension Scheme Earnings Cap Factsheet

1995 Section of the HSC Pension Scheme

Background

A person who became a member of the HSC Pension Scheme on or after 1 June 1989 as a “new entrant” was subject to the Earnings Cap, which was the maximum salary limit set by HM Revenue and Customs (HMRC), laid down in relation to retirement benefit schemes, approved under section 590 of the Income and Corporation Taxes Act 1988. The Finance Act 2004 removed the compulsory Earnings Cap whilst allowing schemes such as the HSC Pension Scheme to retain their own cap.

The HSC Pension Scheme retained its own Earnings Cap, which means that any earnings over and above the Earnings Cap are not pensionable (see changes below).

Exceptions

If a member of the Scheme had a break in employment of 12 months or more after 31 May 1989 and then re-joined the Scheme, they are subject to the Earnings Cap. For those members whose breaks in employment are less than 12 months, the Earnings Cap will not apply.

Members of the HSC Pension Scheme who transferred to the Universities Superannuation Scheme (USS) before 1 June 1989 were not treated as “new entrants” and subsequently not subject to the Earnings Cap if they returned to HSC pensionable employment before 1 June 1994.

From 1 April 1996 HSC and Principal Civil Service Pension Scheme (PCSPS), (Department of Health only), members who move between these bodies will no longer be regarded as “new entrants”. This means that the Earnings Cap will not apply to them unless they were subject to it before the move.

Changes

With effect from 1 April 2008 HSC earnings are no longer capped. However members who were subject to the Earnings Cap prior to 1 April 2008 will still be subject to the Earnings Cap for Scheme membership up to and including 31 March 2008 only.

Added Years

If a Scheme member, who was previously subject to the Earnings Cap, has already bought added year or is still buying them under an agreement that started before 1 April 2008, those added years remain subject to the Cap. Contributions in respect of those added years should be limited to the capped pay.

Benefits payable at retirement

A member's benefits will be calculated separately, for the periods pre and post 1 April 2008, and then added together when benefits are paid to provide one pension and lump sum.

Example

Membership up to 31 March 2008 would be based on the Earnings Cap for the year in which the pension was paid. This is reassessed each year. (If the payable date for the pension was 2 June 2008 the capped pensionable pay figure used would be £117,600.) Pensions Increase is not added.

Membership from 1 April 2008 onwards would be based on uncapped pensionable pay.

Earning cap limits:

01.06.89 to 05.04.90	£60,000
06.04.90 to 05.04.91	£64,800
06.04.91 to 05.04.92	£71,400
06.04.92 to 05.04.93	£75,000
06.04.93 to 05.04.94	£75,000
06.04.94 to 05.04.95	£76,800
06.04.95 to 05.04.96	£78,600
06.04.96 to 05.04.97	£82,200
06.04.97 to 05.04.98	£84,000
06.04.98 to 05.04.99	£87,600
06.04.99 to 05.04.00	£90,600
06.04.00 to 05.04.01	£91,800

06.04.01 to 05.04.02	£95,400
06.04.02 to 05.04.03	£97,200
06.04.03 to 05.04.04	£99,000
06.04.04 to 05.04.05	£102,000
06.04.05 to 05.04.06	£105,600
06.04.06 to 05.04.07	£108,600
06.04.07 to 05.04.08	£112,800
06.04.08 to 05.04.09	£117,600

Earnings Cap figures for future years will be available from the HSC Pension Service website.

Members of the 2008 Section of the HSC Pension Scheme will not be subject to the Earnings Cap.

