

NHS Superannuation Scheme (Scotland)

Superannuation (Health Service) Circular No. 9/2008

HR Managers and Payroll Managers of:

- GP Practices
- Direction Bodies
- Health Boards
- NHS Quality Improvement Scotland
- State Hospital
- NHS Health Scotland
- NHS Education for Scotland
- NHS 24
- Scottish Ambulance Service
- Golden Jubilee National Hospital
- Melanie Stewart – Director SSPS

7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

<http://www.sppa.gov.uk>

Tel: 01896 893100

Fax: 01896 893214

Our ref: NHS Circular 9/2008

26 March 2008

Dear Sir/ Madam

SUPERANNUATION (NHS) CIRCULAR No 9/2008

GUIDANCE ON ADMINISTRATIVE ARRANGEMENTS FOR EMPLOYING AUTHORITIES IN RESPECT OF NEW MEMBERS FROM 1 APRIL 2008

This circular provides guidance on the administrative arrangements to be implemented by Employing Authorities, for new members, brought about by the changes to the NHS Superannuation Scheme (Scotland) Regulations. Details on amendments to circular 2/2008 are also provided within this circular.

The National Health Service Superannuation Scheme (Scotland) Regulations 2008 cover the arrangements for new members and are scheduled to come into force in June 2008 but will have effect from 1 April 2008. This circular has been prepared based on the terms agreed on pension reform which the regulations reflect.

Employees who enter NHS employment for the first time on or after 1 April 2008 or employees who were in NHS employment before 1 April 2008 but were not an active member of the scheme within that employment or any other¹ NHS employment on 1 April 2008 will automatically become members of the new arrangements. From 1 October 2008, deferred members with service in the existing arrangements who return to NHS employment more than five years after leaving will also join the new arrangements for future service. Members in the existing amended arrangements will be given an option to transfer to the new arrangements introduced for new recruits from 1 April 2008 but a choice exercise is not anticipated to take place until early 2009. Circular 3/2008 provides further details.

¹ One of the 'other scheme conditions' as detailed within the regulations must be met.

Employers are asked to continue to provide information relating to members in the existing format. No additional information is required for new entrants to the scheme from 1 April 2008 and therefore, no change to the current data supplied by the employers is necessary. It is intended that, on migration to the new pension administration system later in 2008 SPPA will be able to distinguish existing (pre-April 2008) members from new members (post-April 2008 joiners) by the date of entry to the scheme. As part of the project to replace its current pension administration system, the SPPA will be engaging with employers regarding the data they supply, with any changes being agreed for implementation at a future date.

Employees who join the scheme for the first time on or after 1 April 2008

Normal Retirement Age

The new arrangements will have a normal pension age of 65 and minimum pension age of 55. Pension accrued before normal pension age that is taken after normal pension age will be enhanced by actuarial late retirement factors.

Age limits

A person may not join the scheme if they are under the age of 16 or over the age of 75. Members will receive a pension at age 75 if they are still in NHS employment and have not claimed benefits before then.

Service limits

There will be a maximum service limit of 45 years which will include years credited for any transferred in service. SPPA will inform members who are approaching the service limit of 45 years. These members will then be given the option to continue to contribute or not. SPPA will inform employers should the member wish to cease contributing to the scheme.

Scheme Earnings Limits on which contributions can be made

There will be no Scheme Earnings Limit for service in the new arrangements.

Commutation

It is proposed that there will be no requirement for members to take a lump sum under the new arrangements. Members will be able to choose how much lump sum they wish to take up to the limits permitted by HMRC. Further details on this arrangement and the relevant award forms will be provided on the SPPA website post 1 April 2008.

New additional pension purchase facility

Members in the new arrangements will also have the opportunity to purchase additional pension on the same terms as existing members except that it will be structured around the payable age of 65 (and the purchase rates adjusted accordingly). Full particulars will be included on our website. Members can opt to pay for additional pension by lump sum payment or periodical instalments which should be deducted from their salary by the employer and must be paid to the scheme by the 19th day of the following month.

