

EMPLOYER

newsletter



Pensions

December 2011

Contact : Tel : 0845 610 1119 Fax : 01253 774412 www.nhsbsa.nhs.uk/pensions www.nhsbsa.nhs.uk/injury

What type of Employer are you?

Icons (small pictures) will appear throughout this newsletter. These indicate the different types of NHS Employer. Where these appear the article does not apply to all types of NHS Employer. If the icon is crossed out, the article does not apply to that type of Employer and only applies to the types of Employer that are not crossed out. To find your icon, see below:



NHS Direction Employers

NHS GP Practices /
APMS ContractorsNHS Employer
Authority / Trusts

1. Protection of Pay – Reduction in unsocial hours payments and withdrawal of Nationally Agreed Recruitment and Retention Premia (RRP) – Agenda for Change staff

Unsocial hours payments

NHS Pensions understands that ancillary staff, healthcare maintenance staff and administrative and clerical staff in Agenda for Change (AfC) pay bands 2,3,4 and 5 have had their enhancement for unsocial hours reduced. This has been phased in from 1 April 2008 and transitional rates applied as detailed in Table 20 of Annex X of the NHS terms and conditions of service handbook. From 1 April 2011 the enhancement should be the same as for other AfC staff as in Section 2, Table 2 of the handbook.

Where pensionable pay has reduced it has been agreed that pay protection can apply up to 31 March 2011.

Action for employers

Some of these members may already have been marking time from 1 April 2006, as a result of being assimilated to AfC pay grades, with pay reducing from 1 April 2011. Therefore these members would come under the previous AFC protection arrangements.

For those who do not come under the previous arrangements employers should provide us with the following information through the spreadsheet(s) that can be found as an appendix to this newsletter at:

<http://www.nhsbsa.nhs.uk/3319.aspx>

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Name
SD number
WT or part-time
Actual pensionable pay
Notional Whole Time Pensionable Pay
Preservation Date
Period used

For members of the 1995 section you should provide the best of the last three years pay up to the date of the reduction.

For members of the 2008 section you should provide the pay from 1 April in the year of the reduction up to the date of the reduction.

Please remember:

- A member must have at least two years qualifying service to be able to protect their pension benefits
- Remember to account for any disallowed days in the TPP period.

The spreadsheet will need to be saved on your local drive, **password protected** and then returned to protectionofpay@nhspa.gov.uk

Please ensure that you choose a strong password that has the following characteristics:

- Contains both upper and lower case characters
- Has digits and punctuation characters as well as letters
- Is at least eight alphanumeric characters long
- Is not words in any language, slang, dialect, jargon etc
- Is not based on personal information, names of family, etc

If in any doubt, please refer to your own policy or guidelines on protection of data.

As employers will be able to identify members whose pensionable pay will reduce in these circumstances employers should issue the Protection of Pay – Unsocial Hours Payment letter to confirm that members pension benefits will be protected at 31 March 2011. This letter can be found as an appendix to this newsletter at: <http://www.nhsbsa.nhs.uk/3319.aspx>

Recruitment and Retention Premia (RRP)

Under AfC, RRP could be awarded nationally or locally and be either long-term or short-term premia:

- Short-term premia are not pensionable and do not count for purposes of overtime, unsocial hours payments or any other payments linked to basic pay.
- Long-term premia are pensionable and do count for the purposes of any payments linked to the basic pay.

A review of all existing National Recruitment and Retention Premia (NRRP) found that all existing NRRP should cease after 31 March 2011 or be converted to a local RRP where appropriate. Annex R of the AfC terms and conditions of service handbook refers.

Transitional arrangements were agreed so that NRRP currently in payment are protected for a transitional period of two years as follows:

- Year one: 100% of payment at current value;
- Year two: 50% of the payment at current value.

