



HSC Pension Service

Provided by



Business Services Organisation

EMPLOYER TECHNICAL UPDATE

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1. Auto Enrolment

Automatic enrolment is three years old! Large employers need to re-enrol their staff.

Automatic re-enrolment happens every three years after an employer's staging date and is a repeat of the duties they carried out first time round.

If staff members opted out before, or ceased active membership of the scheme, they'll need to be re-enrolled.

Further information on automatic enrolment can be found at

<http://www.thepensionsregulator.gov.uk/doc-library/automatic-enrolment-detailed-guidance.aspx>

2. Death Gratuity Payments

Any death lump sums payable to members of the 1995 scheme, must be paid within 2 years of death, otherwise it becomes an "unauthorised" payment under HMRC rules and is subject to either a 40% or 55% tax charge.

3. Commutation of Benefits with Life Expectancy of Less than 1 Year

Employers should note that HSC Pension Service may allow a person, who is over their Normal Retirement Age and whose life expectancy is less than a year, to choose to commute their HSC Scheme Benefits to a single lump sum.

If a member, who does not qualify for Ill Health Retirement (those over their NRA), wishes to apply for the commutation of their normal retirement as a result of terminal illness, they should arrange for the completion of the form AW34 by their GP, and submit the form to HSC Pension Service along with their Pension Application. Form AW34 can be accessed on the scheme website at <http://www.hscpensions.hscni.net/wp-content/uploads/2012/11/AW34.pdf>



4. Impact of the abolition of contracting out

On 6 April 2016 the current basic state pension and state second pension (S2P) will be abolished and replaced by a single-tier state pension. The abolition of S2P will also mean the end of contracting-out. The measures to implement the single-tier state pension and abolition of contracting-out are contained in the Pensions Act 2014.

Currently contracted-out schemes must provide a certain level of Defined Benefit (DB) benefits, sufficient to satisfy the statutory reference scheme test, and in return both employer and employees pay lower National Insurance Contributions (NICs). The abolition of contracting-out will therefore have cost implications for both employers and employees because of the loss of the NIC rebates. As a result, employers' Class 1 NICs will increase by 3.4% (of relevant earnings) and employees' Class 1 NICs will increase by 1.4% (of relevant earnings). The relevant earnings for this purpose being employees' earnings between the Primary Threshold (£155 a week) and the Upper Accrual Point (£770 a week).

HSC Pension Service will issue a letter to all active scheme members outlining the implications of the change as outlined above.

5. Lump Sum Choice

HSC Pension Service are receiving increasing requests from members to change the amount of pension they wish to commute to a lump sum, or to change their decision whether or not to commute part of their pension.

There appear to be two main reasons for this:

- The member did not fully realise the impact of commutation, and then discovered they should have taken an alternative option.
- The AW6 asks for the additional amount of lump sum that the member would like to receive and this is being interpreted incorrectly as the overall total amount of lump sum that the member would like to receive.



5. Lump Sum Choice...continued

Example

A member is due to retire from the 1995 Section with projected retirement benefits of:

Pension £ 15,000

Lump Sum £ 45,000

If the member would like to receive a total lump sum of £60,000, then they require an additional lump sum of £15,000. This would mean commuting £1,250 of their pension. The entry on Form AW6 at Part 6 should therefore read £15,000.

The effect of entering the total amount of lump sum that the member wants to receive at Part 6 is, generally, that they end up commuting the maximum amount of pension that they are able to, often leaving themselves with a smaller pension than they had planned.

Members who wish to commute should be encouraged to use the pension and commutation calculator on the scheme website <http://www.hscpensions.hscni.net/calculators/>

This will allow them to compare various scenarios and make an informed decision.

Members who are unsure about which option to pursue should seek independent financial advice.

When a member indicates that they wish to claim their pension benefits, an AW6 together with 'A Guide for Pensioners and their Dependants' should be given to the member. Part 2.2 of this Guide covers in detail the Lump Sum Choice. As part of their AW6 declaration, members are signing to say they have read this scheme guidance

6. 3 Month Rule

Scheme Membership

Membership is a period of time in which a member contributes to the HSC Pension Scheme. It is used for determining eligibility to certain pension benefits.

There are different types of membership, qualifying & reckonable.

Qualifying membership counts towards determining eligibility to certain benefits.

Reckonable membership is used in both the calculation of pension benefits for 1995 and 2008 Section members, and deciding entitlement to benefits for 1995 Section, 2008 Section and 2015 Scheme members.



6. 3 Month Rule...continued

Bank/Casual employments

Employers should be aware of the rules surrounding membership of the scheme for Bank/Casual employees.

The superannuable start date of any bank post is the first day the member actually performs any duties and paid contributions, not the date they joined the bank.

A bank employee's pension record may remain open, even if they do not work for up to a period of three months, as long as they remain 'on the bank' of the employer and return to pensionable work within three months. This is an administration easement and during this three month period the member will earn qualifying membership.

If the break exceeds three months, the pensionable employment must be closed down on the last day they actually worked. A Termination of Scheme Notice should be submitted and if the member re-joins the scheme a new starter record should be set up on the electronic interface.

This rule also applies to freelance GP locums.

Special Class Status for Casual Employee's/Staff on Career Break

Employers should note that when processing pension applications for casual employees who have not contributed to the scheme for a period exceeding 3 months and members on a career break who have not continued to pay scheme contributions are not active members of the scheme therefore **Special Class Status DOES NOT** apply when ascertaining the member's Normal Retirement Age for benefit purposes.

