

Increasing your Benefits

Tax-free limits

Limit on contributions

Contributions paid to the HSC Pension Scheme and its Money Purchase providers to increase your pension benefits qualify for full tax relief, but cannot exceed 100% of your taxable pay.

Limit on benefits

Since 6 April 2006 HM Revenue & Customs (HMRC) has set an individual lifetime allowance (LTA) limit on tax-free pension savings in all registered pension schemes, like the HSC Pension Scheme. The limit mainly affects high earners.

For most people it results in more tax relief being available for savings to increase their retirement benefits. The LTA applies to all your pension savings including those through additional contributions.

Recycling of Pension Commencement Lump Sums

HMRC will not allow you to withdraw a tax-free lump sum and receive further tax relief by reinvesting the money back into a registered pension scheme. This is known as “recycling lump sums” and could apply if the money is reinvested as a lump sum or in monthly payments.

It is possible that you could be affected by this rule if you retire within 2 years of making an election to buy additional benefits. If you think you could be affected discuss your plans with a professional financial adviser before proceeding.

Buying Additional Pension (AP)

The AP facility is a flexible arrangement that allows you to increase your Scheme pension by a method, which at the outset clearly sets out both how much, in current pension terms, the purchase is worth and how much the purchase will cost.

AP is paid at the same time as your main Scheme pension. If it is paid before your normal retirement age it will be reduced to take account of its early payment.

AP can be bought at any time during the year as either personal cover, ie increases your own pension benefits only or with dependants' cover, ie increases your own pension and the benefits that will be payable to your spouse, partner or dependent children after your death.

AP does not include an automatic lump sum but you can include your AP in calculating “pension commutation.”

Irrespective of your working pattern, you will get the same amount of AP at retirement. The cost of purchasing AP is the same whether you work full time or part time.

How much can I buy?

You can buy any amount in units of £250 annual pension up to a maximum total purchase of, currently, £5,000 for the 1995 and 2008 Sections, and a maximum of £6,500 in the 2015 Scheme.

If you buy AP with cover for dependants each £250 unit of AP also increases your partner’s survivor pension by £93.75 a year. In the case of child allowance the increase is £187.50 to be distributed according to the rules of that benefit.

AP unit purchases are revalued in line with inflation both before and after they come into payment.

Can everyone apply to buy AP?

Yes, provided that you are a contributing member of the Scheme and not absent from work for any reason. You can make any number of AP purchases throughout your Scheme membership before reaching your normal retirement age. You must also complete the purchase before your normal retirement age.

In some circumstances your employer may wish to buy some AP for you. They would do this by making a single payment on your behalf.

How much does AP cost?

The cost of AP is determined by factors provided by the Scheme Actuary. It can be paid for either by a single lump sum or by instalments from your pay, over a complete number of years of your choice, up to a maximum of 20 years.

A tool to calculate the cost of your intended purchase can be found on our website at www.hscpensions.hscni.net.

Will I pay the same amount every month?

Usually yes. Purchase by instalments is however subject to review based on advice from the Scheme Actuary, and following review the cost of future instalments of an existing arrangement could be changed. Actuarial reviews of the Scheme take place every four years.

What if I have short breaks in my HSC employment?

If you have breaks in HSC employment of less than 12 months eg changing jobs with another HSC employer, you will be given the opportunity to continue your agreement.

You will need to make up any missing instalments. If this happens tell your new employer about your AP purchase and make arrangements to pay the outstanding instalments.

What if I stop paying my instalments?

If you stop paying instalments within the first 12 months because you die or retire on ill-health grounds, the agreement will be cancelled and your additional contributions will be returned.

If you stop paying instalments after 12 months because you die or retire on ill health grounds, you will be credited with the AP amount and all future additional contributions will be waived. If you die, this will only have effect if you have taken AP with dependants cover.

If you stop paying instalments for any other reason, the AP agreement will be terminated and you will be credited with the proportion of the AP that you have paid for.

How do I apply?

If you are interested in purchasing AP you should visit our website where you can model the various options available to you to find out how much it is going to cost. You can ask your Employer to help you with this by completing form AP1 which can be obtained from our website.

Once you have decided to proceed, you should complete application Form AP2 and then pass the form to your employer.

