HSC Business Services Organisation

HSC Pension Service

A Guide for Pensioners and their Dependants

06/2009

Introduction

This guide is issued by HSC Pension Service, who administer the HSC Pension Scheme (HSCPS) on behalf of the Department of Health, Social Services and Public Safety.

The guide tells you about the benefits payable on your retirement from the HSC Pension Scheme. It gives general information that may be helpful to you and explains the benefits that may be payable on your death but it is not intended to be a full statement of the law which governs the Scheme.

This guide contains references to new provisions coming into effect on 1 April 2008. The new provisions apply only to members who are paying contributions to the Scheme on or after 1 April 2008. If your membership ended before that date the new provisions do not apply to you. This is explained within the text of relevant paragraphs.

Please tell your dependants about the guide and keep it in a safe place.

Contents

Glossary

In this Booklet:

- **“We”** or **“Us”** means the HSC Pension Service
- **“GMP”** means Guaranteed Minimum Pension
- **“SPA”** means State Pension Age
- **“DWP”** means the Department for Work and Pensions
- **“HMRC”** means Her Majesty’s Revenue & Customs
- **“SERPS”** means State Earnings Related Pension Scheme

Personal Details

You may find it helpful to write your personal details in the box below.
You will need these details if you write to us.
Your dependants will also need to know them.

Your date of birth ________________________________

Your Payroll reference number ________________________

Your National Insurance number ___________________________

Your date of retirement or the date your pension starts ________________________

Notice about data given to HSC Pension Service

We have a duty to protect the public funds we administer. To this end from time to time we may use information provided to us for the prevention and detection of fraud and share it with other bodies administering public funds solely for these purposes.

HSC Pension Service is currently participating in an anti-fraud initiative organised by the Audit Commission and being carried out under Section 6 of the Audit Commission Act 1998. Under this initiative we are providing details of occupational pensioners to the Commission so that they can compare them with information provided by other public bodies to ensure that:

- no pensions are being paid to persons who are deceased;
- occupational pension income is being declared by housing benefit claimants;
- re-entry to the Scheme is disclosed.

While the object of the exercise is the detection of fraud, previous exercises also uncovered underpayments to pensioners, which were rectified. These exercises help ensure the best use of public funds.

Part 1 General Information

1.1 Application Forms

With this Guide you will get either:

- **an application form AW6** if you are retiring from the HSC.
  Please complete the form and return it to your employer as soon as you can;

- **an application form AW6P** if you have already left the Scheme, but your benefits are still held by us (deferred).
  Please complete the form and return it to us at the address below as soon as you can.

1.2 Notification of Benefits

We will work out your benefits and tell you how much they are. Normally there will be a pension and a lump sum.

We may need to write to tell you that your benefits have been changed. This could happen because we are told about a new rate of pay or new membership details by your former employer, or because you retire from the HSC again after a further period of membership. If your benefits change, we will inform you of the new amounts. There is no need for you to get in touch with us.

1.3 Limits on Tax-free Pension Benefits

Since 6 April 2006 HMRC has set an individual lifetime allowance (LTA) limit on tax-free pension savings in all registered pension schemes like the HSCPS. For most people this increases their opportunities for tax efficient savings at retirement. Only consistently high earners (eg those earning more than £100,000 a year) with long scheme membership and/or substantial other pension savings are likely to be adversely affected. If you think you may be affected by the new tax regime you should read the information at Part 10 before completing the application form.

You must also be under age 75 to receive a tax-free lump sum. If you are aged 75 or over you will receive a bigger pension instead of a tax-free lump sum.

1.4 Useful Contacts

Our address is: HSC Pension Service, Waterside House, 75 Duke Street, Londonderry BT47 6FP

Our telephone number is: 028 71 319111

If you need to get in touch with us, eg because of a change of address, please tell us your national insurance number.

If you need to get in touch with us about the payment of your pension, please write or telephone, telling us your pension payroll reference number or national insurance number. Part 3 of this guide tells you about your pension payroll reference number.

Part 2 Completing the Claim Form AW6 or AW6P

General guidance on completion is included within the form.

2.1 Completion of Part 5 of Form AW6

It is important that you complete these questions fully and correctly and supply any information asked for. Failure to do so will delay the payment of your pension and lump sum and/or cause all your benefits to have the LTA charge applied to them (see Part 10).

If you answer 'No' to questions 22 or 23 you should answer question 26 only. This will be the case for **most** applicants.

If you answer 'Yes' to question 23 you should read Part 10 of this guide before continuing.

Question 24 – if you answer 'No' you should go to question 25. If you answer 'Yes' you must tell us:

(ii) to two decimal places, (ie 43.21), the total aggregated percentage of the standard LTA used by each of your other pension arrangements. Your other registered pension provider(s) should have given you this figure as you took those benefits from 6 April 2006.

(iii) the date of the first benefit crystallisation event is either, the date your benefits from another pension provider were authorised or the date they became payable (whichever is the later). If you are unsure of this date, your other pension provider will be able to confirm the benefits crystallisation date for you. This date is important as it could affect the calculation of the lifetime allowance you have used.

Question 25 – if you answer 'No' you should go to question 26. If you answer 'Yes' you must tell us:

(ii) the gross annual rate of pension in payment on, either today's date or to the date at 24b if earlier.

If you cannot provide the percentage figure, treating your HSC Scheme benefits as entirely in excess of the standard LTA and applying the LTAC of 55% of your lump sum and 25% of your pension, is the only way your application can be processed, unless you instruct us to defer payment of your benefits until you have gathered the necessary information.

