

NHS Superannuation Scheme (Scotland)

Superannuation (Health Service) Circular No. 2 /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
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27 February 2008

Dear Sir/ Madam

**SUPERANNUATION (NHS) CIRCULAR No 2/2008**

**GUIDANCE ON ADMINISTRATIVE ARRANGEMENTS FOR EMPLOYING AUTHORITIES**

This circular provides guidance on the administrative arrangements to be implemented by Employing Authorities, for existing scheme members, brought about by the changes to the 1995 NHS Superannuation Scheme (Scotland) Regulations. The amendments to the regulations are scheduled to come into force in June 2008 but will have effect from 1 April 2008. Consultation on the amendment to the 1995 regulations closes on 10 March 2008. This circular has been prepared based on the terms agreed for pension reforms which the amending regulations reflect.

The National Health Service Superannuation Scheme (Scotland) Amendment Regulations 2008 amends the current NHS Pension Scheme from 1 April 2008. Members with active service on or after 1 April 2008 will automatically become members of the existing amended arrangements on the 1 April 2008. It is also intended that members with service in the scheme before 1 April who are at that date or subsequently become deferred members will be able to return to the existing arrangement as amended provided that the return is within five years of becoming a deferred member and that they had not previously opted to transfer to the new arrangements. Active 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. A circular will be issued soon on this subject.

The SPPA is in the process of replacing its current pensions administration system which is due to go live in 2008. The SPPA will be engaging with employers to confirm any changes that employers may be required to make to the data they currently provide to the SPPA as a result of the pension administration system change. Employers are not required to change the data they provide to SPPA at this stage.

Any administrative arrangements to be implemented by Employing Authorities for new entrants who join the NHS Pension Scheme for the first time after 1 April 2008 will be given at a later date.

### **Members retiring pre 1 April 2008**

Members who are to retire pre 1 April 2008 will not be affected by any changes to the Regulations. Current application forms should be used.

### **Existing scheme members with service on or after 1 April 2008**

#### ***Commutation***

It is proposed that members retiring with service on or after 1 April 2008 will have the option to commute part of their pension to increase the size of their retirement lump sum. Award forms listed in Annex A have been amended to incorporate the option of this facility. Employers must use the revised form for all members retiring post 1 April 2008. This can be found on the SPPA website at [www.sppa.gov.uk](http://www.sppa.gov.uk)

The SPPA have already received a number of retirement application forms for members who will have service on or after 1 April 2008. These forms do not include any information about the option to commute pension to lump sum. SPPA are currently contacting these members explaining the proposed new provision and giving them the expected option to commute.

A calculator and further information is currently on our website.

#### ***Age limits***

A person may not join the scheme if they are under the age of 16, over the age of 75 (other than members who are aged 70 on or before 31 March 2008 who are receiving their NHS benefits). Members will receive a pension at age 75 if they are still in NHS employment and have not claimed benefits before then. Please note that employees up to the age of 75 who have not previously been members of the scheme will be able to join the scheme from 1 April 2008 in terms of the proposed amendments.

#### ***Purchase of Added years - Closure of the full cost added year's facility***

It is intended that the current facility to purchase added years will be removed (with the exception of its use for the purchase of unreduced lump sums and the half cost purchase of previously refunded service).

Members who wish to make an expression of interest in taking out an added year's contract must do so by 31 March 2008. If they wish to proceed with the purchase then they must start their contract on their birthday date (falling between 1 April 2008 and 31 March 2009). The facility will be closed to new purchases from 1 April 2009. Expressions of interest can be made to either the agency or to the individual's employer and include a telephone or email enquiry about taking out a contract. It is essential that Employers promptly inform the agency

of any expressions of interest received by them and record, for future reference, any expression of interest.