You may be able to increase your benefits through the AP arrangement as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

Money Purchase Benefits

A Money Purchase AVC arrangement allows you to make additional contributions to build up a separate retirement fund. These contributions are invested and then used to supplement your main Scheme benefits at retirement, or later.

You can take up to 25% of the fund value as a tax-free lump sum in addition to any main Scheme lump sum. The rest of your fund must be used to buy an extra pension.

You can also make separate contributions to the company you choose to increase the lump sum your dependants will receive from the main Scheme if you die before you retire.

You can increase your benefits through a Money Purchase arrangement, as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

HSC Scheme Provider

You can take out a Money Purchase 'Group' AVC through the HSC Scheme. These arrangements are part of the Scheme, but are run by a chosen provider on our behalf.

Contributions are taken from your pay and you can choose how much to pay. You can normally change or stop the amount you pay and switch between funds. We have negotiated special HSC terms for these arrangements, which are reviewed regularly and there are no commission charges. But because the additional contributions are invested with an external provider, the HSC Scheme cannot guarantee your fund or the amount of the pension it will produce.

Once in payment, the Scheme will guarantee you payment of any pension you receive through HSC arrangements. To find out more about HSC Money Purchase Group AVCs please ring the provider's telephone helpline or complete and send them the form at the back of this factsheet. They will give you help and send you a free information pack giving full details.

The HSC Money Purchase AVC provider is:

Standard Life Group Pensions Public Sector
Standard Life House
30 Lothian Road
Edinburgh EH1 OWT
www.standardlife.co.uk/nhs
Helpline: 0800 33 33 06

Free Standing arrangements

These are Money Purchase arrangements, which are not connected to the HSC Scheme in any way. They are available from banks, insurance companies etc. and work in much the same way as the HSC Money Purchase Group AVCs.

If you are interested in this type of arrangement, you should seek independent financial advice and then contact the bank or insurance company of your choice. If you are considering a Free Standing arrangement it is worth remembering that commission may be deducted from your contributions before they are invested and there are no special HSC terms. The HSC Scheme cannot guarantee payment of a pension you receive through a freestanding arrangement.

Stakeholder Pensions

Stakeholder Pensions are an alternative way of saving for retirement but are not normally recommended as a main pension for someone who can join the HSC Scheme. If you are prevented from joining the Scheme for some reason and receive a moderate salary your employer must offer you a HSC Stakeholder Pension.

If you are a member of the HSC Scheme you can also use a HSC Stakeholder Pension to top up your main Scheme benefits. You can do this instead of, or as well as, other top-up arrangements.

Because Stakeholder contributions are invested with an external provider the HSC Scheme **cannot** guarantee your fund or the amount of the pension it will produce.

If you **choose** to opt-out of the HSC Scheme you will not be offered a HSC Stakeholder Pension.

HSC Stakeholder Pensions are run for the HSC by provider Standard Life. If you would like to find out more about HSC Stakeholder Pensions please ring the provider's telephone helpline or write to them. They will send you a free information pack giving full details.

The Stakeholder Pension provider for the HSC Scheme is:

Standard Life
Stakeholder Pensions
Standard Life House
30 Lothian Road
Edinburgh EH1 OWT
www.standardlife.co.uk/nhs
Helpline: 0800 33 33 06

You may, if you prefer, take out a Stakeholder Pension independently of the HSC Scheme.

1995 section

For members of the HSC Pension Scheme 1995 Section only.

Bigger lump sum purchase for Scheme membership before 25 March 1972.

This option applies to:-

- Men who are or have been married, or have a civil partner or surviving nominated partner who they have nominated to receive a full dependants pension; or
- Women who are or have been married, or have a civil partner or surviving nominated partner who they have nominated to receive a full dependants pension.

You may not be entitled to the full lump sum retiring allowance because your pension based on membership before that date, only counts at one third of the value of later membership when your lump sum is worked out. If this applies to you, you will normally be able to buy the full lump sum retiring allowance for some or all of your membership before 25 March 1972.

But you cannot increase your lump sum if you rejoined the Scheme before age 50 following ill-health retirement. HSC Pension Service will tell you what an unreduced lump sum for Scheme membership before 25 March 1972 will cost.

