

Leaving The Scheme – Your Options

Leaving

The aim of this fact sheet is to give information to members who are:

- leaving HSC employment without retirement benefits, or
- leaving the HSC Pension Scheme, but not HSC employment.

During your membership of the Scheme you will have built up benefits. You may also have been paying additional contributions to a HSC Money Purchase arrangement. Once you leave the Scheme you must decide what to do with these benefits. This factsheet explains the choices open to you. Please read it carefully before you decide.

1995 section

IMPORTANT

If you are a member of the 1995 Section of the HSC Pension Scheme and return to work in the HSC after a break in pensionable employment of any one period of 5 years or more, you will only be eligible to join the 2008 Section of the HSC Pension Scheme.

Your Choices – Overview

If you return to the HSC within 12 months you can link your periods of Scheme membership and so build up valuable pension rights faster. If you intend to rejoin HSC employment within 12 months you do not need to take any action. If your plans change and you no longer intend to return to HSC employment within 12 months of leaving, you can still exercise your options later.

If you do not intend to rejoin the HSC within 12 months of leaving, your options are explained below.

The choices you have depend on how much membership you have in the Scheme and if you are paying additional contributions to a HSC Money Purchase arrangement.

If you have at least 2 years' membership your benefits will be deferred for payment when you reach your normal retirement age, unless you choose a different option.

Whatever your membership you can normally choose a transfer of your benefits to another registered pension scheme. But there are time limits.

If you have less than 2 years' membership you can choose a refund of your contributions instead of a transfer to another registered pension scheme. You do not have to wait until you have been out of HSC employment for 12 months to exercise this option.

1995 section

If you are a member of the 1995 Section of the HSC Pension Scheme and take a refund of your contributions you will only be eligible to join the 2008 Section of the HSC Pension Scheme if you later return to HSC work.

If you have a HSC Money Purchase arrangement

If you have a Money Purchase arrangement with the HSC's provider, whatever you decide for your main Scheme benefits will automatically happen to your Money Purchase arrangement.

But, if you wish, you can decide separately about your Money Purchase arrangement. For example, defer your main Scheme benefits but transfer your Money Purchase arrangement.

Making your mind up

Your pension rights are valuable. Please read all this factsheet and think carefully about what you want to do with them. Remember, if you take a refund you are giving up all your pension rights in the HSC Scheme.

If you are thinking of transferring your HSC Scheme rights you should carefully compare what you are giving up with your new pension arrangement.

If you are staying in HSC employment but thinking about leaving the Scheme, you should speak to your Employer and ask for form SD502 or download it from our website. If you are in any doubt you should seek independent financial advice. There is some information about this later.

Deferring your benefits

If you have 2 or more years' membership or you have less than 2 years, but transferred pension rights from a personal, money purchase or stakeholder pension, you can choose to leave ("defer") your benefits in the Scheme.

Your deferred main Scheme benefits will be increased each year by the rate of inflation to protect their value and will normally be paid to you when you reach your normal retirement age.

You do not need to apply to defer your benefits. We will automatically write to you about this if you do not rejoin the Scheme within 12 months of leaving. But please write to us if you change your address.

If you do rejoin the Scheme within 12 months, your membership will link up and all your membership will count when your retirement benefits are worked out.

Should you die before or after you take your deferred benefits, life assurance and family benefits may be payable.


HSC Money Purchase Arrangements

If you have a HSC Money Purchase arrangement, the fund will automatically be deferred with your main Scheme Benefits. Your additional contributions will remain invested but the return is not guaranteed and they will not be increased each year by the rate of inflation.

You can, if you prefer, opt to transfer your HSC Money Purchase arrangement to either an existing freestanding AVC or personal stakeholder pension provided it has the relevant approval under the Finance Act 2004.

Claiming your deferred benefits

Deferred benefits are usually paid at your normal retirement age. Please write to us and ask for a claim form three to six months before you reach that age.



1995 section

If you are a member of the 1995 Section of the HSC Pension Scheme and 'special class' status and are made redundant before age 50, you may claim your deferred benefits at age 55.

Voluntary Early Retirement

If you leave the Scheme with deferred benefits and have reached minimum retirement age you may be able to claim your deferred main Scheme and any HSC Money Purchase benefits early, provided you are no longer in HSC employment. Your benefits will be reduced to cover the extra cost of being in payment longer.

If you are thinking of claiming your benefits early, you must first write to us for an estimate of your benefits.