#### ***New additional pension purchase facility***

It is intended that there will be a new option to purchase additional pension from 1 April 2008. As well as the member being able to purchase additional pension an employer may make a lump sum payment to buy an amount of additional pension for a member who is in pensionable employment. Full particulars are included on our website. Members can opt to pay for additional pension by periodical instalments which should be deducted from their salary by the employer and must be paid to the scheme by the 19<sup>th</sup> 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 in Annex A. In these circumstances, employers are asked to write to the SPPA detailing the contributions deducted to date. As part of the SPPA's project to replace its pension administration systems, the SPPA will be engaging with employers in due course, to agree the mechanism for reporting additional pension contributions on an ongoing basis.

#### ***Non married nominated partners***

At present non married partners in long term relationships do not automatically qualify for any survivor partner pension or lump sum payments. It is proposed that a member who is in pensionable employment on or after 1 April 2008 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 the 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 on or after 1 April 2008 will now be paid for six months at pensionable pay regardless of any child allowances that may be payable, in terms of the amendments proposed.

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.

#### ***Removal of Scheme Earnings Limits on which contributions can be made***

From 1 April 2008, it is intended that the Scheme Earnings Limit will be removed for future service. Service before 1 April 2008 that was subject to scheme earnings limits i.e. capped will continue to be so. Members who were subject to the cap (and breached it) will receive separate pensions at retirement for their capped and uncapped service. The latter will be based on their final years 'uncapped' pensionable pay. General Dental Practitioners are also subject to a separate dental cap, Maximum Allowable Remuneration (MAR). The Health Department has agreed that dental MAR will also be removed for future service from 1 April 2008..

Members who have current added years' contracts will continue to pay these contracts up to the Scheme Earnings Limits.

#### ***Abatement and Re-employment***

NHS pensioners who retire before 1 April 2008 will be unaffected by any of the changes. They will not be able to return to pensionable re-employment. However, it is intended that those who are active members on 1 April 2008 but retire before being given the choice to move to the new arrangements will be able to join the these new arrangements if they return to NHS employment. There will be a requirement for a two year break in pensionable employment between taking retirement benefits and joining the new arrangements.

#### ***Purchase of Pre 88 cover***

Provision is being introduced for members to elect to buy additional surviving partner cover for all or part of their service in the scheme before 6 April 1988. This option will be available for 15 months commencing from the date in which the regulations come into force. Full details are included on our website. Members will be able to opt to pay for additional surviving partner cover by periodical contributions which should be deducted from their salary by the employer and must be paid to the scheme by the 19<sup>th</sup> day of the following month. Employers are asked to maintain a record of contributions deducted for this purchase and agreement will be reached with SPPA in due course, as part of the employer engagement activity, on how to report this information to SPPA.

#### ***Voluntary protection in the Current Scheme***

It is proposed that members of the current scheme will have access to new, RPI linked, voluntary pay protection arrangements on step down, based on the current pension protection provisions after compulsory step down. Voluntary protection of final pensionable pay can take effect at any age after the members minimum pension age (MPA). Voluntary protected pay is intended primarily to operate when a member takes on a less demanding post in the run up to retirement. The members may make one election to preserve his benefits up to the date his pay (whole time comparable pay for part-time membership) reduces. Employer will be asked to certify a defined criteria. Further details will be available on our website.

#### ***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. Thereafter, a member may choose to pay their own and their employer's share of contributions for a further period of four years and six months. Further details will be available on our website.

#### ***Tiered Contributions***

A circular regarding tiered contributions will be issued shortly.

A table is included at Annex B summarising the changes detailed above and the action required by employers.

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 existing members with service on or after 1 April 2008, it may be necessary for us to instruct of further administrative arrangements.

### **Annual Returns**

**There will be no administrative change required by employers with regards to the submission of the 2007/2008 annual returns.**

### **Forthcoming Workshops**

SPPA are currently organising workshops to be held during March 2008. The changes to the current Scheme and changes to the Scheme for new entrants post 1 April 2008 will be discussed.

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](http://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

## ANNEX A

The following provides information on forms which have been amended as a result of the intended changes to the Scheme as a consequence of the amendment (No2) Regulations 2008 which are effective from 1 April 2008 pending agreement after consultation. Further forms may have to be devised or updated. Therefore it is advised only to print forms when needed.

