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HSC Pension Service

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# *your* pension **CHOICE**

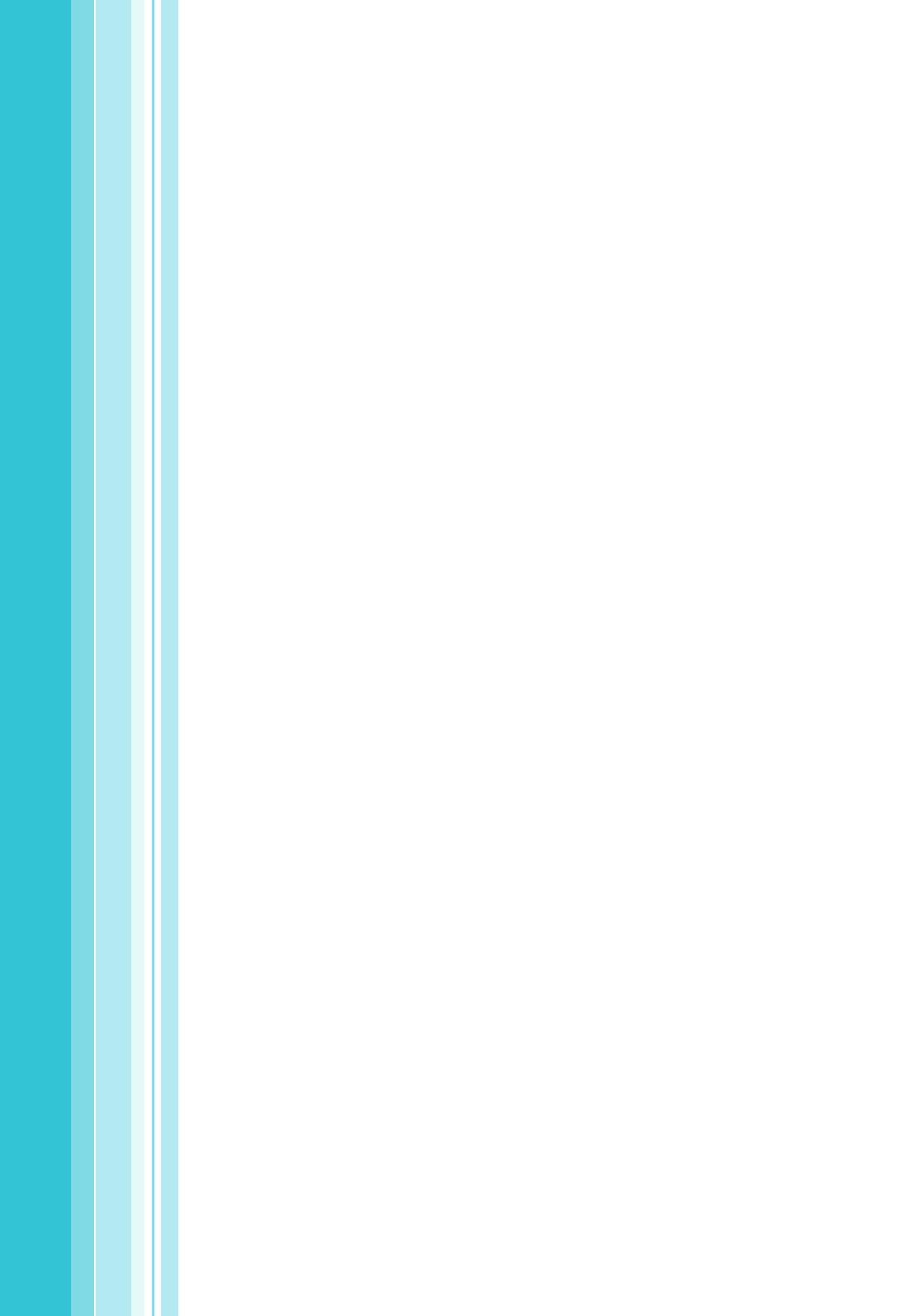
## Your Pension Choice Guide

Understanding your options

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# Introduction

This guide aims to give you extra information to help you make an informed decision about your pension choice. It supplements the statement that shows you estimates of the pension you have currently earned in the HSC Pension Scheme ('the Scheme'). The statement also has projections of what your pension could be at age 60 and 65.