You cannot take your deferred benefits on Voluntary Early Retirement grounds if you left the Scheme before 30 June 2000.

Ill-health retirement

If you become permanently unable to do any regular work because of ill-health before your normal retirement age, we may be able to pay your deferred benefits early. If this happens please contact HSC Pension Service for more information about what you need to do.

Transferring your pension rights

You can only transfer your HSC Pension Scheme benefits to another scheme that is registered with HM Revenue and Customs (HMRC).

If you are leaving HSC employment or leaving the HSC Pension Scheme but not HCS employment, you may be able to transfer your pension rights, to:

- the NHS Pension Scheme in England & Wales, Scotland or the Isle of Man, if you are employed there. These Schemes are separate from the HSC Pension Scheme and a formal transfer application must be made.
- another registered occupational pension scheme;
- a registered insurance company to purchase an annuity contract, which satisfies the requirements of HMRC (“Buy-Out Bonds”)
- a registered personal pension plan, including a stakeholder pension arrangement,

or any combination of these.

A transfer is normally possible if:

- your new pension arrangement is registered with HMRC, **and**
- your new pension provider is willing and able to accept the transfer payment, **and**
- you leave the HSC Scheme in all your employments.

If your new pension scheme is contracted out of the State Second Pension Scheme (S2P), you will normally be able to transfer all of your pension rights. If your new scheme is not contracted out it may be unable to accept some or all of your HSC transfer value. If this happens you may still be able to defer these rights in the HSC Scheme for payment when you retire or transfer them to an appropriate registered personal pension or a registered insurance company to buy a Section 32 Buy-Out bond.

HSC Money Purchase Arrangements

Any HSC Money Purchase arrangement that you have will normally transfer automatically with your main Scheme benefits.

But, you can if you prefer:

- opt to transfer them to another registered pension scheme that is an AVC provider or a personal or stakeholder pension, or
- opt to defer them (if you have 2 or more years membership), or
- opt for a refund of your additional contributions (if you have less than 2 years' membership).

Key points and time limits

Transfer to a registered occupational pension scheme

If you have at least 2 years' membership you can apply for a transfer at any time before you reach normal retirement age.

If you have less than 2 years' membership you must:

- join your new registered pension scheme within 12 months of leaving HSC pensionable employment, and
- apply for a transfer within 12 months of joining your new scheme **or** before you reach *normal retirement age*, whichever is earlier.

Transfer to a registered insurance company

Provided you leave the HSC Scheme more than 12 months before your normal retirement age you can apply for a transfer to a registered insurance company to buy a Section 32 Buy-Out Bond.

If you have 2 or more years' membership you must leave the Scheme and apply for a transfer more than 12 months before your normal retirement age. If you leave the Scheme less than 18 months before reaching your normal retirement age you can apply up to 6 months after leaving HSC pensionable employment.

If you have less than 2 years' membership, the same age limits apply but your application for a transfer must be within 12 months of leaving HSC employment.

Transfer to a registered personal pension plan / stakeholder pension arrangement

Provided you leave the HSC Scheme before your normal retirement age you can apply for a transfer to a registered personal pension plan.

If you have 2 or more years' membership you must leave the Scheme and apply for a transfer more than 12 months before your normal retirement age. If you leave the Scheme less than 6 months before reaching your normal retirement age, you can apply up to 6 months after leaving HSC employment.

If you have less than 2 years' membership the same age limits apply, but you must also:

- take out a personal pension including a stakeholder pension arrangement within 12 months of leaving HSC employment, and
- apply for a transfer within 12 months of taking out that personal pension or stakeholder pension arrangement.

Transferring Overseas

If you are leaving the country you may be able to transfer your pension rights outside the UK, if the receiving scheme is either an HMRC Registered Pension Scheme or a Qualifying Recognised Overseas Pension Scheme (QROPS). The normal time limits apply equally to overseas transfers. You should write to us for more information.

Applying for a transfer value

You can:

- ask your new registered pension scheme to apply on your behalf. They will need your written permission to do this. Tell them that they must apply within the time limits set out in this factsheet, or
- write to us yourself.

You or your new pension provider should give as much detail as possible about your new pension arrangements. This is important because some schemes will be unable to accept your HSC transfer or be able to accept only part of it. We will then calculate the cash value of the benefits to be transferred so that you can decide whether to transfer.

It is in your own interests to make sure you know what pension rights your new scheme or plan is offering you before you make your decision. If you are in any doubt you should seek independent financial advice.