FORMS UPDATED OR NEW FORMS	AMENDED OR MADE AS RESULT OF	AVAILABLE ON WEB AS AT
AW 2 Application for award of pension and lump sum on voluntary early retirement with actuarial reduction	Commutation of pension to lump sum and introduction to nominated non legal partner status.	PRESENT
AW4 Application for award of pension and lump sum on premature retirement	Commutation of pension to lump sum and introduction to nominated non legal partner status.	PRESENT
AW5 Application for award of pension and lump sum on age retirement	Commutation of pension to lump sum and introduction to nominated non legal partner status.	PRESENT
AW5P Application for award of pension and lump sum on preserved age retirement	Introduction to nominated non legal partner status.	PRESENT
AW5PV Application for award of pension and lump sum on preserved voluntary early retirement with actuarial reduction	Introduction to nominated non legal partner status.	PRESENT
AW6/2 Death on pension/preserved – application for award of widows/widowers pension and/or lump sum on death	Introduction to nominated non legal partner status.	PRESENT
AW7 Death in service – application for lump sum on death and widow(er)'s/partners pensions	Introduction to nominated non legal partner status.	PRESENT
AW8 Application for award of pension and lump sum on ill health retirement	Commutation of pension to lump sum and introduction to nominated non legal partner status.	PRESENT
AW9 Application for award of dependant's allowance	Children's survivor pensions will now be provided until the age of 23 in all cases	PRESENT
BANK NURSE FINAL SALARY FORM -	Requirement to submit details of service and pensionable pay for bank nurse employment. To be included with all AW forms if appropriate.	PRESENT
ADDITIONAL PENSION PRELIMINARY APPLICATION FORM (AP PRE)1	Members (or employers on their behalf) will be able to buy additional annual pension that will provide a maximum of £500 extra pension a year when they are retired.	1 APRIL 2008
ADDITIONAL PENSION APPLICATION FORM (PAP)12	Members (or employers on their behalf) will be able to buy additional annual pension that will provide a	1 APRIL 2008

	maximum of £5000 extra pension a year when they are retired.	
FORM PRE 88 SB1A	Members can increase surviving widower, civil partner or nominated non married partner pension for pre 6 April 1988 service.	1 APRIL 2008
LUMP SUM ON DEATH NOMINATION FORM	Members will be able to make multiple nominations for the death in benefits rather than a single nomination.	1 APRIL 2008
LEAFLET AND ELECTION FORM VOLUNTARY PROTECTION OF PAY ON STEP DOWN - (LEAFLET AND ELECTION FORM 1995) (1)	Members of the existing amended scheme will have access to new, RPI linked, voluntary pay protection arrangements on step down, based on the current pension protection provisions after compulsory step down.	1 APRIL 2008
DEPENDANT RELATIVE (NOT A PARTNER) (DEP NOM) 1	New dependant nomination form to be used for a relative only.	1 APRIL 2008
PHASED RETIREMENT NOTIFICATION OF RETIREMENT (PHA) 2 EMPLOYER	After reaching 55, staff will be able to draw down part of their pension with actuarial reduction before the normal pension age, whilst continuing to work and build up more pension. Staff will be able to draw down their pension up to three times but all remaining pension must be taken in the final drawdown.	1 APRIL 2008
NON LEGAL PARTNER NOMINATION FORM (NLP)FORM 1	In addition to the existing survivor benefits for those legally married or in a registered civil partnership, the eligible nominated non legal partner of all members of the existing amended scheme who are active in the scheme on 1 April 2008, or deferred members at 1 April 2008 who return within five years of deferment, will be able to receive a survivor pension for life in respect of service since 1988.	1 APRIL 2008
ADDITIONAL PENSION CESSATION / CANCELATION OF CONTRACT FORM	Form / notice required for members who intend to stop an election during the purchase of an additional pension.	1 APRIL 2008

## ANNEX B

The following is a list of summarised changes, which effect existing members with service on or after 1 April 2008, along with action needed from Employing Authorities to ensure the correct administrative arrangements are provisionally put in place.