Buying back previously refunded membership prior to 6 April 1978 only, or for any period that you were a general practitioner

If you had a refund for any membership before 6 April 1978, or for general practitioner membership at any time, you may be able to buy the membership back at half the normal cost. Your Employer will tell you more about the cost and payment options.

Payment arrangements – bigger lump sum and previously refunded membership

The most common payment method is the deduction of extra contributions from pay. There is a limit on those contributions and this may affect the number of years that can be bought:

- If the standard membership contribution is 5% of pensionable pay, the maximum additional contribution is 10% of pensionable pay.
- If the standard membership contribution is more than 5% of pensionable pay, the maximum additional contribution is 9% of pensionable pay.

You can begin to make payments from any future birthday, provided:

- your payments will run for at least 2 years, and
- you start to pay at least 2 years before your chosen end age, and
- you are not sick or absent without leave when you apply.

Payment can also be made by a single lump sum contribution but there are time limits for making an application. For a bigger lump sum:

- a married man must apply within 12 months of getting married, or if not then a member, within 12 months of first re-joining after getting married.
- For nominations to provide a full dependant's pension, applications must be made within 12 months of making that nomination.

For previously refunded membership:

Application must be made in the first 12 months after re-joining the Scheme following a break in membership of 12 months or more.

If your extra payments change or stop

You will normally be expected to pay the extra contributions until age 60 or 65. If your payments change or stop before then, your additional benefits will normally be affected.

If you are under age 60 and before your chosen retirement age you:

- Die, or
- Have to retire because of ill-health, and
- On the date of death or the date you apply to retire because of ill-health you have paid the extra contributions for at least a year.

We will normally give you all the membership being purchased or bigger lump sum you were buying without further cost.

If you are age 60 or over and have chosen an end age of 65 and before that end age you:

- Die, or
- Have to retire because of ill-health, and
- On the date of death or the date you apply to retire because of ill-health you have paid the extra contributions for at least a year.

you will get the membership or bigger lump sum you have paid for up to that date, less a reduction because they are being paid before your chosen end age.

If at any age you die, or have to retire because of ill-health and you have paid the extra contributions for less than a year, your arrangement will be void and we will refund your additional contributions after deduction of tax.

If before your chosen end age:

- You leave the scheme for any reason, or
- We agree you can stop your additional contributions, or
- You have breaks in your membership, or
- Your payments stop for any reason,

you will get only the membership or bigger lump sum you have paid for at that stage.

We will also have to reduce the benefits you get from your membership or bigger lump sum, if they are paid before your chosen end age.

Applications

If you are interested in buying extra main Scheme benefits as described in this section, speak to your Employer.

Remember contracts to buy bigger lump sums and previously refunded membership MUST start from a future birthday.

If you have more than one HSC job you need only apply to your main employer, but you will need to inform other employers of the extra percentage contributions once confirmed so that they can also collect them. You should keep future new employers aware of your extra contributions to avoid getting into arrears.

If you are a general medical practitioner, contact the Business Services Organisation.

You can start paying from your next birthday provided your application has been received by then.

Important Notes:

Restored membership does not count when working out the minimum membership you need to qualify for benefits. If you leave the Scheme with less than 2 years ordinary membership you will still have to take a refund of your contributions, including any extra contributions you may have paid.

Restored membership is not taken into account when working out any membership enhancement for death, or ill-health retirement benefits. But is taken into account and may reduce any enhancement, in redundancy benefits.

If you work part time, the cost will be calculated using your part-time pensionable pay. The amount of additional benefits you get for your extra contributions will be reduced to take account of this.

For example, if you work half time and apply to buy 4 years previously refunded membership or bigger lump sum, based on your part time pay you will only pay half the extra contributions. You will then get 2, not 4 years of additional benefits. If the hours you work change, your contributions and the additional benefits you get will also change.

You may be able to increase your benefits through bigger lump sum and previously refunded membership arrangements as well as other methods described in this factsheet. This is subject to overall HMRC and Scheme limits.

More Information:

If you need more information your Employer will be able to help you or you can write to us at:

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

or e-mail us via: hscpensions@hscni.net

or ring us on 028 71 319000. The switchboard is open from 9.00 am to 5.00 pm Monday to Thursday and 9:00 am to 12 noon Fridays (closed Public Holidays).