There are two different sections of the Scheme. You are currently a member of the 1995 section of the Scheme. A new section, the 2008 section of the Scheme, was introduced from 1 April 2008. You are being asked to make a choice between the following:

- 1 Staying in the 1995 section with the pension you have earned to date and all future membership being treated under the rules and regulations that apply to that section, or;
- 2 Transferring to the 2008 section, which means that the rules and regulations of this section would apply to all pension you have earned so far and any that you earn in the future.

Your statement has a table that highlights the main features and benefits of the two sections to show you where the main differences are. This guide provides more detailed explanations of these differences, and gives further information about each section and other issues for you to consider before you make your choice.

As well as the individual statement and this guide, there are other member guides that provide an overview and explanation of the benefits within each of the two sections. These are all available from your employer or from the Scheme Administrators, the HSC Pension Service. Visit their website [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

Neither your employer nor HSC Pensions are able to make the decision for you or tell you what is best for you. **It's your pension. It's your choice.**

# The main features and benefits

This section of the guide expands on the information provided in the table that is in your individual statement. Each feature or benefit is explained for the 1995 section and the 2008 section to help you understand the differences. We have also highlighted some points you should take into account when deciding which section is best for you but you should not take each point in isolation – you need to consider your overall plans for your future career and your retirement.

One of the first points to consider is how much pension you will receive from each section.

If you choose to transfer from the 1995 section to the 2008 section you will be given a credit for all of your membership in the 1995 section.

If you are under age 60 this will be the same amount of membership (in years and days) or, if you are a practitioner, the same amount of revalued earnings, as you have in the 1995 section.

If you are over age 60 a conversion factor will be applied to your 1995 membership and earnings which will reduce the amount that you are credited within the 2008 section to allow for the fact that it has a greater value.

# Normal pension age

The 1995 section	You have the right to retire and take your pension when you reach age 60.
The 2008 section	You have the right to retire and take your pension when you reach age 65.

The 1995 section	The pension is paid at the full value at age 60.
The 2008 section	The pension is paid at the full value at age 65.

## Points to consider

- If you are certain that you want to retire and stop working in the HSC at age 60, you may want to stay in the 1995 section.
- If you are intending to work longer before taking your pension, the 2008 section may be of interest to you.
- If you retire before the normal pension age, your pension will be reduced to allow for the fact that it is being paid earlier. In the 1995 section the normal pension age is 60, so if you retired at age 60 from the 1995 section there would be no reduction. If however, you retired at age 60 from the 2008 section, your pension would be reduced as it would be paid five years earlier than the normal pension age.
- If you have special class or Mental Health Officer (MHO) status, you may want to stay in the 1995 section because if you transfer to the 2008 section you will lose any rights you may have to retire at age 55 without a reduction in your pension (see page 14 for more information on these rights).

# Minimum pension age for early retirement

The 1995 section

▶ You have the option to take your pension at any time after the age of 50. However the value of your pension and lump sum would be reduced due to the fact that you would be taking it earlier than when it is normally paid.

If you joined the Scheme after 6 April 2006 your minimum pension age will change to age 55 after 6 April 2010.

The 2008 section

▶ You have the option to take your pension at any time after the age of 55. However, the value of your pension would be reduced due to the fact that you would be taking it earlier than when it is normally paid.

## ▶ Points to consider

- You are not affected by this change if you are sure that you will not retire before the normal pension age.
- If you are thinking of retiring early, the 1995 section may be better for you for three reasons:
  - (a) If you have a protected minimum pension age of 50, you will lose this protection if you transfer to the 2008 section;
  - (b) The earlier you take any pension or lump sum, the bigger the reduction in its value. A pension taken at age 55 is considered to be five years early in the 1995 section but ten years early in the 2008 section;
  - (c) If you want to retire at age 60 the 1995 section allows you to do so without penalty, the 2008 section does not.

For more information about the reductions that apply in early retirement visit [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

# The pay used to work out your benefits

The 1995 section

Your benefits are calculated using the best year's pensionable pay that you have received in the three years before you take your benefits.

This is known as your final pensionable pay.

## Practitioners only

Your pension is based on your Total Up-rated Superannuable Earnings (TUSR). Each year your earnings are recorded and an uprating factor is applied.

The 2008 section

Your benefits are calculated using your pensionable earnings in the ten years prior to retirement to find the annual average of the best three consecutive years in this period. Each year's earnings are re-valued using the Retail Price Index (RPI) to ensure that a current value is used.

The best result is known as your reckonable pay.

## Practitioners only

Your pension is based on your Total Up-rated Superannuable Earnings (TUSR). Each year your earnings are recorded and an uprating factor is applied.