Question 26 – if you answer 'No' please sign and date the declaration. If you answer 'Yes' you must enter details of any valid HMRC certificates you hold. If you hold a valid enhanced protection certificate, provide the certificate number only in a separate box.

2.2 Completion of Part 6 of AW6 – Redundancy Retirements only

If you are retiring early because of redundancy and are entitled to have your pension benefits calculated under the Transitional Protection arrangements for certain members who are made redundant between 1 December 2006 and 30 September 2011, you will have received two illustrations of your potential pension benefits.

Option 1 represents the value of your pension benefits calculated under the Transitional Protection rules.

Option 2 represents the value of your pension benefits calculated under the new redundancy compensation rules.

Your employer will have told you how much additional cash compensation payment (if any) they would pay you, depending on which pension calculation method you choose. You should consider your options carefully and tick **either** 'Option 1' or 'Option 2' on the claim form. Once you have made a choice you cannot change your mind.

2.3 Completion of Part 6 of AW6 – Lump Sum Choice

If your Scheme membership extends up to or beyond 1 April 2008, you have the option to increase your lump sum by converting some of your pension. Where all of your membership counts for a full 3/80ths lump sum, the maximum **additional** lump sum allowed under HMRC rules is 33/14 x your annual pension (before conversion). You can claim any amount of **additional** lump sum up to this maximum. Pension is converted to lump sum at the rate of £12 additional lump sum for every £1 of pension given up. You can find a calculator tool to help you model the amount of additional lump sum you can claim on our website at www.hscpensions.hscni.net. Claiming a bigger lump sum does not affect the level of survivor benefits payable to a partner or dependent child.

Example

Member A has 40 years membership which extends beyond 1 April 2008 and retires on a pensionable pay of £40,000. All membership counts for a three times pension lump sum.

Standard benefits are a pension of 40/80 x £40,000 = £20,000 per annum and a standard lump sum of £60,000 (annual pension x 3).

An **additional** lump sum up to £47,142 (33/14) x £20,000) is available. If **Member A** wanted to take this maximum additional lump sum, they would need to give up £3,928 of pension (£47,142 / 12). **Member A's** benefits would then be a pension of £16,072 (£20,000 - £3,928) and a lump sum of £107,142 (£60,000 + £47,142).

In **either case** the amount of survivor pension would be £10,000.

You must indicate whether or not you want an additional lump sum by ticking the appropriate box. If you want an additional lump sum then select either:

- the maximum lump sum permitted; or
- an additional lump sum specified in whole £s in multiples of £12, which is not greater than the permitted maximum lump sum.

If your last day of Scheme membership was before 1 April 2008 you should omit this item and continue to complete the rest of the form.

Part 3 Payment of Benefits

3.1 How and when your Retirement Benefits are paid

We will only pay your pension and lump sum into a bank or building society account. This is by far the safest method of payment.

It is important that the UK bank or building society account you provide is able to accept electronic payments by the Bankers Automated Clearing Services (BACS) method. Your bank or building society will be able to advise you on this. If the account details you provide cannot accept BACS payments, your payment will be rejected and lead to a delay in payment of your pension benefits.

The account can be at a bank or building society with a branch

- in the United Kingdom (this includes Girobank but **not** National Savings Bank), or
- in the Channel Isles, Isle of Man or Republic of Ireland, or
- overseas provided it is capable of receiving secure electronic payment of funds. Currently such arrangements exist with banks in the following countries:

Antigua	Germany	Pakistan
Australia	Greece	Poland
Austria	Grenada	Portugal
The Bahamas	Guyana	South Africa
Bangladesh	Hong Kong	Spain
Barbados	Israel	Sri Lanka
Belgium	Italy Jamaica	St Kitts, St Lucia or St Vincent
Canada	Kenya	Sweden
Cyprus	Luxemburg	Switzerland
Denmark	Malta	Trinidad and Tobago
Dominica	Netherlands	Turkey
Dominican Republic	New Zealand	USA
Finland	Norway	
France		

If you are planning to retire to a country that is not included in the above list, you will need to make arrangements to have your HSC pension paid into a bank in one of the countries listed above. Your chosen bank will be able to assist you in arranging for the funds to be forwarded to you.

You will need to complete a special form for payment to be made to an overseas bank. You can get one by writing to HSC Pension Service at the address shown in Part 1. Please complete it and attach it firmly to form AW6 or form AW6P.

We will normally pay the pension or allowance monthly (one twelfth of the yearly rate, to the nearest penny), on the same date each month. They will tell you what your payment date is. This may not be the last day of the month.

When the payment date falls on a weekend or on a public holiday, the payment will go into your account on the last working day before the weekend or the holiday.

The number of days in each pension month varies, as in a calendar month, and determines the amount of any part month payment. If a pension or allowance starts during a pension month the first payment will be for the amount due for the number of days in that part pension month.

To keep down costs, **<u>we will not send details of your pension each time a payment is made</u>**. But we will write to you when your pension begins and each time there is a change in your tax code or in the yearly rate, for example, because of a cost of living increase.

3.2 Your Pension Reference Number

We will give you a pension reference number when we start paying your pension or allowance. It will be on all the correspondence you get from us. Please write the pension reference number in the Personal Details box at the start of this guide.

3.3 Changes you should tell us about

You should tell us if:

- you change your address;
- your bank or building society account details change;
- you marry, remarry, form a civil partnership or wish to nominate a qualifying partner for a survivor's pension; and
- a child for whom you are receiving child allowance goes to live on their own.

