



HSC Pension Service

*Provided by ....*



Business Services Organisation

# EMPLOYER TECHNICAL UPDATE

## CONTENTS

1. Foreword/Executive Summary
2. Survivor Nomination Forms
3. Updated Forms
4. Member Newsletter
5. Change of Regulations—Ill Health Retirement
6. New Joiner Questionnaire
7. Choice 2
8. ERRBO
9. Employer Requests for Guidance or Clarification of Scheme Rules or Regulations
10. Transfer In—Disclosure of Information
11. Annual Leave—Pensionable Service
12. Protection of Pensionable Pay
13. Annual Benefit Statements
14. Contact Us



HSC (P) 16

July 2016

# 1. Foreword/ Executive Summary

HSC Pension Service has produced this Employer Technical Update to raise awareness amongst employers and other associated bodies of important issues affecting the HSC Pension Scheme.

A number of topics (listed below) can have a direct financial effect on members benefits and it is important that employers should inform members of these features of the scheme and their importance in relation to future benefits.

- Survivor Nomination Forms
- Choice 2 Exercise,
- ERRBO (Early Retirement Reduction Buy Out)
- Transfer in benefits
- Protection of pensionable pay

HSC Pension Service will also highlight these issues in future Member Newsletters.

There are a number of technical issues contained in this update which employers and in particular HR specialists should take note of. These include the revised forms to be used, the change to rules governing Tier 2 Ill Health retirement in the 1995 section of the scheme and how annual leave is treated for the purposes of pensionable service.

It would be appreciated if employers could use the most up to date forms available on the Scheme website [www.hscpensions.hscni.net](http://www.hscpensions.hscni.net). Some of the benefit application forms submitted are old forms which do not meet current legislation and therefore cannot be accepted.

HSC Pension Service are currently reviewing a number of procedures including the new Joiner Questionnaire. HR Managers should make themselves aware of their requirements in this process.

An additional Employers Newsletter will be issued shortly which will cover a number of topics raised by employers seeking clarification on features of the scheme.

The exercise to issue Annual Benefit Statements (ABS) to members by the 31<sup>st</sup> August 2016 has been delayed. It is proposed to roll out the delivery of statements from late October 2016. It is anticipated that the exercise will be completed by December 2016.



## 2. Survivor Nomination Forms

If an employee has scheme membership on or after 1 April 2008 they can nominate a person/organisation they wish to receive their Life Assurance Lump Sum in the event of their death by completing form DG3. If an employee wants their spouse or civil partner to receive 100% of their death benefits they do not need to complete this form, as they will receive it automatically.

An employee can also nominate their long term partner to receive a survivor's pension by completing a Partner Nomination form (PN1). To qualify, the member and their partner must be living together in an exclusive long term relationship for at least 2 years and be financially interdependent. If they are legally married they do not need to nominate their partner as they will automatically receive a survivor's pension.

**Action Required - For dissemination to employees/scheme members**

## 3. Updated Forms

The following documents have recently been updated. The latest versions are now available on our website. It is important that all employers use the most up to date forms. Old forms can delay the processing of member's benefit applications.

Document	Summary of changes
AW6	General Review
New Joiner Questionnaire	General Review
Termination of Scheme Membership Notice	General Review

**Action Required - Please ensure correct forms are used**



## 4. Member Newsletter

HSC Pension Service has introduced a newsletter specifically aimed at members of the scheme. We have received good feedback from members following the first edition of the newsletter.

If there is anything you would like to see included in future editions of the newsletter please forward your ideas to [hscpensions@hscni.net](mailto:hscpensions@hscni.net).

**Action Required - For information only**

## 5. Change of Regulations—Ill Health Retirement

When the two tier ill health provisions were introduced in 2008, an underpin was inserted into the 1995 Section Regulations providing a minimum enhancement of either four years' pensionable service or the service the member could have completed had they stayed in pensionable employment up to their normal pension age (whichever is less). The underpin arrangement applied where a member's employment terminated because of ill health on or before 31 March 2016.