## Points to consider

- If you have firm plans to move to a lower paid job at least three years before you retire, the 2008 section may protect your pension better but remember that it has a later pension age and other different benefits.
- The calculation of reckonable pay in the 2008 section could benefit some members whose pay has risen by less than RPI in the decade before retirement.
- Anyone with pay rises in excess of inflation may benefit from the way final pensionable pay is calculated in the 1995 section.

# The way you earn your pension

The 1995 section

You will receive a pension based on your final pensionable pay and your membership.

Your pension is 1/80 of your final pensionable pay for each year of membership in the Scheme. Part years will also count towards your pension.

Part-time staff have their pensions based on the full-time equivalent rate of pensionable pay and part-time service.

## Practitioners only

You will receive a pension based on 1.4% of Total Up-rated Superannuable Earnings (TUSR) re-valued by dynamising factors determined by changes in the Retail Prices Index (RPI) plus 1.5%.

The 2008 section

You will receive a pension based on your reckonable pay and your membership.

Your pension is 1/60 of your reckonable pay for each year of membership in the Scheme. Part years will also count towards your pension.

Part-time staff have their pensions based on the full-time equivalent rate of reckonable pay and part-time service.

## Practitioners only

You will receive a pension based on 1.87% of Total Up-rated Superannuable Earnings (TUSR) re-valued by dynamising factors determined by changes in Retail Prices Index (RPI) plus 1.5%.

## Points to consider

- You will probably not look at these different features on their own when considering your options because each year of membership or earnings has a different value, benefits are also paid at different times. You will need to take account of other factors including when you plan to retire and how much retirement lump sum you intend to take.
- You earn a bigger pension for each year in the 2008 section but it is paid at a later age and does not automatically include a lump sum (see opposite page).
- In both sections the most membership you can have in the Scheme is 45 years.

# Retirement lump sum

The 1995 section

Your retirement lump sum is normally three times your pension.

You have the option of receiving a larger retirement lump sum and a smaller annual pension.

To increase your lump sum you have to give up £1 of pension a year for each £12 extra lump sum you receive.

The maximum lump sum you can take is roughly 5.36 times your pension.

The 2008 section

You are only required to take a lump sum based on your service to 31 March 2008. This is referred to as the mandatory minimum lump sum.

In addition to this you have the option of receiving a larger retirement lump sum and a smaller annual pension.

To increase your lump sum you have to give up £1 of pension a year for each £12 extra lump sum you receive.

The maximum lump sum you can take is roughly 4.28 times your pension.

## Points to consider

- If you would prefer to have a smaller lump sum and higher pension, the 2008 section may suit you better.
- Remember also that these benefits are paid at different ages.
- Your annual pension will be smaller if you take a larger lump sum.
- If you retire before age 65 in the 2008 section your pension would be reduced as you would be taking it earlier than the normal pension age. The reduction factor would be adjusted to allow for the mandatory minimum lump sum to be taken.

# Flexible retirement options

The 1995 section

It is not normally possible to take your pension without retiring from the HSC.

There are limited options for protecting your pension value if you reduce your earnings by taking a less demanding job.

The 2008 section

You can take part of, or all your pension and continue to work and earn more benefits.

There are restrictions around how many times you can “partially retire” and how much you can take each time.

For more details about partial retirement visit

[www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

## Points to consider

- If you plan to take your pension while still working in the HSC, the 2008 section has the flexibility to allow you to do this.
- If you think your earnings may reduce before you fully retire, the 2008 section allows you to take part of your pension to boost your income.
- The 2008 section allows you to retire and take your pension and still be able to rejoin the Scheme if you later return to work.
- If you retire, or partially retire before age 65 in the 2008 section, your pension would be reduced as you would be taking it earlier than the normal retirement age. The reduction factor would be adjusted to allow for the mandatory minimum lump sum.

# Late retirement

The 1995 section

▶ You do not have to take your pension at age 60. You can stay in the Scheme until you eventually retire, have 45 years' membership or reach age 75.

You will continue to earn your pension at the same rate until you retire.

Other than the extra years of membership you earn, your pension is not increased to take into account the fact that you are retiring later. Your pension will be based on your final pensionable pay which uses the best pensionable pay you received in the three years before retirement.

## Practitioners only

Other than the extra years pensionable earnings that are added to your record and the increase from the uprating factors that are applied, your pension is not increased to take account of the fact that you are retiring later. Your pension will be based on your Total Uprated Superannuable Earnings (TUSR).

