



EMPLOYER TECHNICAL UPDATE

HSC Pension Service

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1. The standard Lifetime Allowance (LTA) is reducing to £1.25m from 6 April 2014

This is a final reminder to notify employers that if a member's HSC benefits are paid or authorised on or after 6 April 2014 then their LTA position will be based on the standard LTA of £1.25m unless they have some form of protection from HMRC. This was confirmed in HSC (P) 0713.

A standard LTA of £1.25m will apply to members who become entitled to receive (crystallise) their benefits if they:

- retire on or after 6 April 2014, their payable date being on or after 6 April 2014
- retire before 6 April 2014 and the date the benefits are authorised is on or after 6 April 2014.

The percentage of LTA used will be based on £1.25m unless they hold fixed protection (2012 or 2014). In addition, for higher earning members any LTA charge that may apply to their HSC benefits will also be based on a standard LTA of £1.25m unless they hold a valid protection certificate from HMRC.

Any delay in claiming benefits may therefore result in:

- a bigger percentage of the standard LTA being used up, LTA charges may then apply if there is a later revision of the award because there is insufficient LTA remaining
- high earning scheme members may be subject to LTA charges or seeing those charges increase.

It is important to note that HSC Pension Service has no discretion on the date HSC benefits crystallise and the standard LTA used.

Important action for employers

Members who wish to have their benefits assessed against the higher standard LTA of £1.5m must have a last day of membership of 4 April 2014 or earlier. Therefore, their completed retirement application form must be sent to HSC Pension Service as soon as possible before the intended retirement date. This is essential for those members who hold an Enhanced Protection certificate from HMRC as there is a requirement on HSC Pension Service to check for Relevant Benefit Accrual (RBA) before HSC benefits are authorised. Where HSC benefits fail RBA the member may have scope, within the Scheme's Regulations, to 'rearrange' those HSC benefits in order to remain within RBA limits and keep their Enhanced Protection before they are authorised.

To allow members to consider how they might be affected by the reduced LTA you must bring the reduction in the standard LTA to the attention of those who are planning to retire during:

- the last quarter of 2013/2014
- the first quarter of 2014/2015

This includes members who have already confirmed their intention to retire.

You must ensure that for those members who give late notification of retirement, their application for benefits must be processed without delay ensuring that the member's pension record is up to date.

HSC Pension Service will not accept responsibility for any delay if the application:

- is incomplete
- is inaccurate
- is from a member with enhanced protection
- does not reach this office with sufficient time for the awarding process to be completed and benefits authorised before 6 April 2014.

Any revision to benefits (substitute awards) that are authorised on or after 6 April 2014 will be a separate crystallisation of benefits and based on the lower standard LTA of £1.25m.

2. Fixed Protection 2014

Important reminder HMRC has introduced Fixed Protection 2014, for members who wish to protect their pension benefits from the reduced LTA of £1.25m from 6 April 2014. Fixed Protection 2014 is available to members who do not have Enhanced Protection, Primary Protection or Fixed Protection 2012. Members should consider taking independent financial advice before making a decision about applying for Fixed Protection 2014

Action for employers

You should bring this article to the attention of any employees who are earning, or have a notional whole-time equivalent, in the region of £100,000 or more or who are known to have considerable work commitments outside the HSC.

Individuals must apply directly to HMRC **before 6 April 2014** if they require Fixed Protection using the form APSS228, which can be downloaded from the HMRC website at:

<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=eD4vCN4VDKQ&formId=7378>

Further guidance can be found at:

<http://www.hmrc.gov.uk/pensionschemes/fp2014guidance.pdf>

The form APSS228 must be received by HMRC on or before 5 April 2014

Important notes:

- Members do not require a validation of their HSC benefits from HSC Pension Service to apply for this protection, and HSC Pension Service cannot assist members with their application to HMRC for Fixed Protection 2014.
- Fixed Protection 2014 can be lost if the member has Benefit Accrual. It is the member's own responsibility to test for Benefit Accrual.
- Members should keep their Fixed Protection 2014 certificate in a safe place until it is required e.g. at retirement when they will be asked to declare they have not had Benefit Accrual
- Members can apply to HMRC for Fixed Protection 2014 and then send a separate application for Individual Protection 2014

3. Individual Protection 2014

HMRC have introduced draft legislation introducing Individual Protection 2014, which will allow an individual to protect the value of their pension fund at the 6 April 2014. HMRC have published information about "Individual Protection 2014" (IP2014) in their Newsletter 58 at:

<http://www.hmrc.gov.uk/pensionschemes/newsletter58.pdf>

Schemes do not have to provide valuations of benefits until after 5 April 2014.

This means members of the HSC Pension Scheme that intend to rely on this protection will require a valuation of their benefits from HSC Pension Service after 5 April 2014. HSC Pension Service will be issuing instructions in the April 2014 Technical Update detailing the process involved in requesting IP 2014 valuations and the information required from employers for HSC Pension Service to calculate these valuations.

If you receive a request for a valuation for IP 2014 before the process has been published you should keep a note of the individuals request to action as soon as possible after publication.

4. 2014/2015 Tiered Contributions - Reminder

In HSC (P) 0114 we informed you about the proposed changes to employee contributions from 1 April 2014.

The consultation on the proposed contribution rate changes for the Scheme year 1 April 2014 to 31 March 2015 is now complete and the new rates will come into effect from 1 April 2014.

Below is a reminder about the disclosure requirements:

Disclosure - Notifying members of the new rates

To alert members to the revised contribution rates and to assist employers in communicating this information, HSC Pension Service has made the following arrangements:

HSC Pension Service website

HSC Pension Service website has been updated with details of the latest contribution rates and provides specific factsheets for further information. A link to a calculator is also available for members to determine the effect the changes may have on them.

Pay slip leaflet

Under Disclosure legislation, employers must ensure that all their staff, not just Scheme members are provided with advance notice of the new contribution rates. To ensure employers meet their disclosure responsibilities, HSC Pension Service has produced a pay slip leaflet for employers to distribute.

Poster

HSC Pension Service has also made available via the HSC Pension Service website an A4 poster to alert members to the forthcoming changes to contribution rates. You should download copies and ensure that posters are placed in areas where members are most likely to notice them.

You can download a copy of the pay slip leaflet from our website at:

<http://www.hscpensions.hscni.net/wp-content/uploads/2013/03/Member-Contribution-Increases-Leaflet2.pdf>

All HSC employees must receive a copy of this leaflet before 1 April 2014. In order to deal effectively with any future disputes or complaints about disclosure, you are reminded that you should keep records of how such materials are distributed.

More detailed information can be found on the HSC Pension Service website at:

<http://www.hscpensions.hscni.net/employers/employers-library-2/costs-and-contributions/>

5. Schedule of Charges

From 1 April 2014 we are reviewing and amending administrative charges in line with the rest of the UK for certain types of estimates and transfer value requests from members and independent financial advisors.

These charges are in line with the Customer Price Index (CPI) up to the end of September in the previous year. More details are available on the HSC Pension Service website at:

<http://www.hscpensions.hscni.net/wp-content/uploads/2012/09/Schedule-of-Charges-Member.pdf>

Additional administration charges for Pensions on Divorce cases have similarly been reviewed and can also be found on the website at:

<http://www.hscpensions.hscni.net/wp-content/uploads/2012/09/Schedule-of-Charges-Divorce.pdf>

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How to 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

By Fax:- 028 71 319144

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