The Department of Health confirmed that this provision has not been extended beyond 31 March 2016. This means that if a member's employment is terminated after 31 March 2016 the four year comparison no longer applies to a member of the 1995 Section who meets the tier 2 criteria. These members will now receive two thirds of the pensionable service (scaled if in part-time employment) they could have completed had they stayed in pensionable employment until normal pension age (subject to maximum membership limits).

**Action Required - For Information Only**



## 6. New Joiner Questionnaire

HSC Pension Service has recently updated the Employee Questionnaire.

It is **essential** that when a member wishes to join/re-join the HSC Pension scheme that they complete the Employee Questionnaire.

The questionnaire gives the member the opportunity to express an interest in transferring their pensions from previous pension providers into the HSC Pension Scheme. This process is limited by timeframes imposed by legislation so it is imperative that the member is provided with the questionnaire as soon as possible.

The questionnaire also asks for details of any Additional Voluntary Contributions (AVCS) and Added Years/Additional pension purchase contracts which HSC Pension Service and Payroll Shared Services need to be made aware of to ensure continuity of payments are made.

**Action Required - New Joiner Questionnaire should be issued to all new starters**

## 7. Choice 2 Exercise — Important Notice

In 2009 members of the 1995 section of the HSC Pension Scheme were given an option to move their accrued benefits to the 2008 section of the scheme, this was known as Choice. Further to the impact of Pension Reform, particularly on retirement age, this choice (Choice 2) is again being offered to active members who are affected by a change in their retirement age. Letters are due to be issued to the affected members in Autumn and further information and guidance is available on the scheme website.

To be eligible for Choice 2 a member must:

- Have been an active member of the **1995 Section** of the HSC Pension Scheme on 31 March 2015 and
- Have Tapered Protection or no protection

Only 1 in 3 members will be eligible for this Choice exercise.

**Action Required - For Information only, HSC Pension Service will promote this exercise and contact affected members.**



## 8. ERRBO

NPA (Normal Pension Age) in the 2015 Scheme is the same as the member's State Pension Age (SPA) and may rise during membership of the Scheme if SPA rises.

This Scheme has an NPA linked to a member's SPA which can rise if their SPA rises. An option exists in the 2015 Scheme only, for a member to pay additional contributions to buy out the reduction that would apply if they retired before their NPA. This is known as an 'ERRBO agreement'.

The agreement can be for early retirement 1, 2 or 3 years before a member's NPA but no earlier than age 65. An exception to this is where an NPA is not a whole number, for example if a member's NPA is 65 years and a number of months then an ERRBO agreement can be taken out to include the number of months.

An application for an ERRBO agreement must be made within three months of joining the 2015 Scheme for it to be effective for the first Scheme year. Similarly, an application must be made within three months of the beginning of any subsequent Scheme year for it to be effective from that Scheme year. Any application made later will only be effective from the beginning of the following Scheme year. Once an agreement is in place it will automatically roll forward to subsequent Scheme years until ended.

It is not permissible to make retrospective applications for earlier Scheme years.

To begin the application process, a member can download an expression of interest form from our website at [www.hscpensions.hscni.net](http://www.hscpensions.hscni.net).

**Action Required - For dissemination to employees/scheme members**

## 9. Employer Requests for Guidance or Clarification of Scheme Rules or Regulations

If an employer has any queries or questions regarding the HSC Pension Scheme Regulations or associated Pension Legislation please direct all your correspondence to the Pension Liaison Officer (John Coyle) at HSC Pension Service.

Contact details are:

[John.coyle@hscni.net](mailto:John.coyle@hscni.net)

Tel No. 028 71319111 (Option 1)

**Action Required - For information only**



## 10. Transfer In—Disclosure of Information Regulations

We have recently been receiving a significant number of late transfer-in applications. Any late transfer-in applications made after the member has been in the scheme for **at least one year** are rejected as being outside the statutory time limits.