The 2008 section

▶ You do not have to take your pension at age 65. You can stay in the Scheme until you eventually retire, have 45 years' membership or reach age 75.

You will continue to earn your pension at the same rate until you retire.

Any of the pension benefits you earn before age 65, but have taken after age 65, are increased to allow for them being paid to you later than expected.

## Practitioners only

You will continue to add extra pensionable earnings and have uprating factors applied until you retire.

Any of the pension benefits you earn before age 65, but take after age 65, are increased to allow for them being paid to you later than expected.

## ▶ Points to consider

The impact of this difference will depend on when you plan to retire and if you plan to reduce your earnings as you approach retirement.

- If you have definite plans to retire at age 60 you may want to stay in the 1995 section.
- If you plan to work past age 60 but will definitely retire before age 62 you may want to stay in the 1995 section.
- You may want to consider the 2008 section if you have definite plans to work until you are over 65 as this section increases your pension earned before you were 65 and adds this to your total pension. The increase factor would be adjusted to allow for the mandatory minimum lump sum to be taken.

# Added years option

The 1995 section

This facility was withdrawn from 1 April 2008 but members who currently have extra years contracts can continue to pay for additional service.

The 2008 section

There is no option for added years in the 2008 section.

If you began paying extra contributions for added years before 1 April 2008 and transfer to this section, you will receive a proportion of membership credit for the extra membership that you have bought as at 31 March 2008. All contributions you pay after 1 April 2008 will be taken into account when you transfer.

## Points to consider

- This does not affect you if you do not pay extra contributions for added years.
- You may want to ask for financial advice on this point before making your decision. Transferring to the 2008 section would mean that you have to stop paying these contributions.
- You may decide to stay in the 1995 section if you began paying extra contributions for added years before 1 April 2008 and want to continue to build up extra service.

In both sections, you can buy added pension in blocks of £250, up to £5,000 a year. You can buy it by paying a one-off lump sum or by paying regular extra contributions.

# Survivor benefits

The 1995 section

The 1995 section provides a survivor's pension for your husband, wife, civil partner or partner you have nominated.

However, there are restrictions that apply and only service since 6 April 1988 counts towards the benefits for husbands, civil partners or nominated partners, unless you have chosen to pay separately for any service before 6 April 1988.

The 2008 section

All membership counts towards survivor's benefits. The 2008 section provides a survivor's pension for your husband, wife, civil partner or partner you have nominated.

## Points to consider

- You are not affected if all of your membership is after 6 April 1988.
- You may be interested in transferring to the 2008 section if you have membership from before 6 April 1988 and you are a married woman, in a civil partnership or have nominated a partner and have not chosen to pay separately for any service before April 1988 as all of your membership would then count towards your dependants' pension.
- In both sections children's pensions may also be paid.
- In both sections death benefits may also be payable. If you should die while still in pensionable membership, a lump sum of two times your actual pensionable pay may be payable. If you die within 5 years of retirement, a lump sum may also be payable.

# Special retirement rights

The 1995 section

Certain Scheme members have special class or Mental Health Officer (MHO) status.

Members with special class status are entitled to retire from age 55 without having their benefits reduced.

The groups of staff are; nurses, midwives, physiotherapists, occupational health nurses and health visitors who are in post for the last five years of their employment before they retire. Male employees only have special class status for membership since 17 May 1990.

Some special class members may also have Mental Health Officer (MHO) status.

MHO status also entitles members to retire from age 55 but only applies to those people who work in an approved place for treating patients with mental disorders and whose employment totally or mainly involves providing direct care of those patients.

These members need at least 20 years membership to retire at age 55 and each year of membership beyond 20 counts as two years for benefit purposes.

Special class and MHO members must have been members of the Scheme before 1 April 1995 and not had a break in service of more than five years since then.

More details about special classes and MHO status are available on the website. Visit [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

The 2008 section

There are no special retirement rights in the 2008 section.

## Points to consider

- You are not affected by this change if you do not have special class or MHO status.
- If you do have special class or MHO status, you may want to stay in the 1995 section as you will lose all of the benefits this status gives you if you transfer to the 2008 section. Please refer to the factsheet available to download from the Choice section of the Scheme's website. Visit [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

# Earnings cap

The 1995 section

If you joined the Scheme after 1 June 1989 your benefits may be affected by an earnings cap set by HM Revenue & Customs. This cap was £112,800 in the tax year 2007/2008.

If you are a dentist, you are subject to a Scheme maximum allowable remuneration (MAR). The MAR was £115,800 for the year 1 April 2007 to 31 March 2008. If you have earned above MAR at any time your pensionable earnings would have been restricted to this amount.