3.4 Death

When you die, your spouse, civil partner, nominated qualifying partner, nominee or personal representative **must** tell HSC Pension Service straight away, quoting your pension reference number (see above). They will be sent an application form so that they can claim any pension that may be due to them.

3.5 Overpayment of Benefits

If your pension or lump sum is overpaid for any reason the money will have to be repaid.

We may recover this overpayment by reducing your pension, however, if this is the case, we will contact you or your personal representatives.

3.6 Income Tax

For tax purposes your pension, or your dependant's pension, is treated as earned income. At first we will deduct tax under a temporary code until we get the right code from the Tax Office. The Tax Office will decide what your tax code should be.

If you want to query your tax code, please write direct to the address given below. Tell them your National Insurance Number and your pension reference number.

The address is: **HMRC Northern Ireland**
Counties Area, Foyle House
Duncreggan Road
Londonderry, BT48 0AA **Telephone 0845 302 1481**

If tax has been deducted from your pension, we will send you a form P60 after the end of each tax year to show the total pension paid and the amount of tax deducted in that year.

When we send payments to your bank etc it includes details of any income tax deducted, but not your tax code. Most banks will show on your statement the tax deducted from your pension payments.

Part 4 Pensions Increase

HSC pensions are increased to keep pace with rises in the cost of living. Your HSC pension is increased by the same percentage as the increase to SERPS paid by the State pension scheme. This increase is paid in April, based on the rise in consumer prices in the 12 month period up to the end of September in the previous year.

4.1 Do all HSC Pensioners qualify for Increases right away?

This depends on the type of pension.

Age Retirement Pensions:	Can qualify from the April after their pensions begin.
Ill-health Retirement Pensions:	Can qualify from the April after their pensions begin.
Redundancy Pensions:	See paragraph 4.3.
Deferred Pensions:	See paragraph 4.4.
Re- employment Pensions:	See paragraph 4.5.
Dependant's Pensions:	See paragraph 4.6.
Voluntary Early Retirement Pensions:	See paragraph 4.7.

4.2 Will my Pension always get the full increase?

Yes. But increases are normally paid from April, so **<u>in the first year</u>** the amount of increase you get will depend on when the pension started. For example, if the full increase is 5% but your pension has only been in payment for 6 months, the increase you will get will be 2.5%.

A part month of 16 days or more will count as if it was a full month, but a part month of 15 days or less will not count. So, a pension that begins 15 days or less before an increase date will not get an increase until the following year.

Increase dates will often fall part way through your pension month. Where this happens your pension for that month will be partly at the rate before the increase and partly at the new rate. Your pension for the following month will be all at the new rate.

4.3 What Increases are paid if I have a Redundancy Pension?

Your redundancy pension will not be increased until you reach age 55. When you reach age 55 your pension will get **ALL** the increases made since it began. But, if you become permanently incapable of work on account of ill-health, provided the Scheme's medical adviser agrees, redundancy pensions can be increased before age 55.

If you are a woman with a dependent child the increase will apply as follows:

- the part of your pension based on your membership before 1 January 1993 will start to increase from the April after it starts;

- the part of your pension based on your membership from 1 January 1993 will be increased when you reach age 55.

If you are a man with a dependent child the increase will be as follows:

- the part of your pension based on your membership between 17 May 1990 and 31 December 1992 will start to increase from the April after it starts;

- the part of your pension based on your membership before and after these dates will be increased when you reach age 55.

4.4 What Increases are paid if I have a Deferred Pension?

Your deferred pension will probably be based on your pay some time ago. So, as soon as it begins it will be given **ALL** the increases made since the pay ended provided you have reached your normal retirement age or if you are claiming your deferred benefits early, you have reached age 55 or over.

You may have a Deferred as well as an Age retirement pension.

4.5 What Increases are paid if I work again in the HSC after Retirement and I get a further re-employment pension?

You can only rejoin the Scheme after retirement if:

- you retired before age 50 because of ill-health, and

- you are still under age 50 when you apply to rejoin the Scheme.

When you retire again at normal retirement age, or if you retire again because of ill-health, the benefits for your later membership will be paid as a separate pension.

You will keep the Pensions Increase you already have on your old pension and your additional pension will get increases from the April after it begins.

4.6 What Increases will be paid with my Dependant's Pension when I die?

Your dependant's pension, including any allocated pension (see Part 7) will be increased as if it had begun on the same date as your own pension.

4.7 What Increases are paid if I have a Voluntary Early Retirement Pension or a Deferred Pension which has been reduced because of early payment?

Your voluntary early retirement pension or early paid deferred pension will not be increased until you reach age 55. When you reach age 55 your pension will get **ALL** the increases made since it began. But, if you become permanently incapable of work on account of ill-health, provided the Scheme's medical adviser agrees, the pension can be increased before age 55.

4.8 Are Increases applied to the whole of my pension?

Increases are applied to the amount you are getting including any previous increases, less any Guaranteed Minimum Pension (GMP) – see next paragraph.

4.9 Who will pay the Increases?

If your pension includes a GMP, the cost of paying increases on it is shared between the HSC Pension Scheme and the DWP.

For GMPs based on Scheme membership up to 5 April 1988 – the DWP pay all of the increases.

For GMPs based on Scheme membership between 6 April 1988 and 5 April 1997 HSC Pension Service pay the increases up to 3%, the DWP pay any increases over 3%.

All GMPs ceased from 6 April 1997 – HSC Pension Service pay all the increases on your HSC pension based on membership, which does not include a GMP. We will pay the Scheme's share of GMP increases with your HSC pension. DWP will pay their share of GMP increases with your State pension.