If the member appeals against this decision, the time limit may be extended but only in exceptional circumstances. As part of our considerations, we will make enquiries with their employer about the information made available to the member when their employment began i.e. the Scheme Guide/Joiner Questionnaire.

We would therefore like to remind employers that it is imperative for them to provide members or prospective members with information to prevent issues such as this from occurring. Part 2 of the Occupational & Personal Pension Scheme (Disclosure of Information) Regulations 2013 stipulates that basic information about the Scheme must be given to a person within the following time limits:

Where an employer has received the jobholder information -Scheme information must be provided to all new employees within one month of the employment starting.

You must provide a copy of or access to the Scheme Guide to a new joiner at the earliest opportunity (ideally as part of a starter pack), either by email or in hard copy format in case of dispute at a later date.

**Action Required - Appropriate documentation to be provided to all new starters**

## 11. Annual Leave—Pensionable Service

If, a member leaves pensionable service and has a period of leave which has not been taken and a payment is made in respect of this period of leave then that member's pensionable employment will be extended to reflect the period of leave.

For example: Jim agrees with his employer that he will retire from pensionable employment on 09/05/2016 but at this date Jim has two days leave which he had not taken. Jim's employer makes a payment to Jim to compensate for the two days leave not taken. **For pension purposes** Jim's leaving date from Pension Scheme membership is extended to 11/05/2016 and his pension benefits are payable from 12/05/2016.

**Action Required - HR Specialists should be aware how annual leave is treated for pensionable service in relation to benefit applications.**



## 12. Protection of Pensionable Pay

Voluntary Protection of Pay is only applicable to members of the 1995 scheme, if the member voluntarily “steps down” to a less demanding role and their pay has been reduced by at least 10%. Members of the 1995 & 2008 sections of the scheme can also apply for Protection of Pay if pay is reduced through no fault of the member which could include reasons such as being transferred to another employment with a new employer or a move to a lower paid post because of pending or actual redundancy.

Details regarding Protection of Pay can be found on our factsheet; Protection of Pay and Voluntary Protection of Pay

To apply the member must complete Form PROPAY1 and the employer must complete Form PROPAY2. Both completed forms should then be submitted to HSC Pension Service ( via PSSC,) who will assess eligibility. HSC Pension Service will then notify the member of the outcome.

If a member is accepted then we will calculate the member’s pension at the specified date and at the higher pay figure. If the member’s pensionable pay is higher than the protected pay figure at retirement, then we will use the higher pensionable pay figure.

**Action Required - For information and dissemination to scheme members.**

## 13. Annual Benefit Statements

The exercise to issue Annual Benefit Statements (ABS) to members by the 31<sup>st</sup> August 2016 has been delayed. It is proposed to roll out the delivery of statements from late October 2016. It is anticipated that the exercise will be completed by December 2016.

ABS’s have been delayed as HSC Pension Service (HSCPS) update the majority of member data via an internal electronic interface from the payroll system. As part of the HRPTS system development a new interface was required and this has only, in recent months, been passed through to the LIVE service. HSCPS also have minor outstanding issues with the software development to produce the ABS and suppliers are working closely with us to rectify the issues.

As required under legislation the Pensions Regulator has been informed accordingly.

**Action Required - For information and dissemination to scheme members.**



## 14. Contact Us

**By writing to us at:-**

HSC Pension Service

Waterside House

75 Duke Street

Londonderry

BT47 6FP

**Via e- mail at:-** [hscpensions@hscni.net](mailto:hscpensions@hscni.net)

**By Telephone:** 028 7131 9111 (9.00am to 5.00pm – Monday to Thursday; 9.00am to 12.00pm Friday)

If you have any suggestions for the newsletter or would like a particular topic covered in future publications please do not hesitate in contacting us by emailing: [hscpensions@hscni.net](mailto:hscpensions@hscni.net)