The earnings cap and MAR have been removed for future membership after 1 April 2008 but will still be applied for membership and earnings up to then.

The 2008 section

The earnings cap and MAR do not apply to any future pension you earn. However, if you transfer membership or benefits to this section that would have been capped, this will be taken into account when calculating your benefits when you retire.

## Points to consider

- You are not affected by this change if your earnings are less than the limits. If you do earn above these limits, your membership after 1 April 2008 is not subject to the earnings cap or MAR in either section.
- If you joined the 1995 section after 1 June 1989 and choose to transfer to the 2008 section, the earnings cap will continue to apply to your membership between 1 June 1989 and 31 March 2008.

# Questions and answers

## Do I have to make a choice?

Yes, you are encouraged to make a choice. You should consult this guide, read your statement, visit the website, watch the DVD and then make your choice based on the information available. If you choose not to complete Your Pension Choice Form, you will stay in the 1995 section.

## Do I have to retire at age 60 if I stay in the 1995 section?

No. The normal pension age is only used to calculate your pension when benefits are expected to be paid at their full value. It is up to you when you retire and take your pension and in the 1995 section you can choose to do this from age 50<sup>1</sup> until age 75.

Your pension will be reduced if it is paid before age 60.

If you take your pension after age 60, it will be based on your pay and membership at the time you leave.

## Do I have to retire at age 65 if I move to the 2008 section?

No. The normal pension age is only used to calculate your pension when benefits are expected to be paid at their full value. It is up to you when you retire and take your pension and in the 2008 section you can choose to do this from age 55 until age 75. Your pension will be reduced if it is paid before age 65 and increased if it is paid after age 65.

## Do I have to take a lump sum in the 2008 section?

Yes. Pension regulations state that members moving to the 2008 section must take a lump sum when they retire. This will be worked out using your membership in the 1995 section to 31 March 2008 and your final reckonable pay at retirement.

## Can I leave the pension I have earned so far in the 1995 section and earn new pension in the 2008 section?

No. If your choice is to join the 2008 section, you have to take your benefits in the 1995 section across too.

## Where can I get more information?

There is a Choice section on the Scheme's website. This contains more information including member guides and factsheets about the 1995 section and the 2008 section and other information. The guides and factsheets describe the benefits of each section and not just the differences. You can also see the Scheme regulations (the law that describes the Scheme) on the website.

Visit [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

<sup>1</sup>Note: This age will change to 55 for some members in 2010.

## Is there a deadline for making my decision?

Yes. If you want to transfer to the 2008 section, you must do so by 31 January 2010.

## I want to transfer to the 2008 section. What happens next?

You should fill in and sign Your Pension Choice Form which is attached to Your Pension Choice Statement and return it to HSC Pensions at the address shown.

## I want to stay in the 1995 section, what happens next?

You do not need to do anything. However, if you want to make a formal decision to stay in the 1995 section you should fill in, sign and return the Your Pension Choice Form attached to your personalised Your Pension Choice statement.

## If I decide to transfer to the 2008 section, can I change my mind at a later date and transfer back to the 1995 section?

No. If you decide to transfer to the 2008 section, you are not able to transfer back in to the 1995 section. It is important that you consider your decision carefully.

## I am finding it difficult to decide which section is best for me. Where can I get advice?

You can contact The Pensions Advisory Service (TPAS). TPAS is an independent non-profit organisation that provides free information, advice and guidance on pensions.

You can contact TPAS in the following ways:

Telephone: 0845 601 2923

Email: [enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

Write: 11 Belgrave Road, London, SW1V 1RB

Website: [www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)

There are many factors to take into account when considering your choice. It is impossible to predict the future so it may be hard for you to make your choice. You will need to take account of the factors set out in this guide and discuss the choice with your family.

Whatever you eventually decide, the decision is yours. Your employer and HSC Pensions will try to help by answering your questions and giving you information but they cannot give you financial advice. When you have made your mind up you need to make your choice using the Your Pension Choice Form attached to your personalised statement.

# Case study

## Jo – retiring at different ages



“ Hi. I’m Jo. I’m in the 1995 section at the moment and plan to retire at age 60. ”

### Jo

- Salary: £20,500\*
- Age: 52
- Membership at 31 March 2008: 12 years

Her benefits in the 1995 section at 31 March 2008 were:

- Pension £3,075 a year
- Lump sum £9,225

These benefits are payable at age 60.