All payments cease on 1 April 2013, subject to the outcome of a Staff Council review demonstrating evidence to support continuation of a NRRP

Where pensionable pay reduces as a result of the cessation of NRRP pay protection can apply up to 31 March 2013 for these members.

As pension benefits, including benefits preserved on a higher rate of pensionable pay, are based on the best of the last three years pensionable pay in the 1995 section and the reckonable pay, the annual average of the best 3 in 10 in the 2008 section, protection is not required until 31 March 2013.

The best of the last three years pensionable pay up to 31 March 2013 in the 1995 section will therefore need to be quoted when providing pensionable pay details.

NHS Pensions will check the reckonable pay figure for 2008 section members.

Future Action for employers

Subject to the review, employers will be required to notify NHS Pensions of these members **once pensionable pay has reduced**.

The spreadsheet(s) to use for these preservations and the Pension Protection – long Term Recruitment and Retention Premia letter can be found as annexes to this newsletter at: <http://www.nhsbsa.nhs.uk/3319.aspx>

It should be noted that the letter and spreadsheet for long term recruitment and retention premia is for future use and should not be issued until pay is protected in 2013.

2. Holistic Data Strategy Project

In last months Employer Newsletter we informed you about the principal aim of the Holistic Data Strategy, which is to move away from the current focus on the correction of data and move toward a clear focus on working with NHS Employers to ensure the submission of quality data. This means that if data errors do occur we will be working collaboratively with employers and assisting them in resolving the issue at source i.e. in ESR, this will prevent such errors recurring in the future. This is crucial for the success of the project. Errors must be resolved at source.

Why is this different to the data cleanse exercise for Choice?

Although the exercise to cleanse data for Choice was a huge success there are further changes being made to legislation that require members records to be updated to a higher quality. This includes the changes around Annual Allowance and the introduction of the Total Rewards Statements, which is why we are focussing on prevention instead of correction. If we can eliminate the issues at source this will benefit you and NHS Pensions.

NHS Pensions acknowledges that this is a very ambitious project, thus the project has been divided into 5 streams and their collective update is given below:

- An assessment of the current situation with regards to historical Data Issues held on member records is underway with a clear focus on the work that is required to correct these.
- Analysis is underway in regard to interface errors, validations and issues. This includes discussions with the ESR interface team to focus on causes of common errors and subsequently, working with them to provide guidance to assist you within your role on a day-to-day basis.

- We will soon be reviewing the questionnaires sent to NHS Employers about the reconciliation exercise. If you have received a questionnaire please can you complete and return it to NHS Pensions by 16 December. It is important that we receive your comments, good or bad, so that we can address any issues. If you have any general comments about the reconciliation exercise then email them to ESR@pensionsagency.nhs.uk.

3. The standard Lifetime Allowance (LTA) is reducing

This is an **important reminder** that if a member's benefits are paid or authorised on or after 6 April 2012 then their LTA position will be based on the reduced standard LTA unless they have Fixed Protection (see next item). The text from TN 8/2011 is repeated here:

In the Finance Act 2011, the Government confirmed that the standard lifetime allowance (LTA) would be reduced from its current value of £1.8m to £1.5m, effective from the 6 April 2012.

For the purposes of the LTA benefits crystallise on the date the member had an actual right to receive their benefits. This date is the later of:

- The payable date; or
- The date benefits are actually authorised by NHS Pensions.

The reduced LTA will therefore apply to members who become entitled to receive their benefits when they:

- Retire on or after 6 April 2012 – and the date the benefits are authorised is before that date; or
- Retire before 6 April 2012 – and the date the benefits are authorised is on or after 6 April 2012.

For those who are affected by the reduced allowance, the percentage of LTA used will be based on £1.5m. In addition, for high earning scheme members any LTA charges that may apply to their benefits will also be based on the reduced allowance. Any delay in claiming benefits may therefore result in:

- A bigger percentage of the LTA being used up – LTA charges may then apply to a later benefit crystallisation because there is insufficient LTA remaining.
- High earning scheme members - may become subject to LTA charges or see those charges increase.

