



HSC Pension Service

Provided by



Business Services Organisation

EMPLOYER TECHNICAL UPDATE

CONTENTS

1. Foreword/Executive Summary
2. Final Pay Control
3. Pensionable Pay - Clarification
4. On Call Working
5. Pension Increase 2018
6. 2008 Scheme Members - Opt Out Exercise
7. Revision of Pension Payments - Potential Overpayments
8. Contact Us

March 2018



HSC (P) 04-17/18

Mar 2018

1. Foreword/Executive Summary

Included in the March Employer Technical Update

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

In this edition of the ETU, is a timely reminder to employers of the Final Pay Control rules regarding the Pensionable Pay used to calculate pension benefits and how this can have a financial impact to you as an employer. Also included is a definition of Pensionable Pay and what constitutes the make-up of a members pensionable pay to be used in the calculation of benefits.

The annual Pension Increase (PI) is due from the first Monday on or after the 6th April, details of the 2018 PI to be applied is outlined in this bulletin. Employers are also informed of the forthcoming exercise which HSC Pension Service will be running to offer those members of the 2008 section of the Scheme who hold either tapered or full protection to forego that said protection and move into the 2015 with effect from 01/04/2015.

Following the recent implementation of the 2017/18 pay increase, employers are reminded of the effect this award can have on pension benefits for recent retirees who may be due arrears of pay.

2. Final Pay Control

Final pay control is a regulation of the Scheme applicable to all members of the 1995 Section (or transitional CARE members with 1995 service who retain their Final salary link) of the HSC Pension Scheme who retire with entitlement to officer benefits. This includes non-GP providers and independent healthcare provider employees.

If a member receives an increase to pensionable pay that exceeds the allowable amount in any of the three years prior to their last day of service, the employing authority that awarded the excess pay will be liable for a final pay control charge.

The allowable amount for a relevant year is determined by increasing the member's pensionable pay in the year immediately preceding the relevant year by CPI plus 4.5%.

HSC Pensions will identify each instance of pensionable pay increase in excess of the allowable amount, calculate the employing authority charge and collect payment of that charge. An invoice will be sent to the Employing Authority where a charge is applicable after the member's award has been processed.



2. Final Pay Control - cont

Example Case:

- A member has accrued 35 years pensionable service up to their date of retirement at 15/01/2018 (age 60)
- The member's pensionable pay in each of the 2 years leading up to their final year was £40,000 per annum
- Their final year's pensionable pay was £48,000 (the member may have received additional on-call shift allowance or additional Special Duty Payments to enhance their final years pensionable pay)

The cost which would be attributed to the employer in this case is **£62,776.00**

Further information is available on the [Final Pay Control Factsheet](#)

Action for Employers. Have a process in place to monitor Final Year Earnings to ensure your employees do not breach Final Pay Control limits as charges will be applicable.

3. Pensionable Pay - Clarification

Requests have been made for clarification on what pay elements should be taken into consideration when calculating a member's Pensionable Pay.

Under the Scheme Regulations Pensionable Pay is deemed to be:

“all salary, wages fees and other regular payments made to a member in respect of pensionable employment as an officer, but does not include bonuses, pay awards and pay increases that are non-consolidated or payments made to cover expenses or payments for overtime”

Special Duty Payments (SDP's) such as night duty allowance, weekend or bank holiday allowance or on-call allowance are deemed to be pensionable and will count towards the calculation of a members pensionable pay.

Any work carried out in excess of a member's full time contracted hours is NON-PENSIONABLE and should not be treated as such. This includes but is not limited to:

- a) Hours worked over standard full time hours and paid as overtime
- b) Hours worked over standard full time hours paid at plain time
- c) Additional PA's carried out over and above standard full time PA's for consultants
- d) On-Call work carried out over and above standard full time hours



3. Pensionable Pay - Clarification - cont

Failure by employers to monitor staff pensionable pay amounts may lead to inflated pensionable pay figures at retirement which could lead to a breach of the Final Pay Control regulations and result in a charge being levied on the employer.