Sometimes we may have to calculate the increase on the balance of your HSC pension before the DWP have notified us of the value of your GMP. If this happens, or a change to your GMP is notified, your pension may need to be reduced and an overpayment may be caused. We will write to you about adjusting your pension when we know the correct amount of GMP.

4.10 Will the DWP always pay their part of GMP Increases?

Sometimes the DWP may be unable to pay their part of the increase on a GMP. This can happen if you live in certain foreign countries, or if you retire from the HSC before you qualify for the State Pension. If this happens you will not be worse off. The DWP will tell HSC Pension Service who will pay the full increase on the whole of your pension.

4.11 Will my Lump Sum get Pensions Increase?

Only if your benefits are based on pay for membership that ended 16 days or more before payment was due, for example, deferred benefits. The lump sum is increased by the same percentage as the pension. If you claim deferred benefits early (before age 55) you may have to wait until age 55 before you are paid the extra amount.

HMRC has confirmed that any increase in your lump sum due to Pensions Increase is a Benefit Crystallisation Event (see Part 10). This means we will contact you again, either to confirm the extra percentage of lifetime allowance used, or if you were a high earner or have transitional protection to confirm your current lifetime allowance position. This is to ensure that you have enough LTA remaining to allow payment of this increase without a LTAC.

4.12 Special Note for Members who were Optants for an Insurance Policy based Pension Scheme

There are special provisions for the payment of pension increases for members who were, at some time, members of certain insurance policy based schemes. These include:

- The Federated Superannuation Scheme for Nurses and Hospital Officers, and

- The Federated Superannuation System for Universities, now Universities Superannuation Scheme (USS).

If you think this applies to you, contact us at the address in Part 1.

The new provisions do not apply to people who have already surrendered their insurance policies and transferred their value into the HSC Scheme.

Part 5 Working after Retirement

Your pension benefits will not be affected if you return to HSC work after you retire provided:

- you have taken a 24 hour break; and
- at least one calendar month has passed from the date you retired to the date you return to work (jobs in the HSC totalling 16 hours or less a week are ignored for this purpose); and
- you were age 60 or over when you retired; or
- you are receiving a voluntary early retirement or deferred pension, which has been reduced because of being paid before age 60; or
- you are receiving an early but unenhanced retirement pension following redundancy.

However your tax position may be affected so in all cases you will need to tell your employer that you have a Scheme pension and write to us providing full details of your job, the name, address and telephone number of your employer and the payroll office responsible for paying your wages/salary (if different from your employer's address). Quote your pension reference number, which you should have written in the Personal Details section of this guide.

In **all other circumstances** your HSC pension may be affected so you **<u>must tell your employer</u>** that you have a pension from the Scheme and notify us before you go back to work in the HSC with the details set out above. This is because your pension may need to be reduced or stopped altogether whilst you are working.

If you do not do these two things you may be paid too much HSC pension. If this happens you will have to pay the money back.

- If you retire **before age 50** with an ill-health pension and start working again before age 50, you will be able to rejoin the Scheme if you wish.
- If you retire **on or after age 50** for any reason, you will **not** be able to rejoin the Scheme. However, if you retire after 1 April 2008 and before 1 October 2009 you may**, if eligible**, join the HSC Pension Scheme "2008 Section" two years after your retirement.
- If you have more than one HSC job you must retire from **ALL** your jobs before you claim your benefits, **UNLESS** you are retiring on redundancy grounds. (After a 24 hour break jobs in the HSC totalling 16 hours or less a week are ignored for this purpose.)

If your pension stops ask us to restart it when you:

- work 16 hours or less a week for at least one full calendar month, or
- have a break in your contract of at least one full calendar month, or
- stop working in the HSC, or
- reach age 75; (70 if your last day of Scheme membership was before 1 April 2008).

5.1 Returning to HSC Work within a Month of Retirement

If you retire with Age, Voluntary Early Retirement or Deferred Benefits and work in the HSC for more than 16 hours a week within one calendar month of retirement, your pension will be suspended from the day the work begins.

If this applies to you:

Write to HSC Pension Service immediately as your HSC pension may be overpaid and you will have to repay it.

You will be able to keep your lump sum.

Ask us to restart your pension when you:

- work 16 hours or less a week for at least one full calendar month, or
- have a break in your contract of at least one full calendar month, or
- stop working in the HSC, or
- reach age 75 (70, if your last day of Scheme membership was before 1 April 2008).

5.2 Returning to HSC work before Age 60

Any HSC earnings will not affect your pension where:

- your voluntary early retirement or deferred pension has been reduced because of early payment; or
- you are receiving an early but unenhanced retirement pension following redundancy.

In all other cases if you work in the HSC your pension **may** have to be reduced or suspended until you reach age 60. We call this abatement. If this applies to you, **you must write to us** with the details before you go back to work in the HSC. If you do not do this you may be paid too much pension. If this happens you will have to pay the money back.

Your pension will not be abated if you return to HSC work before age 60 as a result of compulsory transfer of a non-HSC post.

5.3 If Abatement applies and you are paid at a Fixed Rate of Pay or are a General Practitioner

We will let you know the amount that you can earn each year without affecting your pension payments. This figure is called your annual earnings margin.

When your HSC work begins we will compare your expected pay for the year, with your earnings margin and if necessary adjust your pension payments. This is done so that overpayments of pension can be avoided wherever possible.