The following examples illustrate when the change would apply:

Member A:

Benefits are payable from 01 April 2012. The AW8 is received 3 months before retirement, benefits are calculated and authorised on 19 March 2012. Benefits are tested against a LTA of £1.8m because they crystallise on the payable date of 01 April 2012.

Member B:

Benefits are also payable from 01 April 2012. The AW8 is completed 3 months before retirement but there is a delay before NHS Pensions receives the form and benefits cannot be authorised until 09 April 2012. Because of the delay benefits do not crystallise until 09 April 2012 and must therefore be tested against the lower LTA of £1.5m.

Member C:

Benefits are payable from 08 April 2012. The AW8 is received prior to the last day of service, benefits are calculated and authorised on 16 March 2012. The benefits are tested against a LTA of £1.5m because they crystallise on the payable date of 08 April 2012.

It is **important** to note that NHS Pensions has no discretion on the date benefits crystallise and the

calculation of the LTA used.

Important action for employers

To allow scheme members to consider how they might be affected by the reduced LTA, Pensions Officers must bring it to the attention of those who are planning to retire during:

- The last quarter of 2011/2012; or
- The first quarter of 2012/2013.

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

Members who wish to have their benefits assessed against the LTA of £1.8m must retire before 6 April 2012 and allow sufficient time before that date for the benefits to be authorised. The completed application form AW8 must therefore be sent to NHS Pensions at least three months before the intended retirement date.

Additional Information:

For members who give late notification of retirement, it is important that the application for benefits is processed without delay ensuring that the members pension record is up to date. NHS Pensions will not accept responsibility for any delay if the application is:

- Incomplete
- Inaccurate
- Does not reach this office with sufficient time for the awarding process to be completed and benefits authorised before 6 April 2012

Any revision to benefits (substitute awards) that is authorised on or after 6 April 2012 will be a separate crystallisation of benefits and based on the lower standard LTA of £1.5m.

Protection from the reduced LTA

For members who do not have either Enhanced or Primary Protection, HMRC has introduced **Fixed Protection**, for those who wish to protect their pension benefits from the reduced LTA. Members should take independent financial advice before making a decision about applying for Fixed Protection.

Further information can be found on HMRC's website:

<http://www.hmrc.gov.uk/manuals/rpsmmanual/rpsm11101000.htm> (pages 11101500 to 11101550) and NHS Pension website at:

[http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/Reduced_Lifetime_Allowance_and_Fixed_Protection_\(V1\)_11.2011.pdf](http://www.nhsbsa.nhs.uk/Pensions/Documents/Pensions/Reduced_Lifetime_Allowance_and_Fixed_Protection_(V1)_11.2011.pdf).

Individuals must apply directly to HMRC **before** the 6 April 2012 if they require Fixed Protection using the form APSS227, which can be downloaded from HMRC's website at:

<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=VZp7BA-5tmM&formId=4083>.

Members do **not** require a valuation from NHS Pensions, and NHS Pensions cannot help members with their application to HMRC for Fixed Protection.

Important note: Fixed Protection can be lost if the member has Benefit Accrual, it is the member's own responsibility to test for Benefit Accrual. Information about Benefit Accrual can be found at:

<http://www.hmrc.gov.uk/manuals/rpsmmanual/RPSM11101520.htm> and

<http://www.hmrc.gov.uk/manuals/rpsmmanual/rpsm11101530.htm>.

As well as <http://www.hmrc.gov.uk/pensionschemes/newsletter50.pdf>.

4. Proposed 2012/2013 Employee Contribution Rates

Details of the proposed 2012/2013 employee contribution rates have recently been provided. The rates shown below are due to be implemented from 1 April 2012, however they will be subject to the normal Parliamentary processes first. They are therefore, provisional.

