Business Services Organisation
HSC Pension Service

HSC Pension Scheme

Information about Transfers Overseas

Introduction

This leaflet contains information about important changes to the HM Revenue & Customs (HMRC) tax rules with effect from 6 April 2006.

This booklet is a general guide. It is not a full statement of the law which governs transfer overseas.

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Background

From 6 April 2006 (known as 'A' Day), HM Revenue & Custom (HMRC) replaced the way it limited tax-free pensions in UK schemes with an individual lifetime allowance. Pension Funds must be tested against the standard lifetime allowance at each benefit payment or in certain transfers overseas.

From 'A' Day a member of the HSC Pension Scheme will only be able to transfer pension rights overseas if the receiving scheme is registered with HMRC as either a Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme, (QROPS).

The transfer statement and the information provided in this booklet are all that is legally required to complete the transfer. The HSC Pension Scheme will not complete individual proposal forms.

Guaranteed Minimum Pension (GMP)/Section 9(2B) Rights

If the member was contracted out of the State 2nd Pension (S2P), the HSC Pension Scheme takes on the liability to pay a pension at least equal to the S2P or one that satisfies the Reference Test under the Pensions Act 1995.

Contracted-out membership post April 1997 is known as Section 9(2B) Rights. Any added years, doubled years and some transferred-in membership do not form part of the Section 9(2B) Rights.

Transferring contracted-out membership is at the member's own risk. When the member retires, it is possible that the pension benefits they receive from their new scheme may be less than the benefits they would have received in the HSC Pension Scheme, or the S2P in the UK. The member, their spouse or civil partner, would have no claim against the HSC Pension Scheme or the S2P for any shortfall in the benefits paid by their new scheme.

When signing the transfer option forms the member will be signing to say they understand this and that the scheme to which the transfer payment will be made may not be regulated in any way by the law of the UK. As a consequence, there may be no obligation under that law on the receiving scheme to provide any particular value or benefit in return for the transfer payment.

They will be accepting that once the transfer payment has been made, the provisions of the Contracting-Out Regulations 1996 (Premiums and Return to the State Scheme), will not apply in relation to the rights for which the payment has been made.

For those members with deferred benefits, if the receiving scheme is unable to accept the liability for any GMP/Section 9(2B) Rights, it will be necessary for the member, after taking advice about the best option for them, to choose to discharge the liability by either:

1. Securing these rights in a Registered Pension Scheme, which is either a Section 32 Buy Out Bond or Appropriate Personal Pension in the UK. The transfer amount payable will be reduced by the amount required to cover the liability. It is the responsibility of the receiving scheme to engage the services of an Insurance Company, based in the UK, to secure the liability for GMP/ Section 9(2B) Rights in a registered pension scheme.

Or

2. Leaving the liability with the HSC Pension Scheme.

The transfer amount payable will be reduced by the amount required to cover the liability and will be shown in our documentation. Please note that GMP will be payable from State Pension Age, not necessarily age 60, but Section 9(2B) Rights are payable at age 60.

The transfer is at the member's own risk and there is a possibility that they may lose discretionary benefits from the HSC Pension Scheme.

For members who do not have deferred benefits, the liability will be discharged by payment of a CEP (Contributions Equivalent Premium) to HMRC National Insurance Contributions Office (NICO) and the amount payable will be reduced by the amount required to pay the CEP. This option will be shown in the transfer documentation if applicable.

Some members have no GMP/Section 9(2B) Rights liability.

Transfer Calculation

If your approval letter from HMRC confirms your status as a QROPS, the member is entitled to a Cash Equivalent Transfer Calculation. A transfer is only possible if the member left the HSC Pension Scheme on 1 January 1986 or later.
If HMRC approval confirms the status of the receiving scheme as a Registered Pension Scheme and it is also an occupational pension Scheme, the transfer calculation may offer reserved rights. An occupational pension scheme is defined in the HSC Pension Scheme Regulations as one within the meaning of Section 1 of the Pension Schemes Act 1993 which:

1. In the case of a scheme established on or after 6 April 2006, is a registered pension scheme for the purposes of the 2004 Act, or

2. In the case of a scheme established before that date, was:

(i) Approved by HMRC for the purposes of Chapter 1, Part XIV of the Income and Corporation Taxes Act (ICTA) 1988;

(iii) A statutory scheme as defined in section 612(1) of the ICTA 1988;

(iii) A scheme to which section 608 of the ICTA 1988 applied **and** on 6 April 2006 became a **registered pension scheme** for the purposes of the Act 2004.

If applicable, a reserved rights calculation is the higher of:
1. An old style calculation for membership before 29 January 1988, with interest, plus:

2. A CETV calculation for membership after 28 January 1998, compared with;

3. A CETV calculation for all membership;

and is subject to the member satisfying the time limits defined in the Scheme Regulations.

Date of Residency

A member of the HSC Pension Scheme is entitled to one transfer value statement per year and this will be at current date. HSC Pensions will not provide an additional value as at date of residency.

HSC Benefits

Benefits payable from the NHS Pension Scheme are index linked. This means they are protected against inflation.

Benefits will normally be paid at age 60, when any further cost of living increases will be added. Benefits may be paid earlier if the member becomes permanently unable to do any regular work.
If the member was classed as a Mental Health Officer, their benefits may have been increased because of the special provisions relating to them.

Payment should only be requested when the receiving scheme will pay a Lump Sum in accordance with the Reference Scheme rules under the Pensions Act 1995.