At the end of each financial year, we will ask your employer how much you were paid during the year from 1 April to 31 March. We will compare your pay for the year against your annual margin and the pension you received for the year. (If you have been retired for less than a full year, we will not include in your pay for the year any monies earned prior to retirement.)

For general practitioners, HSC pay is not finalised until their accounts have been completed. Any under or overpayment of pension will not become known until up to 12 months after the end of the relevant financial year. Adjustments will then be made if necessary.

When comparing your pay against your earnings margin, we will check whether you were paid more or less than expected during the year. We may adjust the amount of pension that you are paid, in order to avoid an overpayment or shortfall of pension during the coming year.

If you have been paid too much pension for the year you will have to pay the overpayment back. If your pension has been underpaid, arrears will be paid to you to make up the shortfall.

We will review your pension payment immediately if your expected pay for the year changes due to:

- a change in your grade, or
- a change in the number of hours you work, or
- you receive a backdated award that increases your pay from the day your HSC work started,
- a change in your partnership share (medical and dental practitioners only).

5.4 If Abatement applies and your Pay varies

We will let you know the amount you can earn without affecting your pension payments. Because your pay varies it is difficult to forecast whether your pension will be affected, so we will carry out a **quarterly** check on your pay. We will let you know how much pay you can receive each quarter before the payment of your HSC pension may be affected. This figure is called your quarterly earnings margin.

On the last day of March, June, September and December, we will ask you or your employer how much you were paid during the quarter. We will compare your pay with your quarterly earnings margin. This is done so that overpayments of pension can be avoided wherever possible.

At the end of each financial year we will look at your pay for the **whole year** and compare it with your **annual** earnings margin (your quarterly earnings margin x 4). This has the effect of 'spreading' your pay evenly across the whole year. This could mean that if you have repaid pension because you were overpaid in one quarter but have been below your earnings margin in others, you may receive some pension back. In some circumstances, however, it could mean that there has been a further overpayment of pension which you will have to repay.

We may also adjust the amount of pension you are paid each year, in order to avoid an overpayment or shortfall of pension during the coming year.

Now please read paragraph 5.5

5.5 Explanation of Terms used in Parts 5.3 and 5.4

(a) ‘Pay’ means pay for work in the HSC after retirement which HSC Pension Service would normally regard as pensionable.

(b) ‘Pay for the quarter’ means pay for work in the HSC after retirement that HSC Pension Service would normally regard as pensionable and that you **earned** during the quarter – even if you were paid later.

(c) ‘Annual pay at retirement’, for a **general practitioner**, means the annual average of your total uprated pensionable pay for practitioner membership.

(d) HSC Pension Service will add cost of living increases (equal to the percentage paid on HSC pensions) to your ‘annual pay at retirement’ each year, before they compare your pay with your earnings margin.

(e) If your annual pension rate has been reduced because of your work in the HSC after retirement, HSC Pension Service will still add cost of living increases to the reduced amount each year, if you are entitled to them.

5.6 Changes you should tell HSC Pension Service about

The pension you can keep while you are working may change if you have:

- a pay rise backdated to when you started work, or carried on working, in the HSC;
- a change in the conditions of your work (including promotion);
- a change in the number of hours you work;
- a change in your partnership share (medical and dental practitioners only).

Part 6 Family Benefits

The benefits that **may** be paid on death are:

- Lump sum – (Death gratuity);
- a survivor's pension for a spouse or registered civil partner;
- a child allowance;
- where your Scheme membership extended to or beyond 1 April 2008 a survivor's pension for a nominated partner.

6.1 Death Gratuity

A Death Gratuity is a lump sum which may be paid when you die. Whether a Death Gratuity can be paid, and how much it may be, depends on how much retirement benefit you had from the Scheme up to the date of your death.

A death gratuity is not normally included in an Inheritance Tax assessment if you are married or have a registered civil partner. If you are single a death gratuity paid to a nominated person or persons may be included in an Inheritance Tax assessment. A death gratuity paid into a deceased person's estate will normally be included in any Inheritance Tax assessment. If you nominate a person or persons they should check their own tax position with HMRC.

However, if the payment of the death lump sum partly or wholly causes you to exceed HMRC's lifetime allowance (LTA), see Part 10, then the excess payment above the LTA will be subject to a lifetime allowance charge (LTAC).

This death gratuity can be treated for lifetime allowance purposes in one of two ways. These are:

- a 'Defined Benefits Lump Sum Death Benefit'. In this case all the lump sum paid in these circumstances <u>in excess of the LTA</u> will be taxed at 55%. As most members will not exceed the LTA, death gratuities will be treated on this basis, unless you notify us differently in writing that you wish the death gratuity to be treated as a Pension Protection Lump Sum Death Benefit;
- a 'Pension Protection Lump Sum Death Benefit'. In this case <u>all the lump sum</u> paid will be taxed at 35% regardless of whether you actually exceed the LTA. If your benefits are already over or close to the LTA then you should consider this option. Before you take this decision you should take appropriate financial advice.

If you decide to have your potential death gratuity paid as a 'Pension Protection Lump Sum Death Benefit', then **you** must write to HSC Pensions confirming your decision. You can take this option at any time prior to your death.

Irrespective of which of the two ways you decide to treat your death gratuity, if a death gratuity becomes payable then we will inform your legal personal representative (LPR) of the amount and percentage of the standard LTA represented by the death gratuity within three months of the final payment. Your LPR is responsible for notifying this figure to HMRC. The beneficiary of the death gratuity is legally responsible for paying any LTAC that may become due.