As you will see it is anticipated that there will be seven contribution tiers. Whilst NHS Pensions will inform the larger payroll providers of these changes, employers must ensure that systems are in place for the correct deduction and collection of contributions.

More detailed information, including the arrangements being made to disclose information to employees and former members of the Scheme about the new contribution tiers will be provided in a further Employer Newsletter. Under Disclosure legislation all staff must be notified of the changes. To assist in this process NHS Pensions is currently preparing a pay slip leaflet for distribution via employers. It is also preparing a letter for former members of the Scheme, which will be issued direct by NHS Pensions.

Proposed 2012/2013 Contribution Rates before tax relief (gross)

Band	Annual pensionable pay (full time equivalent)	Contribution rate (before tax relief) 2011/12 (gross)	Contribution rate (before tax relief) 2012/13 (gross)	Contribution rate increase 2012/13 before tax relief (gross) (percentage points)
1	Up to £15,000.99	5.0%	5.0%	0
2	£15,001.00 to £21,175 .99	5.0%	5.0%	0
3	£21,176.00 to £26,557 .99	6.5%	6.5%	0
4	£26,558.00 to £48,982.99	6.5%	8.0%	1.5
5	£48,983.00 to £69,931.99	6.5%	8.9%	2.4
6	£69,932.00 to £110,273.99	7.5%	9.9%	2.4
7	£110,274.00 and over	8.5%	10.9%	2.4

5. NHS Pension Scheme - Consultation on Draft Regulations - 8 December 2011

The National Health Service Pension Scheme (Amendment) Regulations 2012

On 8 December 2011, the Department of Health started a consultation on the draft NHS Pension Scheme (Amendment) Regulations 2012. This consultation on the amendments will run from 8 December 2011 and comments on the draft regulations are required by close of business on 20 February 2012. The regulations are due to come into force from 1 April 2012.

The above draft regulations concern:

- Changes to implement increases to member contribution rates required by Government beginning 1 April 2012.
- Changes to implement reductions to annual and lifetime allowances for pension savings introduced by the Finance Act 2011.
- Changes to transfer rules due to the introduction, for some public sector workers in Isle of Man including NHS, of a new “unified” pension scheme.

Further details about this consultation can be found using the links below:

- [Explanatory note](#) which provides more information about the changes.
- [The Draft Statutory Instrument](#) which introduces the changes.
- Department of Health's [Press Release](#) regarding the consultation.

6. Informal Consolidated Regulations for 1995 and 2008 Sections

Informal consolidated versions of the 1995 Section and the 2008 Section of the NHS Pension Scheme Regulations, which include the latest amendments from Statutory Instrument 2011 No.2586, which came into force on 28 November 2011 can be found on the website at: <http://www.nhsbsa.nhs.uk/Pensions/2963.aspx>

The amendments have been incorporated by Department of Health officials to illustrate how the changes have affected the original Statutory Instruments. The latest amendments from Statutory Instrument 2011 No. 2586 that came into force on 28 November 2011 are shown in blue text.

Please note that although the Statutory Instrument comes into force from 28 November 2011, some of the amendments have retrospective effect; full details can be found in the S.I. at amending regulation 1.

These consolidations are for information only and should not be relied upon as a definitive statement of the pension scheme regulations. The original and amending Statutory Instruments can be found on the NHS Pensions website at: <http://www.nhsbsa.nhs.uk/Pensions/Regulations.aspx> or on the UK Legislation website at: <http://www.legislation.gov.uk/>.

7. Age Estimate Benefit Statement



A note to update all Schemes Employers on the current position regarding the release of the Age Estimates and Benefit Statements (AEBS) functionality into Pensions Online (and NHS Pensions internal systems) on 26 September 2011 was posted to the website on 1 December 2011 and can be found on the website with the Employer Newsletters at: <http://www.nhsbsa.nhs.uk/3319.aspx>

Further Update:

The Pensions Online release on 15 December 2011 captured the following fix:

A change has been made to Pensions Online to fix the issue where NHS Employers were receiving the following message when trying to view an Age Estimate and Benefit Statement: -

'The XML produced is not valid'.