HSC Pension Service have received pension applications for casual employees and members on career breaks who are not active members of the scheme but yet believed that they still held Special Class Status and could claim their benefits at age 55 without an actuarial reduction applying. This has resulted in member's receiving a pension considerably lower than what they were expecting when the actuarial reduction is applied.

Staff on a career break who are not contributing to the scheme should have their membership terminated by the employer. A Termination of Scheme Notice should be completed and forwarded to HSC Pension Service from their last day of contributing service.

Casual employees who have not contributed to the scheme for a period in excess of three months should have their membership terminated from their last day of contributing service by their employer. A Termination of Scheme Notice should be completed and forwarded to HSC Pension Service.

Special Class Status **will not apply** to these members if they claim their benefits whilst still on a career break or outside the three month period for casual employees.



7. Changes to Lifetime Allowance

The Chancellor of the Exchequer delivered his final Budget of this Parliament on 18 March 2015. In it, he confirmed the reduction of the Lifetime Allowance (LTA) from £1.25 million to £1 million with effect from 6 April 2016. From 2018, the LTA will be increased annually in line with the Consumer Price Index (CPI).

As this means that more HSC Pension Scheme members will be affected in the future, the Chancellor announced that an additional transitional protection for pension rights already over £1 million will be introduced alongside this reduction. We will update employers further, once details about the new HMRC protection has been confirmed.

Please note that applications to HMRC for Individual Protection 2014 (IP2014), effective from 6 April 2014, can still be made until 5 April 2017. More information about IP2014 can be found in our HSC (P) 10/14 October 2014 Technical Update.

The Annual Allowance will remain at its current level of £40,000 for defined benefit schemes such as the HSC Pension Scheme, but this could reduce to £30,000 if a member accesses the new pension flexibilities on or after 6 April 2015 and contributes £10,000 or more to a defined contribution scheme. This includes the HSC Money Purchase AVC Scheme.

8. Refund of Contributions

If a member opts out of the scheme and is entitled to a refund of contributions or was enrolled in the scheme in error the following procedures should be used for the refunding of scheme contributions to the member:

Member opts out within one month of joining

A person who opts out of the Scheme within one month of the date of commencing HSC employment shall be treated as never having been included in the scheme, any contributions made by, or on behalf of, that person for the period before the opt out took effect must be refunded. This is the **responsibility of the employer to refund** these contributions locally and ensure the employee is not registered as joining the scheme.

Member opts out after one month and is eligible for a refund of contributions

A member who leaves pensionable employment without becoming entitled to a pension shall be entitled to receive a refund of their contributions. The member should complete Parts 1-4 of the form REF1 which should be forwarded to the employer for completion of Part 5 and sent along with a Termination of Scheme Membership Notice to **HSC Pension Service who will process and pay the Refund of Contributions.**



8. Refund of Contributions...continued

Employees who are not entitled to be members of the Scheme

Employees who have been enrolled as members of the scheme but who do not satisfy the conditions for eligibility for membership may not contribute to or accrue further pensionable service under the regulations of the scheme. These employees could include a person employed on a part time basis who has a whole time employment elsewhere in the HSC. It is the responsibility of the **employer to refund locally** any scheme contributions collected on behalf of this employee.

9. Transfer In of Service

Transfer In of Service

Employers are reminded to inform new joiners of the HSC Pension Scheme that they have 12 months after joining the scheme, to request a transfer payment in respect of their previous pension benefits accrued under another occupational pension scheme or a personal pension scheme. This request must be in writing to HSC Pension Service.

Applications submitted after 12 months of joining the HSC Pension Scheme will not be accepted.

10. Pension Taxation - Summer Budget 2015

Important Information regarding Annual Allowance

Please see important information from Government Actuary's Department regarding changes to Annual Allowance from 2016 available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443792/Technical_Bulletin_Summer_Budget_2015.pdf.



11. GPs Annual Certificate of Pensionable Profit

A reminder that the Annual Certificate of Pensionable Profit 2014/15 is available at <http://www.hscpensions.hscni.net/employers/practitioners/>. Please complete in excel version for upload directly to FPPS. Any enquiries for the GP Section should be sent to GPcertificates@hscni.net.

12. Locum Administration

As a result of the implementation of FPPS, Locum Administration is transferring from County Hall, Ballymena to Waterside House, Londonderry with effect from 1st December 2015.

Locum A & B forms are available at <http://www.hscpensions.hscni.net/employers/practitioners/>.

Any enquiries should be sent to gplocums@hscni.net.

13. Employers' Forum

The next Employers' Forum is on Thursday, 21st January 2016. Employers should forward names and contact details of the appropriate representative within their area to Caoimhe Logue by emailing caoimhe.logue@hscni.net.

Tele-conferencing facilities will be available for those who cannot attend any meetings in person. These details will be issued with invites ahead of the meeting.



Distribution List:

The Chief Executive of the HSC Board & HSC Trusts
The Director of Finance and Director of Human Resources of the:
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The Public Health Agency;
NI Blood Transfusion Service
HSC Trusts;
Each Special Agency;
GP Practices;
Dental Practitioners;
Out of Hours Providers;
Directional Bodies; and Staff Representative Bodies.

Employers are reminded to inform HSC Pension Service hscpensions@hscni.net of further representatives to be added to the distribution list for the Employers' Forum or Employer Technical Updates.

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 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

