



Department of

Health, Social Services and Public Safety

www.dhsspsni.gov.uk

AN ROINN

Sláinte, Seirbhísí Sóisialta
agus Sábháilteachta Poiblí

MÁNNYSTRIE O

Poustie, Resydènter Heisin
an Fowk Siccar

The Chief Executive of:
Each Health and Social Services Board
Each HSC Trust
Central Services Agency
Northern Ireland Practice and Education Council
Northern Ireland Guardian Ad Litem Agency
Northern Ireland Blood Transfusion Service Agency
Northern Ireland Health Promotion Agency
Northern Ireland Regional Medical Physics Agency
Northern Ireland Social Care Council
Northern Ireland Medical and Dental Training Agency
GP Practices
Directional Bodies

HSS(S) 02/2008

Staff Representative Bodies

13 February 2008

Dear Colleague

- 1. An option for members of the HSC Superannuation Scheme to give up part of their pension in exchange for an additional lump sum retiring allowance**
- 2. Employer costs - Redundancy Retirements**
- 3. An important Disclosure of Information to new staff**

This circular contains important information about the new facility for members of the HSC Superannuation Scheme to give up part of their pension for a bigger lump sum and the implications of this on redundancy retirement costs for employer's. It also provides information on disclosing information about the changes to new staff joining the HPSS/HSC Superannuation Scheme.

1. An option for members of the HSC Superannuation Scheme to give up part of their pension in exchange for an additional lump sum retiring allowance.

An important change to pension scheme arrangements will affect all members in pensionable employment on 1 April 2008, who retire on or after 2 April 2008, as they will have a new option to give up some of their annual pension for an additional lump sum, up to a maximum permitted amount. This new provision is known as "pension commutation."

There will be a two-stage process for members opting to take an additional lump sum:

- 1) Member makes an informed decision.**
- 2) Decision is notified to HSC Superannuation Branch.**

1) Member makes an informed decision:

Members of the HSC Superannuation Scheme who retire after 1 April 2008 will continue to receive the usual pension and basic lump sum, which is normally three times the pension amount. They will also have the option of giving up part of their pension for an increased tax free lump sum (commutation).

- For every £1 of pension they commute they will receive £12 extra lump sum
- The maximum overall lump sum they can receive is approximately 5.36 times their annual pension (*this includes their normal lump sum*)

There is a link to pension commutation modelling tool on the HSC Superannuation Branch website:- www.dhsspsni.gov.uk/superann. Members will be able to enter their expected pension and basic lump sum amounts and look at different scenarios, from giving up £1 pension to the maximum permitted under HM Revenue and Customs (HMRC) rules.

Before using the calculator members will need to know their estimated pension and lump sum amount. HSC Superannuation Branch will continue to provide this information via employers on receipt of an estimate request form. *Employers should clearly identify any estimate requests in respect of members whose retirement is imminent i.e. within 3 months.*

If a member has already received an estimate within the last 12 months prior to retirement, please refer them to the calculator.

2) Decision is notified to HSC Superannuation Branch:

The retirement pension application form (AW6) and the scheme booklet – ‘A Guide for pensioners and their dependants’ will be updated to include information about all the changes to the existing Scheme that come into effect from 1 April 2008. However, these will not be available until later in the year.

Until the updated forms and guide are available, all members who intend to retire on or after 2 April 2008 **MUST** be provided with:

- A copy of the attached supplementary information to booklet ‘A Guide for pensioners and their dependants’ **and**
- A copy of the attached form AW6(2008), which the member is required to complete to record their additional lump sum choice.

The member should complete form AW6(2008) and attach it to the front of the application form AW6. Both forms should be given to their employer for forwarding to HSC Superannuation Branch.

Employers can either download versions of these two items, which can be found in the Superannuation Forms section of our website www.dhsspsni.gov.uk/superann, or photocopy the attachments to this letter.

IMPORTANT:

HSC Superannuation Branch will be unable to authorise any benefit claim where the last day of membership is on or after 1 April 2008 without a completed form AW6(2008).

If a member of staff returns a form AW6 to their employer without a form AW6(2008) the employer should arrange for a copy of the AW6(2008) and a copy of the supplementary notes to be issued urgently to the member. The employer should not forward form AW6 to HSC Superannuation Branch until the member has returned form AW6(2008) to them.

Please bear in mind these additional steps, including the provision of an estimate when planning retirements, as HSC Superannuation Branch still require 3 months notification of retirement to ensure payment is made on time.