Members who wish to stop contributing to their contract will contact their employer who will cease to take instalments from the next pay date. The employers must notify SPPA of any cancellation or cessation of instalments by completing the form detailed within Annex A of

circular 2/2008. In these circumstances employers are asked to write to the SPPA detailing the contributions deducted to date, in the same way as stated within circular 2/2008.

Pensionable Pay

Final pensionable pay will be calculated using the definition of the average of the best three consecutive annual pensionable pay years in the last ten years. The SPPA will be engaging with employers to confirm pensionable pay arrangements for these new members.

Draw Down

After reaching age 55 staff will be able to draw down part of their pension with actuarial reduction before the normal retirement age of 65, whilst continuing to work and build more pension. Members can elect to draw down part of their benefits on no more than two occasions. A number of conditions will apply, one of which is that the draw down will have to be taken in conjunction with a reduction of at least 10% of pensionable pay. Employers will be asked to certify that a qualifying reduction in pensionable pay has taken place. Further details and the relevant forms will be available on our website post 1 April 2008.

Abatement and Re-employment

Members who have taken their pension in full, from the new arrangements, and left the scheme will be able to return to pensionable re-employment. Employers should ensure that re-employed members are entered into the scheme. Abatement will apply on the same basis as for existing members who are part of the existing amended arrangements but up to the normal pension age of 65. For new members post 1 April 2008 abatement will apply to members in re-employment under age 65 but will be based on the enhanced proportion of the pension, that part of the pension which is “unearned” is taken into account for abatement. This amount is the difference between what the pension would have been if taken early and actuarial reduction had been applied and that which the member actually receives. Details on ill-health abatement and re-employment will be provided on our website

Non married nominated partners

A member may nominate a non married partner to receive a pension after their death. New forms for non married partner nomination will be available from 1 April 2008 on the website. Nominations must be made before the member dies, and must satisfy certain criteria at death to become validated. The SPPA will be responsible for ensuring this validity.

Death in Service initial payment of pension

Widow's, widower's, surviving civil partner's and surviving nominated partner's pension in respect of members who die in pensionable employment will be paid for six months.

The SPPA are required to validate a nominated partner nomination before the employer can put in place the initial surviving partner pension for nominated partners. Therefore it is essential that these applications are forwarded to the SPPA urgently. Once validation has taken place the SPPA will notify the employer that they can proceed with the payment of 6 months survivor pension for nominated partners.

Members absent from work

Members may choose to pay contributions for the first six months during a period of authorised unpaid leave. If they so choose, contributions must also be paid by their employer.

Contribution Rate Structure

Details regarding tiered contributions were provided within circular 4/2008 for officers and 5/2008 for practitioners.

Whilst SPPA have made every effort to ensure they have detailed all the administrative arrangements needed to be implemented by Employing Authorities, in respect of new members, it may be necessary for additional instruction to be issued.

Amendment and addition to Circular 2/2008 - Guidance on administration arrangements for employing authorities to implement scheme changes for existing members.

As a result of consultation the following, as detailed within circular 2/2008, has changed.

Members absent from work

Members may choose to pay contributions for the first six months during a period of authorised unpaid leave. If they so choose, contributions must also be paid by their employer.

Voluntary Early Retirement with Employers Consent

This facility will be removed for existing members from 1 April 2008. Therefore no members will be able to take voluntary early retirement with employers consent after 31 March 2008.

New Employee Scheme Guide

SPPA have produced two new guides to the Scheme for NHS Employees in Scotland and will be issuing them to all Employing Authorities. One guide covers the existing amended arrangements and should be issued to members of these arrangements on request. The other guide covers the new arrangements and should be issued to all 'new' members as detailed within paragraph 3 of this circular. Copies of these guides will also be available on SPPA's website from 1 April 2008.

It is the employer's responsibility to ensure that employees are aware of the changes that affect them. This can be done by referring them to the SPPA website www.sppa.gov.uk which will contain the most up to date information.

Yours faithfully



Ian M Clapperton
Director of Operations
Scottish Public Pensions Agency