If you are legally married, have formed a civil partnership, or have nominated a qualifying partner your surviving spouse or partner will automatically get the lump sum unless you have nominated someone else on form DG3. You can get this form from our website www.hscpensions.hscni.net or you can ask your employer to download one for you. The lump sum will then be paid to your nominees.

If you are single, divorced or have terminated a civil partnership, the lump sum will automatically be paid to your estate unless you have a nominated qualifying partner or nominated someone on form DG3.

If you later decide to change your nominee, you can tell us on new form DG3. A new form DG3 replaces any earlier form DG3.

If you have nominated a person (or persons) or organisation to receive the lump sum then it will be paid automatically to this nominee, without waiting for Grant of Probate or Letters of Administration.

If your Scheme membership extended to or **beyond 1 April 2008** then you can change your instructions and complete a new form DG3 at any time.

If your Scheme membership ended **before 1 April 2008** then you can cancel an earlier nomination you made on form DG1, or cancel a request not to pay your legal spouse or civil partner, but you **cannot make a new nomination** unless you rejoin the Scheme.

HMRC have imposed a two year time limit upon making these payments. If the Death Gratuity is not paid within two years of the Scheme being notified, then the payment will become unauthorised and will be subject to a tax charge of 40%. It is very important that you keep your legal personal representative up to date with your circumstances.

6.2 Nominated Qualifying Partner

A member who contributes to the Scheme on or after 1 April 2008 can nominate, on **Form PN1**, a qualifying partner, other than a spouse or registered civil partner, to be eligible to receive a survivor's pension provided all of the following conditions are satisfied:

- neither person has a legal partner; ie a spouse or registered civil partner;
- they are not related to each other in a way which would prevent marriage/registered civil partnership;
- they are living together as if they were husband and wife or civil partners;
- the relationship is intended to continue indefinitely;
- one partner is financially dependent on the other or they are financially interdependent on each other.

Form PN1 is available from our website www.hscpensions.hscni.net or you can ask your employer to download one for you. **Form PN1** needs to be completed and signed by both parties and sent to HSC Pension Service. Our address can be found in Part 1.

In the event of a claim from a nominated qualifying partner it will be necessary to provide evidence that the statements in **Form PN1** are true as at the date of the member's death.

6.3 Survivor’s Pension for Spouse, Civil Partner or Nominated Qualifying Partner

When you die your spouse or partner will get a pension for 3 months after your death (or 6 months if you have one or more dependent children), which will be the same as your pension, then a permanent pension for:

- **your widow,** will be half of your pension, but see paragraph 6.4;
- **your widower, civil partner or nominated qualifying partner,** will be half of your pension for your membership from 6 April 1988.

6.4 Marriage, forming a Civil Partnership or Nominating a Qualifying Partner after Retirement

If you marry, form a civil partnership or nominate a qualifying partner after you have retired or left the Scheme, your spouse or partner will receive a pension, for 3 months after your death (or 6 months if you have one or more dependent children), which will be the same as your pension.

The permanent pension for

- **your widow,** will be half of your pension for membership from 6 April 1978 only;
- **your widower/civil partner/nominated qualifying partner,** will be half of your pension for membership from 6 April 1988 only.

6.5 Payment of a Survivor’s Pension

If your membership of the Scheme extended to or beyond 1 April 2008, a survivor’s pension is payable for life regardless of whether the recipient remarries, forms a civil partnership or lives with someone else as a spouse or partner.

If your membership of the Scheme ended before 1 April 2008, a survivor’s pension will normally end if the recipient remarries, forms a civil partnership or lives with someone else as a spouse or partner.

6.6 Child Allowance

A child allowance may be payable on your death. The terms **Child Allowance** and **Child** can cover a number of other possible dependents as well as your own children.

Where your Scheme membership extends to or beyond 1 April 2008 an allowance may be paid if the child is dependent on you, both at retirement and on death, and they are:

- under age 23, or
- aged 23 or over and incapable of earning a living due to permanent physical or mental infirmity which he/she was suffering at the time the member died.

Where your Scheme membership ended before 1 April 2008 an allowance may be paid if the child is dependent on you, both at retirement and on death, and they are:

- under age 17, or
- aged 17 or over but still in full time education or training and have been so **continuously** since the age of 17 until they reach a maximum age of 23, or
- age 23 or over and incapable of earning a living due to permanent physical or mental infirmity which he/she was suffering at the time the member died.

"Child" can include

- children of your marriage and illegitimate children;
- children of your civil partner or nominated qualifying partner;
- step children and adopted children;
- a brother or sister of you, your spouse, civil partner or nominated qualifying partner;
- a nephew or niece of you, your spouse, civil partner or nominated qualifying partner;
- a grandchild;
- a half-brother, half-sister, step brother, or step sister of you, your spouse, civil partner or nominated qualifying partner;
- children born before you left the Scheme with deferred benefits;
- children born within 12 months of the date you retired.

Part 7 Allocating part of your Pension to a Named Dependant

7.1 What is Allocation?

Allocation is giving up a part of your pension to provide a pension for somebody else when you die, for example, a member of your family or a close friend (your beneficiary). This means your pension will be reduced at your retirement. If you die before your beneficiary they will get that part of your pension you have allocated to them. You can allocate to anyone you choose as long as they are at least partially dependent on you. If you allocate to your spouse, civil partner or nominated qualifying partner they will get the allocated pension as well as their survivor's pension from the Scheme. The pension that you give up does not count in your LTA calculations – see Part 10.

