

NHS Superannuation Scheme (Scotland)

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Your ref:
Our ref: NHS/01/08

16 March 2006

Dear Colleague

**The National Health Service (Superannuation Scheme and Additional Voluntary Contributions) (Scotland) Amendment Regulations 2006
Changes arising from HMRC Tax Simplification**

I attach a draft set of the National Health Service (Superannuation Scheme and Additional Voluntary Contributions) (Scotland) Amendment Regulations 2006 (the “Amending Regulations”) which make changes to the NHS Superannuation (Scotland) Scheme and the NHS Additional Voluntary Contributions (Scotland) Scheme. These amendments are to ensure compliance with HM Revenue and Customs’s pensions tax simplification regime which was introduced by the Finance Act 2004 .

This Finance Act 2004 simplification of legislation governing occupational pension schemes comes into effect on 6 April 2006. The legislation is in two main parts. The first imposes mandatory changes that schemes must comply with from 6 April 2006. The second part includes enabling provisions that cover a range of new freedoms and flexibilities that schemes can, if they wish introduce into their provisions.

As the mandatory provisions in the Finance Act 2004 will apply from 6 April 2006 and the Amending Regulations are unlikely to come into force until June 2006, we intend to use retrospective powers to bring the amendments within the Amending Regulations into effect from 6 April 2006.

It is important to emphasize that, at this stage, except for two changes, only mandatory changes from the Finance Act 2004 are being introduced into the National Health Service Superannuation Scheme benefits package. The only discretionary changes we are proposing to introduce are (i) the ability to take up to 25% of the AVC fund as a tax free lump sum and (ii) an increase in the annual contribution limit which permits members to make NHS Money Purchase AVC scheme contributions of up to 100% of NHS salary (less contributions being made to other registered schemes including the NHS Superannuation (Scotland) Scheme). Further consideration of the discretionary provisions will be included with the ongoing UK review of the NHS pension schemes

so that potential cost implications associated with the new flexibilities can be considered in the wider context of the review.

On this occasion I am afraid we require comments within 4 weeks, by 14 April 2006. I apologise for this shortened consultation period, but we have only recently been able to resolve technical issues on the Finance Act 2004 changes and, while we will be using retrospective powers, we want to have the changes made prior to the summer parliamentary recess. We have, therefore provided in the Annex a detailed explanation of the proposed amendments and if it will help the process, we will happily discuss or take comments by telephone. A copy of this letter and the attached commentary has also been placed on our website www.sppa.gov.uk.

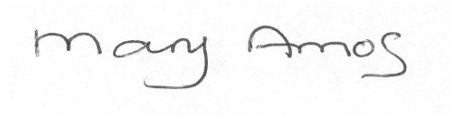
If for any reason colleagues are unable to consider the proposed amendments within this limited timeframe, we will of course consider any comments received after the Amending Regulations have come into force. If, as a result, it proves necessary to make further amendments we will consider the further use of retrospective powers to bring these into effect from 6 April 2006.

The proposed amendments are still subject to the final agreement of our Ministers and the Treasury.

Once finalised, the amendments will be introduced into the consolidated draft of the NHS Superannuation (Scotland) Scheme Regulations, the consultation period for which ended on 10 February 2006. The intention is to make the consolidated NHS Scheme Regulations after these Amending Regulations.

In accordance with our normal practice, the Agency may make available on request, responses to this consultation exercise, other than those in which consultees indicate that they wish their response treated as confidential.

Yours sincerely



Mary Amos
Policy Manager, NHSSS

Addressees

Chief Executives NHS Boards
Scottish Partnership Forum
SPensiR
SPPA Technical Working Group
BMA
NHS Staff Council
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AEEU
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UNISON
MSF – Amicus
Royal College of Nursing
Royal College of Midwives
Scottish Division Royal College of Psychiatrists

Scottish General Practitioners Committee
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HD – Directorate of Primary Care
HD – Directorate of Human Resources
Home Office, Police and Firemen’s Pension Schemes
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SE – Finance
OSSE
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