2. Employer Costs – Redundancy Retirements

Employers should note that the employer capitalised cost for members retiring early on the grounds of redundancy, will continue to be calculated on the member's benefits **before** they exercise their right to pension commutation.

3. An Important Disclosure of Information to new staff

Employers are reminded that in order to comply with Disclosure of Information requirements **all new staff** must be given a copy of the payslip leaflet '*The HPSS Superannuation Scheme is Changing*', as well as a copy of the existing '*Scheme Guide*', pending the availability of a revised version.

Employers will be provided with additional supplies of the payslip leaflet in the next couple of weeks. The leaflets will be forwarded to HR/Personnel Departments of the HSC Trusts/Boards. **HR Departments of the new HSC Trusts will be responsible for issuing relevant supplies of the leaflet to any legacy trusts as appropriate.** A copy of the staff payslip leaflet is available to download from the Superannuation Branch website under the heading "Superannuation Forms"

If you require further information about commutation or any of the other changes to the scheme please visit our website www.dhsspsni.gov.uk/superann

Yours faithfully



D C Bingham

Supplementary Information to booklet 'A Guide for pensioners and their dependants'

These supplementary notes apply where your last date of membership is on or after 1 April 2008. Please read them carefully, then complete and return the enclosed form AW6(2008)

1. Lump sum choice

A new option is available to give up some of your pension for an additional tax-free lump sum. Where all of your membership counts for a full (3/80ths) lump sum, the maximum **additional** lump sum allowed under HMRC rules is $33/14 \times$ your annual pension (before conversion to lump sum). 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 link to a calculator tool to help you model the amount of additional lump sum you can claim at www.dhsspsni.gov.uk/superann or you can ask your employer to help you. 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 and retires on a pensionable pay of £40,000

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

An **additional lump sum** up to a maximum of £47,142 ($33/14 \times £20,000$) 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 ($£60,000 + £47,142$).

Any amount of additional lump sum (in multiples of £12) up to a maximum of £47,142 can be claimed. In all cases the amount of survivor pension would be the same.

You must indicate whether or not you want an additional lump sum by ticking the appropriate box on the enclosed form AW6(2008). If you do want an additional lump sum then you must select either the maximum lump sum permitted or state an additional lump sum in whole pounds (multiples of £12 only), which is not greater than the permitted maximum lump sum.

2. Working before age 60

The rules about Abatement as set out at sections 8.1 to 8.4 of booklet 'A Guide for pensioners and their dependants' are changing as follows.

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 HSC Superannuation Branch** 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.

If abatement applies and you are paid at a fixed rate of pay or are a General Medical, Dental or Ophthalmic Practitioner

HSC Superannuation Branch 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 Medical, Dental or Ophthalmic Practitioners pensionable profit is not finalised until the end of year certificate is completed. Any under or overpayment of pension will not become known until up to 12 months after the end of the relevant financial year.

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 then 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 back dated award that increases your pay from the day your HSC work started, or
- revised partnership agreements (for GPs and non-GP partners), or
- revised end of year certificates

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. HSC Superannuation Branch 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, HSC Superannuation Branch will ask your employer how much you were paid during the quarter. They 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 HSC Superannuation Branch 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. HSC Superannuation Branch 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.

3. Partner benefits

Survivor pensions will be extended to include a partner other than a spouse or registered civil partner 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.

A partner's survivor pension will be calculated on membership from 6 April 1988 only.

If you declared your status on form AW6 as single, widow/widower, divorced/dissolved civil partnership, HSC Superannuation Branch will write to you after April 2008 to provide you with more information about nominating a non-legal partner.

4. Payment of a survivor pension

A survivor's pension will now be payable for life regardless of whether the recipient remarries, forms a civil partnership or lives with someone else as a spouse or civil partner.

5. Child allowance

An allowance may be paid if a 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 a permanent physical or mental infirmity, which they were suffering at the time the member died.

SUPPLEMENT TO FORM AW6 - APPLICATION FOR RETIREMENT BENEFITS

Surname

Other names

SB number

I declare that I have now read the accompanying supplementary information to booklet 'A Guide for pensioners and their dependants' and can now complete the questions below.

Do you want an additional lump sum by giving up part of your pension?

Yes continue below No sign and date below

If YES do you want the maximum additional lump sum permitted?

Yes sign and date below No continue below

If you do not want the maximum, state how much additional lump sum you want in the box below.

Additional lump sum of £ (whole pounds only – multiples of £12)

Please sign and date below

Signature

Date / /

This form should be attached to the front of Form AW6 and forwarded to your employer.