If you decide to go ahead with your transfer, we will send your new scheme a cash payment.

How is my transfer payment calculated?

Your transfer payment is calculated by converting the value of your HSC pension rights to a current cash equivalent using factors supplied by the Scheme Actuary. These vary according to your age. The calculation also takes account of the current level of the stock market.

Taking a refund of contributions

You will have to take a refund of contributions, if:

- you have less than 2 years' membership, and
- you have left HSC pensionable employment or the Scheme, and
- you have no membership after your normal retirement age (because after that age you are entitled to retirement benefits regardless of how long you have been a member of the Scheme), and
- you have no deferred membership, and
- you have never had a transfer of pension rights into the Scheme from a personal, money purchase or stakeholder pension, and
- you have not requested a transfer to another pension arrangement, and you have a break in pensionable employment of 12 months or more.

HSC Money Purchase Arrangements

Any additional contributions will be refunded by the provider.

You may, however, opt instead to transfer them to another pension provider – see earlier section on transfer.

Avoiding a refund of contributions

Most advisers agree that receiving a pension benefit is nearly always better than taking a refund of contributions.

If you leave HSC employment or just the Scheme and have less than 2 years membership you can apply for a refund immediately. But you do not have to do this until you have a disqualifying break in membership of more than 12 months.

Study courses, training or approved employment

You may be able to avoid taking a disqualifying break if on leaving you:

- undertake a course of study or training, which will improve your usefulness to the HSC, or
- if you undertake certain work comparable to HSC work and you cannot transfer your benefits to another pension provider.

You should ask us for approval as soon as possible after commencing the employment or course of study. You must also return to the HSC as soon as is reasonably practicable after finishing the employment or course.

By avoiding a disqualifying break you will be able to keep all the benefits you have built up in the Scheme.

Applying for a refund

If you are thinking of claiming a refund you must first request a quotation of the transfer payment that could be payable to another pension arrangement and the amount of the refund of contributions you receive. You can do this by writing to us.

Deductions from refunds

If you claim a refund, you will get your own contributions back, but not your employer's. Deductions will be made from the refund for:

- your share of the National Insurance contributions which must be paid to secure your rights in the State Second Pension Scheme (S2P) during your period of HSC Scheme membership, and
- income tax at 20% for refunds up to £10,800, and at 40% for refunded contributions above £10,800.

The amounts to be deducted will be detailed in the quotation we send you. If any of your personal details change, eg your address, bank details, etc, after you have applied for a refund, you must let us know at once.

Qualifying membership

Qualifying membership counts towards the 2 years' membership needed for deferred benefits but it may not count when we work out benefits. Qualifying membership can include:

- transferred in membership – if you transferred any pension rights into the Scheme from another scheme, the difference between the length of membership it buys in the HSC Scheme, compared with its actual length, counts as qualifying membership;
- part time pensionable membership – this counts as qualifying membership at full length, but when we work out benefits we only count the hours worked;
- breaks of not more than 3 months between periods of employment for casual employees or freelance locum medical practitioners;
- membership you had in your previous pension scheme, if you transferred to the HSC under a TUPE arrangement, and decide not to transfer those pension rights.

Independent financial advice

If you are in any doubt which pension arrangement will be best for you, you should seek independent financial advice.

Under legislation all financial advisers have to decide whether to be “independent” or “tied”. A financial adviser who is independent can offer a range of financial services and products, whereas a financial adviser who is tied can only offer the products of one company. Before you ask for advice, make sure you know which type of adviser you are dealing with.

Most financial advisers charge for their advice. The charge may be in the form of a fee payable by you or commission payable by any company that you decide to invest in. If the adviser you choose charges on a commission basis, you should ask how your investment are affected by these charges.

Your Employer may be able to help you find a source of independent financial advice or you can contact:

IFA Promotions Limited
17 – 19 Emery Road
Brislington
Bristol BS4 5PF

for a list of companies.

Telephone: 0800 085 3250
or visit their website at:
www.unbiased.co.uk

It is advisable to check that the company you have chosen is authorised with the

Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 0845 606 1234
or visit their website at:
www.fsa.gov.uk

Please ensure you give details of our Scheme to your financial adviser so they can give you the best advice.

Show your adviser your Scheme Guide. You can get a copy from your Employer or the HSC Pension Service website.

If you have benefits in our Scheme your adviser should see details of these. Please write and ask us for details.