Please note that further administrative arrangements in respect of existing members with service on or after 1 April 2008 may be required.

Key Date	Event
1 April 2008	<p>Current active members will remain in the NHS Superannuation Scheme but with Changes.</p> <p>New tiered contribution rates introduced.</p> <p>Commutation - Option available to exchange part of your pension for a bigger lump sum.</p> <ul style="list-style-type: none"> <li><b>Employers to insure new Awarding forms are used for members retiring post 1 April 2008 who have service on or after 1 April 2008.</b></li> </ul> <p>Age limits – Members will receive a pension at age 75 and not 70 if they are still in NHS employment and have not claimed benefits before then.</p> <ul style="list-style-type: none"> <li><b>Employers to ensure only eligible employees are members of the scheme.</b></li> </ul> <p>Added Years - The current facility to purchase full cost added years will be removed.</p> <ul style="list-style-type: none"> <li><b>Employers to inform the agency and record, for future reference, any note of interest made by a member on or before 31 March 2008.</b></li> </ul> <p>New added pension purchase facility – Option available to buy additional pension.</p> <ul style="list-style-type: none"> <li><b>Employers must notify SPPA of any cancellation or cessation of contributions by completing the relevant form.</b></li> <li><b>Employers must write to the SPPA detailing the total contributions deducted as at the cancellation or cessation date.</b></li> </ul> <p>Death in Service - Initial payment of pension.</p> <ul style="list-style-type: none"> <li><b>Employers to pay initial pension for 6 months for Widow's, widower's, surviving civil partner's and surviving nominated partner's (see note below) who die in pensionable employment on or after 1 April 2008.</b></li> </ul> <p>Initial payment of pension for nominated partner can only be put into payment once the SPPA have validate the nomination and informed employers to do so.</p> <p>Earnings limit – Removal of limit on which contributions can be made</p> <ul style="list-style-type: none"> <li><b>Employers to lift any restriction of earning limit for service from 1 April 2008.</b></li> <li><b>Employers to ensure that contributions taken for added years contracts remain subject to the Scheme Earnings Limit where the member was subject to this when the contract was taken out.</b></li> </ul> <p>Voluntary protection – Options available for voluntary pay protection on step down.</p> <ul style="list-style-type: none"> <li><b>Employer will be required to certify a defined criteria on the relevant form.</b></li> </ul> <p>Service Limits - New service limit of 45 years will be implemented for service from 1 April 2008 (of which only 40 years may relate to the period before the member reaches age 55 for members who are special class officers).</p> <ul style="list-style-type: none"> <li><b>Employers, on notification from SPPA, to ensure that contributions are not taken from members who are over the service limit but remain in the scheme.</b></li> </ul> <p>Pensionable Re-employment</p> <ul style="list-style-type: none"> <li><b>Employers to ensure that only members eligible to join the scheme are put into the scheme.</b></li> </ul>

Purchase of pre 88 – Option for members to purchase pre 88 service for surviving widower/civil partner/surviving nominated partner. <ul style="list-style-type: none"><li>• <b>Employers are asked to maintain a record of contributions deducted for this purchase.</b></li></ul>
Ending cessation of spouse/civil partner pension on re-marriage – Survivor pensions will no longer cease on remarriage or co-habitation. <ul style="list-style-type: none"><li>• <b>No administrative change for employer.</b></li></ul>
Nominated partner pension - Option for member to nominate a person to receive a surviving nominated partner pension. <ul style="list-style-type: none"><li>• <b>No administrative change for employer.</b></li></ul>
Multiple nomination - Option for member to make a death benefit nomination in favour of 2 or more persons. <ul style="list-style-type: none"><li>• <b>No administrative change for employer.</b></li></ul>