

## Changes to the HSC Pension Scheme from April 2015

### Preserved Rights FAQs

#### Q1. What are Preserved Rights?

- A. Preserved Rights are the pension benefits that members who are not entitled to full Protection have built up in the 1995 or 2008 sections of the HSC Pension Scheme before moving to the new 2015 Scheme. At retirement, these benefits will be treated separately and calculated in accordance with the rules of the 1995/2008 sections, as appropriate. Provided you have not had a break in scheme membership of five or more years that ended on or after 1st April 2015, your benefits will be calculated on your final salary at or near retirement.

The following examples illustrate how this works.

- (1) Danny joined the Scheme in 2005, so he was in the 1995 section for 10 years before moving to the 2015 Scheme. He has no breaks in his membership of 5 or more years and retires at age 60 in 2030.

Danny's Preserved Rights for benefits for the period 2005 to 2015 are calculated in accordance with the rules of the 1995 section and based on his *Final Year's Pensionable Pay* as at his retirement in 2030 (pensionable pay in the final twelve months or in either of the two preceding years if higher).

Danny's benefits for the period 2015 to 2030 are calculated in accordance with the rules of the 2015 scheme. (In the new 2015 scheme he will build up pension at the rate of 1/54th of his earnings each year which is uprated by cost of living increases). His 2015 pension benefits are payable in full at his state retirement age so would be reduced if taken early.

- (2) Sinead joined the Scheme in 2008, so she was in the 2008 section for seven years before moving to the 2015 Scheme. She has no breaks in her membership of five or more years and retires at age 65 in 2035.

Sinead's Preserved Rights for benefits for the period 2008 to 2015 are calculated in accordance with the rules of the 2008 section and based on her *Reckonable Pay* as at her retirement in 2035 (the average of the best consecutive three years pensionable pay out of the final ten years prior to retirement).

Sinead's benefits for the period 2015 to 2035 are calculated in accordance with the rules of the 2015 Scheme.

Q2. What if I have had a break in membership of five or more years that ended on or after 1<sup>st</sup> April 2015?

A. Your preserved rights benefits will still be calculated in accordance with the rules of the 1995/2008 sections (as appropriate) but calculated on your salary at or near to your last day of membership before the break began. The value of your preserved rights benefits will be maintained by being increased each year by the rate of Consumer Price Index (CPI) inflation. We call this *Pensions Increase*.

The following examples illustrate how this works.

(1) Michelle joined the Scheme in 2003, so she was in the 1995 section for 12 years before moving to the 2015 Scheme. She subsequently left the 2015 Scheme in 2018 and rejoined it in 2025 (after a break of 5 or more years). Michelle retires at age 60 in 2030.

Michelle's preserved rights for benefits for the period 2003 to 2015 are calculated in accordance with the rules of the 1995 section and based on her *Final Years' Pensionable Pay* as at the date her membership break of five or more years began in 2018 (pensionable pay in the 12 months prior to the break or in either of the two preceding years if higher).

The resulting amount of pension and lump sum is then increased to take account of CPI inflation in each year between 2015 and the date of retirement.

Michelle's benefits for the periods 2015 to 2018 and 2025 to 2030 are calculated in accordance with the rules of the 2015 Scheme.

(2) Patrick joined the Scheme in 2009, so he was in the 2008 section for six years before moving to the 2015 Scheme. He subsequently left the 2015 Scheme in 2016 and rejoined it in 2022 (after a break of five or more years). Patrick retires at age 65 in 2035.

Patrick's preserved rights for benefits for the period 2008 to 2015 are calculated in accordance with the rules of the 2008 section and based on his *reckonable pay* as at the date his membership break of five or more years began in 2016 (the average of the best three consecutive years out of the final 10 years prior to the break or in this case the eight years since joining the 2008 section up to the start of the break).

The resulting amount of pension is then increased to take account of CPI inflation in each year between 2015 and the date of retirement.

Patrick's benefits for the periods 2015 to 2016 and 2022 to 2035 are calculated in accordance with the rules of the 2015 Scheme.

**Q3. If I have preserved rights, does this mean I will receive a two-part HSC pension?**

A. Yes

**Q4. When can I claim my preserved rights benefits?**

A. You can retire and claim your preserved rights benefits without reduction for early payment once you reach the normal pension age for the section of the scheme your preserved rights are held. You could claim your preserved rights benefits earlier provided you have reached the minimum pension age but they will be reduced to take account of being paid early.

**Q5. How do I claim my preserved rights benefits?**

A. You would need to apply to HSC Pension Service and retire from all your HSC contracts of employment. You can return to work in HSC after retirement as long as you take a 24 hour break. However, if your preserved rights are in the 1995 section, you must either take a month's break or work less than 16 hours per week in the first month following your retirement. Thereafter, you will not be allowed to re-join the 2015 HSC pension scheme although your employer may offer an alternative pension arrangement. If your preserved rights are in 2008 section you must also take a 24 hour break before returning but you may re-join the new 2015 pension scheme.