If Jo continues working and retires at age 60:

#### 1995 section

Pension	£5,125 a year
Lump sum	£15,375

#### If she moved to the 2008 section

Pension	£4,398.62 a year
Lump sum	£9,225

#### Why would Jo’s pension be lower in the 2008 section?

It’s lower because the normal pension age in the 2008 section is 65. This means that if Jo retires from this section at age 60, her pension is being paid five years early and is reduced to allow for it possibly being paid for longer.

\* To simplify these examples, we have assumed that Jo’s salary is £20,500 throughout.

**“What if my plans change and I carry on working until I’m 65?”**

If Jo’s plans changed and she ended up working later and retiring at 65 she would have 25 years membership. This is five years more than she had at age 60.

If Jo changed her mind and retired later at age 65:

**1995 section**

Pension	£6,406.25 a year
Lump sum	£19,218.75

**If she moved to the 2008 section**

Pension	£7,772.92 a year
Lump sum	£9,225

If Jo wanted to take the same lump sum in the 2008 section at age 65:

Reduced Pension	£6,940.10 a year
Lump sum	£19,218.75

**Why is Jo’s lump sum different in each section?**

The figures shown as lump sums are the amounts Jo would receive from each section. In the 1995 section she would automatically get a lump sum of three times her pension. If she transferred to the 2008 section she has to take an amount carried forward from the 1995 section based on her service at 31 March 2008. To do this she will have to give up £1 pension for every £12 lump sum. In both sections Jo could choose to take a bigger lump sum and a smaller pension.



# Case study

## Bob – taking the maximum lump sum at different ages



“Hi. I’m Bob. I’m in the 1995 section at the moment and plan to retire at age 60”

Bob

- Salary: £35,000\*
- Age: 58
- Membership at age 60: 30 years

If Bob plans to retire at age 60:

### 1995 section - standard benefits

Pension £13,125 a year  
Lump sum £39,375

If he moved to the 2008 section, the standard benefits would be:

Pension £10,328.50 a year  
Lump sum £36,750

**“I want to take the maximum I can as a tax-free lump sum, how will this affect my benefits?”**

To be paid the maximum lump sum at age 60, Bob’s benefits would be as follows:

### 1995 section

Reduced pension £10,546.92 a year  
Maximum lump sum £70,312

### If he moved to the 2008 section

Reduced pension £8,608.53 a year  
Maximum lump sum £57,389.59

### Why is Bob’s pension reduced more in the 2008 section?

His benefits are reduced because they are being paid five years early. Also, the lump sum is part of the standard benefits in the 1995 section but in the 2008 section Bob needs to give up some pension to get a lump sum.

\* To simplify these examples, we have assumed that Bob’s salary is £35,000 throughout.

**“What if my plans change and I don’t retire until I’m 65?”**

If Bob’s plans changed and he ended up working later and retiring at 65 he would have 35 years membership. Five years more than he had at age 60.

If Bob changed his mind and retired later at age 65:

**1995 section**

Pension	£15,312.50 a year
Lump sum	£45,937.50

**If he moved to the 2008 section**

Pension	£17,354.17 a year
Lump sum	£36,750

To be paid the maximum lump sum at age 65, Bob’s benefits would be as follows:

**1995 section**

Reduced Pension	£12,304.74 a year
Lump sum	£82,030.66

**If he moved to the 2008 section**

Pension	£13,125.05 a year
Lump sum	£87,499.38



# Where to get more information

For more information about the HSC Pension Scheme, speak to your employer or HSC Pensions.

There is also a dedicated section of the Scheme's website that holds information, details and examples to help answer your questions.

Visit [www.hscpensions.hscni.net/choice.htm](http://www.hscpensions.hscni.net/choice.htm)

You can also contact HSC Pension Service and ask a question by:

Telephone: 0845 301 6300

Email [yourpensionchoice@hscni.net](mailto:yourpensionchoice@hscni.net)

Or you could write to us with your enquiry at:

CHOICE  
HSC Pension Service  
Waterside House,  
75 Duke Street,  
Londonderry,  
BT47 6FP

## Disclaimer

This guide is designed to provide you with information to help you to compare the two different sections of the Scheme and make an informed choice for your pension.

Nothing in this guide replaces or takes priority over the regulations of the Scheme, which set out the conditions of entitlement and the rate at which benefits are paid. If there are any contradictions in the information we provide, the regulations will take priority. Your employer has a copy of the regulations.

Benefits provided under the HSC Pension Scheme regulations may change.