7.2 When can you allocate?

An application to allocate must be made with the form AW6 or AW6P that accompanies this Guide. Once your benefits have been put into payment an application to allocate cannot be accepted.

Important: You can only cancel or change an application to allocate **before** we accept the application. You cannot cancel it once we have accepted it. This means that even if your beneficiary dies before you, you will never be able to get back the part of your pension you have given up. We will only change or cancel an application to allocate if you or your beneficiary die before we have accepted it.

7.3 Who can allocate?

You can allocate if you are a Scheme member, or if you have benefits deferred in the Scheme.

Before we can allow you to allocate part of your pension you will need to have a medical examination. We will tell you the name of a doctor to make an appointment with. You will have to pay any fee charged by the doctor for the examination and report.

Your beneficiary does not have to be medically examined, but we do advise you to satisfy yourself that they are likely to live at least as long as you.

7.4 How much of my Pension can I allocate?

You can allocate up to one third of your pension, but you must

- give up an exact number of pounds, and
- provide an additional pension of at least £260 a year for your beneficiary, and

- provide a total value of the beneficiary's pension benefits, which exceeds the amount that can be commuted to a one-off lump sum payment (ie 1% or more of the standard lifetime allowance), and

- be left with a pension which is the same as, or more than, your GMP (see Part 8), and

- be left with more pension than your beneficiary.

The amount of pension your beneficiary will receive for each £1 allocated will depend on

- your age;

- your beneficiary's age;

- whether your beneficiary is male or female.

7.5 What do I do if I want to allocate?

Complete form AW6/11A at the back of this Guide and tear it out. Attach it to the benefit application form AW6 and give it to your Employer. If you are applying for deferred benefits, attach form AW6/11A to form AW6P and send them both to us. We will then send you details and illustrations to help you decide whether to allocate.

Part 8 The State Pension Scheme and Contracting Out of the State Second Pension Scheme (S2P) (formerly SERPS)

The State Pension Scheme has two parts:

1. a flat rate retirement pension (State retirement pension);

2. an earnings related pension (S2P).

Pension Schemes that provide an approved alternative to S2P can ‘contract out’ of this part of the State Pension Scheme. By contracting out of S2P, employed members who are under SPA pay lower National Insurance contributions. The HSC Pension Scheme is contracted out of S2P and so provides benefits which meet the approved standard.

8.1 Guaranteed Minimum Pension

For membership up to 5 April 1997 the Scheme guarantees that at SPA its benefits will be at least as much as the earnings related part of the State Scheme pension. This guaranteed amount is called the Guaranteed Minimum Pension (GMP) and is part of your HSC pension, **not an extra pension.** The Scheme also guarantees that if members die and leave a surviving spouse, civil partner or nominated qualifying partner, their HSC pension for membership up to 5 April 1997 will be at least half their GMP.

All GMPs ceased from 6 April 1997, so the Scheme is no longer required to provide an individual guarantee. But to remain contracted out of S2P, the Scheme was required to show the DWP that HSC scheme benefits, remained unlikely to be lower than those provided by S2P.

If you have a GMP up to 5 April 1997 the DWP will write to you at SPA to say how much it is. This is to help you to check that your HSC pension is at least as much as the GMP.

Part 9 National Insurance – for members who left the Scheme before 1 April 1995

To prevent an overlap with the State retirement pension most members of the Scheme with membership before 1 April 1980 had by law to pay contributions to the Scheme at a reduced rate. If this applies to you and you left the Scheme before 1 April 1995, your basic HSC pension when you reach SPA will be slightly lower to take account of this.

The basic reduction will be £1.70 a year for each year or part year of membership before 1 April 1980. The most the basic reduction from your pension can be, is £67.75 a year. But if your pension includes cost of living increases at SPA, the reduction will be slightly more.

Between 3 April 1961 and 5 April 1975 many members also paid extra National Insurance contributions into the State Graduated Pension, so their contributions to the Scheme were further reduced. If this applies to you there will be another very small reduction in your HSC pension when you reach SPA.

Part 10 Limits on Tax-free Pension Benefits

HMRC has announced the standard LTA as follows:

Tax Year	LTA
2008-2009	£1.65m
2009-2010	£1.75m
2010-2011	£1.8m

The standard LTA values for subsequent years will be set by HMRC on an ongoing basis. Transitional Protection measures are available in certain circumstances. If you have claimed and received Enhanced Protection from HMRC, then we will complete the test for Relevant Benefit Accrual (RBA) when we calculate your benefits (and for any subsequent revisions) and let you know if you have retained or lost your Enhanced Protection.

We will tell you the percentage of the standard LTA used by the benefits in the HSC Pension Scheme when you retire. You may need it in the future so please keep it in a safe place.

If you have accrued a very small amount of benefits with the HSC Scheme and any other providers where the Capital Value from this Scheme is less than 0.35% of the standard LTA, then you may be able to have your pension and lump sum from us paid as a one-off payment. If this is possible we will write to you again to explain the amounts payable and confirm the details needed to be able to do this.

If you believe that the value of your HSC Scheme benefits and any other pension benefits you have accrued with any other providers is greater than 0.35% but less than 1% of the standard LTA, you may also be able to have your pension and lump sum from us paid as a one-off payment. If you would like a quotation of a one-off payment, you should attach a request prominently to the application form AW6.

10.1 How Benefits are tested against the LTA

Any benefits crystallised on or after 6 April 2006 and any benefits that were in payment before 6 April 2006 must be tested against the LTA limit. This limit applies to **all** pension rights you have built up including the HSC Pension, money purchase AVC funds, personal pensions, pension credits and other occupational pensions. Your state pension benefits and any dependant benefits you are receiving **are not included** within this limit.