**Q6. Do I have to claim my 2015 Scheme benefits at the same time as claiming preserved rights?**

A. Not if you do not want to. It is important to remember that if you claim 2015 scheme benefits before reaching the normal pension age (your state retirement age) in that scheme; those benefits would be reduced to take account of being paid early.

**Q7. Can I carry on building pension rights in the 2015 Scheme after claiming my preserved rights benefits?**

A. This depends on which section of HSC Pension Scheme your Preserved Rights were in.

If it was the 1995 section then you cannot build any further pension rights within the HSC Scheme. If your Preserved Rights were in the 2008 section then you can continue to build further pension rights in the 2015 Scheme if you return to HSC work after taking the 24 hour break.

**Q8. I have Mental Health Officer (MHO) status in the 1995 section. How does moving to the 2015 Scheme affect my preserved rights?**

**A.** After 20 years calendar membership as a Mental Health Officer, a member is credited with two years' membership for each complete further year of MHO scheme membership. Where an MHO member either leaves the 1995 section of the HSC pension scheme or moves to a non-MHO post prior to age 55, and does not return to an MHO qualifying post within 12 months, additional membership proportionate to their length of membership is credited to reflect the value of potentially doubled years as would have been achieved had they continued in an MHO qualifying post until age 55. We call this calculation *Uniform Accrual Formula (UAF)*.

MHO members who are not eligible for full protection will move to the new 2015 scheme on 1st April 2015, or at a specified later date. On moving to the 2015 scheme there will be no further accrual of MHO entitlement because, like the 2008 section, there is no MHO provision in the 2015 scheme. However, provided the member could have achieved at least 21 calendar years as an MHO by age 55, the value of the previous MHO membership will be maintained by the automatic application of the UAF, as this will always provide higher preserved rights benefits.

Provided the member has not had a break in scheme membership of five or more years which ended on or after 1 April 2015, the member's 'final year's pensionable pay as at retirement (pensionable pay in the final twelve months or in either of the two preceding years if higher) will be used in the UAF calculation.

**Q8 (a) How does the UAF calculation work?**

**A.** The UAF calculation works by providing a pro rata increase to the amount of membership taken into account in the calculation of your benefits on eventual retirement had you remained as a MHO (including any doubled years).

The formula is:

Actual MHO membership <b>(A)</b> ----- Potential Membership to age 55 <b>(B)</b>	X	Total potential membership to age 55 (including doubled service.
--	---	--



The following example shows how a UAF calculation would work where the member continued in MHO qualifying employment to age 55.

When Mary moves to the 2015 scheme she has been in MHO qualifying employment for 14 years **(A)**.

If Mary had been able to remain in the 1995 section and in MHO qualifying employment she would, by the time she reached age 55, have built up MHO membership of 26 years **(B)**.

Mary would therefore have qualified for 6 'doubled years' making her total membership including the doubled years (at age 55) 32 years **(C)**.

Assuming that Mary has not had a break of 5 or more years and her final years' pensionable pay (at age 55) is £35,000, the preserved rights calculation using UAF would provide a benefit of:

$$\frac{(A) 14}{(B) 26 \times (C) 32} \times \frac{£35,000}{80} = £7,538 \text{ pension}$$

A preserved rights benefit calculation excluding UAF pro rata increase would be:

$$14 \times \frac{£35,000}{80} = £6,125 \text{ pension}$$

Mary would automatically receive a preserved rights pension based on the UAF calculation.

A lump sum of usually three times the annual pension would also be payable. In addition Mary would earn a separate pension under the 2015 Scheme which would be deferred for payment at State pension age or taken with an actuarial reduction for early payment.



**Q8 (b) is the UAF calculation different if I am entitled to Tapered Protection?**

A. The calculation formula is the same but because you will remain in the 1995 section beyond 1st April 2015, and therefore for longer, the proportion of the extra benefits you will earn will be bigger as shown in the following example.

Louise has Tapered Protection and when she moves to the 2015 Scheme in 2020 she will have been an MHO for 26 years **(A)**.

If Louise had been able to remain in the 1995 section and remained in MHO qualifying posts she would, by the time she reached age 55, have built up MHO membership of 29 years **(B)**.

Louise would therefore qualify for nine *doubled years* making her total membership (at age 55) 38 years **(C)**.

Assuming that Louise has not had a break of five or more years and her final years' pensionable pay (at age 55) is £35,000, the UAF calculation would be:

$$\frac{£35,000}{80} \times \frac{(A) 26}{(B) 29} \times (C) 38 = £14,905 \text{ pension}^*$$

A standard preserved rights benefit calculation would be:

$$\frac{£35,000}{80} \times 26 = £11,375 \text{ pension}^*$$

Louise would automatically receive a preserved rights pension based on the UAF calculation.

\*A lump sum of usually three times the annual pension would also be payable. In addition Louise would earn a separate pension under the 2015 scheme which would be deferred for payment at State pension age or taken with an actuarial reduction for early payment.