This issue has now been fixed and this message should no longer be received.

8. Christmas Holiday Arrangements 2011

NHS Pensions Christmas and New Year arrangements will be:-

- Friday 23 December 2011 – close at 4.00 pm
- Monday 26 December 2011 - closed
- Tuesday 27 December 2011 - closed
- Wednesday 28 December 2011 – open
- Thursday 29 December 2011 – open
- Friday 30 December 2011 – close at 4.00 pm
- Monday 2 January 2012 – closed
- Tuesday 3 January 2012 is a normal working day.

9. Strike action and deduction of pay – guidance for employers

NHS Employers have published guidance on the deduction of pay for strike action which can be found using this link: <http://www.nhsemployers.org/SiteCollectionDocuments/Strike%20action%20and%20deduction%20of%20pay%20guidance.pdf>

The pensions section in the guidance states:

- *A day on which a member of the NHS Pension Scheme is absent on strike is a 'disallowed day' for pension purposes therefore no pension contributions can be collected and the period can not count as pensionable membership for benefit purposes.*
- *There is no facility for the employee to make up the lost pension contributions in such circumstances.*
- *Organisations will need to make a note of all pension scheme members who have participated in the strike so that any disallowed days can be taken into account in their individual member records. For organisations using ESR the ESR User Notice UN1500 sets out advice to employers entering absences relating to industrial action. Non ESR organisations will need to ensure that this information is captured in their annual returns to NHS Pensions by completing form SD55, available from Pensions Online (POL).*

Please note: Where a member takes 1 hour of industrial action the hour will be non-pensionable but will not count as a disallowed day. Where there are multiple days where a member takes 1 hour of industrial action we would only record a disallowed day where the total number of hours equated to a days work for the member.

10. The Foundation Degree in Pensions Administration

The following may be of interest to Scheme Employers:

The Chartered Institute of Payroll Professionals, (CIPP) have started enrolment for the Foundation Degree in Pensions Administration and Management Spring 2012 intake (enrolments close 30th April 2012).

The Foundation Degree in Pensions Administration and Management is a distance learning qualification developed by the CIPP in conjunction with Leeds City College and validated by Leeds Metropolitan University which can be awarded after a minimum of two years study.

(Note – that year one of this course is specifically aimed at NHS Pension Professionals).

A visit to CIPP web site will allow you review the module descriptions and indicative content for each year this can be accessed by clicking the following link:

[Foundation Degree in Pensions Administration and Management: Module content](#)

Further information can be obtained from qualifications@cipp.org.uk

11. Internet Updates

Pensions and Tax

Updated factsheet available:

- [Reduced Lifetime Allowance and Fixed Protection factsheet](#)

Employer Newsletters

- [Age Estimates and Benefit Statements – Employer Update – 1 December 2012.](#)

How to contact us:

By Telephone:

Employer helpline, general enquiries 0845 610 1119
Opening times:
8.00am to 6.00pm – Monday to Friday

Pensions Online, technical enquiries 0870 011 7108

Member helpline 0845 421 4000
Opening times:
8.00am to 6.00pm - Monday to Friday

Stationery Order line (Forms and Booklets) 0300 123 1002

By email:

- Datacleanse@pensionsagency.nhs.uk - For your data queries
- ESR@pensionsagency.nhs.uk - For your ESR queries
- polhelpd@pensionsagency.nhs.uk - For your POL enquiries
- employers@pensionsagency.nhs.uk - For your general enquiries

If you have any comments about the content or format of this newsletter please email them to communicationsteam@nhspa.gov.uk

Fax:

01253 774412

Website addresses:

www.nhsbsa.nhs.uk/pensions
www.nhsbsa.nhs.uk/injury