Pension benefits taken on or after 6 April 2006

If you have taken benefits from another registered pension provider(s) on or after 6 April 2006 then the percentage of the lifetime allowance used by those benefits must be included when testing against the LTA. Your other registered pension provider(s) **must** provide you with the percentage of lifetime allowance used.

Pension benefits taken before 6 April 2006

If you have taken benefits from another pension provider(s) before 6 April 2006, then the pension you are receiving when your HSC pension benefits crystallise **must** also be included when testing against the LTA. To do this we use the formula:

(Gross current annual rate of pension x 25) = Capital Value

10.2 Lifetime Allowance Charge (LTAC)

If we pay you a lump sum, which will be calculated in accordance with the Scheme Regulations, we will check that it is within HMRC limits, or if there is a LTAC applicable. Up to 25% of the capital value of your benefits or your available LTA, whichever is the lower, is allowed by HMRC to be taken as a tax-free pension commencement lump sum (PCLS). Any lump sum paid in accordance with the Scheme regulations, which exceeds HMRC limits, is known as a lifetime allowance excess lump sum. Without valid Transitional Protection any lump sum in excess of this limit will be subject to a LTAC of 55%. We will also check to see if the payment of your lump sum takes you over your personal LTA. If it does then the excess lump sum over the LTA will be subject to a LTAC of 55%.

Without valid Transitional Protection if the capital value of the pension is in excess of the LTA any access will be subject to a LTAC of 25%, ie 25% of each instalment of your pension in excess of your available LTA, is withheld.

HSC Pensions will pay any LTAC directly to the HMRC and recoup the cost by reducing your pension and/or lump sum accordingly. We will inform you of:

- the chargeable amount of your retirement benefits;
- how the chargeable amount was calculated;
- the tax due and that we have accounted for the tax to HMRC.

Important: If you do not complete the relevant questions on the application form AW6/AW6P then the recovery charge will be automatically applied to all of your benefits, unless you instruct HSC Pensions to defer payment of your benefits until you have gathered the necessary information.

10.3 Ordering Retirements

If you have accrued benefits with more than one pension arrangement and their total Capital Value is close to or in excess of your available LTA, then you need to carefully decide the order in which you take your benefits. This is important, because the order in which you take your benefits could determine which pension provider has to make a LTA charge against some or all of your benefits.

If this applies to you, you should seek professional financial advice before deciding the order in which you take your benefits.

10.4 Recycling of Pension Commencement Lump Sum

The Finance Act 2006 prevents an individual investing a tax-free lump sum back into a registered pension scheme, automatically generating further tax relief on the amount reinvested. This is known as ‘recycling lump sums’.

If recycling of lump sums does occur an individual’s Pension Commencement Lump Sum (PCLS) will be treated as an unauthorised payment. This means the individual will be liable to a tax charge of up to 55%.

Recycling of a lump sum is considered to have occurred where:

- the individual receives a PCLS; and
- because of the PCLS the amount of contributions paid into another registered pension scheme in respect of the individual is significantly greater than it would otherwise be; and
- the additional contributions are made by the individual or by someone else, such as an employer; and
- the recycling was pre-planned; and
- the amount of the PCLS, taken together with any other such lump sums taken in the previous 12 month period, exceeds 1% of the standard LTA, and
- the cumulative amount of the additional contributions exceeds 30% of the PCLS.

If you recycle your pension commencement lump sum then you or your representative **must** notify HSC Pensions immediately.

Part 11 The NHS Retirement Fellowship

The NHS Retirement Fellowship is a registered charity, created for the benefit of all retired employees of the HSC together with their partners, and has a network of Branches across the UK. The main objective is to provide the opportunity for retired HSC staff to continue friendships formed during employment and to make new friends and enjoy companionship of people from a shared HSC background. Members come from all sections of the HSC.

Benefits of Membership

Currently there are 14 Branches located in most cities and major towns throughout the Province. Branch activities include – talks by various guest speakers on wide-ranging topics, theatre outings, day and weekend trips and members are also encouraged to become volunteers in their local hospital or other voluntary organisations. A Benevolent Fund is available to support members who are in financial need, subject to certain criteria.

A magazine **"The Link"** is published 3 times a year and serves to keep members informed of what's happening in the Fellowship.

How to join the Fellowship

The Fellowship in Northern Ireland has the support and backing of the Department of Health, Social Services and Public Safety and all the various Health and Social Care bodies. Membership is open to all grades of staff in HSC services and if you are interested in becoming a member, or would like some more information about the organisation, please contact:

Bertie Thompson
NHS Retirement Fellowship (NI)
C/o Bangor Community Hospital
Castle Street
Bangor
BT20 4TA

Telephone 028 91 460852 (Home)

The cost of membership is £6.00 per year which can be paid through a monthly deduction of 50p from your HSC Pension or by an annual payment

HSC Pension Scheme – Allocation of Pension

- If you wish to proceed with an Allocation of Pension, please make sure that you have read all the notes **Part 7** of the Guide.

- Follow the link Allocation of Pension form & Guidance to complete the form. Give this form to your Employer with your form AW6, or attach it to form AW6P.

I am interested in finding out how much of my pension I can allocate, to provide a pension for another person in the event of my death.

My retirement date is	/ /
The person I may wish to allocate is	☐ Female ☐ Male
The name of the person I wish to allocate to	
Their relationship to me	
Their date of birth is	/ /
Signature	
Date	/ /
Contact telephone number	