Action for Employers: Ensure member's pensionable pay is monitored and calculated in line with the Scheme Regulations.

4. On Call Working

The following sets of rules should be followed when establishing how On-Call work should be treated for pension purposes.

The On-Call Standby Commitment Allowance and Residential Sleeping In Allowance paid per 12 hour shift is pensionable regardless if the member is actually called out or not. This applies equally to Full Time and Part Time employees.

Any work carried out whilst On-Call by Full Time employees is NOT Pensionable and contributions should not be paid.

Part Time Employees who carry out work whilst On Call

- Part time employees who carry out On-Call work must pay contributions on the period of work done only up to their Whole Time Equivalent (WTE) hours.
- Contributions are payable on work up to the point where the member has reached their WTE hours for their contract. Work carried out over and above WTE hours is non-pensionable
- It is important to understand that pension contributions are only payable on the pay received for the actual period of time the member works whilst on-call.
- A member may receive payment equivalent to two hours for their first call out regardless of the number of 15 minute periods they work. The pensionable element of this payment is only relevant to the actual number of minutes the member worked.
- Contributions are payable only on the single time rate of pay.

Rules regarding Stand By (at home) and Sleeping In Allowance

- The payment made for Stand By commitment allowance and Sleeping In commitment allowance are also pensionable regardless of whether the member has been called out or not.
- The same principle applies for part time employees on either of these rotas as would be for the On Call rota scheme members

Action for Employers: Ensure all earnings received as a result of On-Call working are treated correctly for pension purposes.



5. Pension Increase 2018

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September.

In the 12 months to September 2017, CPI was 3%. As a result, an increase of 3% is to be applied from 9 April 2018 for pensions in payment and deferred pensions.

Action for Employers: None Required

6. 2008 Scheme Members - Opt Out Exercise

Financial modelling has suggested that many members of the 2008 Section of the HSC Pension Scheme, who hold either Full or Tapered Protection may benefit financially if they moved to the 2015 Scheme from its start date of 01/04/2015.

The reason for this, is because the 2015 Scheme builds up pension benefits in a different way to the 2008 Section, and, unless members anticipate a substantial pay increase, for example through promotion, it is likely that the 2015 Scheme would provide a higher pension than for the same period of membership in the 2008 Section.

2008 Section members with Full Protection or Tapered Protection are therefore being offered the chance to move their post 1 April 2015 benefits into the 2015 Scheme. There are only approximately 350 members affected by this option and they will receive letters during March 2018 informing them of this option, and will have 3 months make a decision. If they wish to give up their 2008 Scheme Protection, responses must be received by HSC Pension Service no later than June 30th 2018.

This exercise is only applicable to Full or Tapered Protected members of the 2008 Section of the HSC Pension Scheme. Members of the 1995 Section of the Scheme entitled to Full or Tapered Protection cannot opt out of it.

Action for Employers: None



7. Revision of Pension Payments - Potential Overpayments

Following the recent processing of the 2017/18 Pay Award, it is important for employers to inform HSC Pension Service as soon as possible of any changes to pensionable pay for members who have retired in the year 2017-18. This also applies to any outstanding backdating of pay awards for members not linked to the 2017/18 Pay Award. These could include AFC settlements where arrears have been paid to a member who has retired.

Although a member may have received an increase to their pensionable pay for their final year this could actually lead to an overpayment of pension benefits if either of the 2 years pensionable pay leading up to the final year was used to calculate their benefits.

The reason for this is because if either of the 2 earlier years pensionable pay figures are used to calculate the members pension benefits, the member will receive indexed linked pension increases to their pension and lump sum relevant to the year their pay was used. If subsequently a members final years pensionable pay is higher, those index linked increases are not applicable and the member's pension and lump sum will possibly be less than originally received.

Action for Employers: Ensure all revised pensionable pay figures are submitted to HSC Pension Service as soon as possible.



9. 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)



Find us on Twitter - [@hscpensions](https://twitter.com/hscpensions)



Find us on Facebook - HSC Pension Service

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

