SCOTTISH PUBLIC PENSIONS AGENCY

NATIONAL HEALTH SERVICE SUPERANNUATION SCHEME (Scotland)
Circular No: 2012/05

WHO SHOULD READ:	NHS HR and Payroll Managers Direction Bodies GP Practice Managers Practitioner Services Division Dental Payments
SUBJECT:	1. Changes to the NHS Pension Scheme (Scotland) Regulations 2. Loss of National Recruitment and Retention Premia (NRRP) 3. Contribution Tiers – Part time members
ACTION:	Employers should advise NHS pension scheme members of the scheme changes and advise affected staff of the deadline for claiming pension protection due to loss of NRRP.

The purpose of this circular is to:

- **advise employers of recent changes to the NHS pension scheme regulations so that employers can in turn fulfil their legal obligation to inform scheme members.**
- **update employers in respect of protected pay for pension for those members who are losing their long-term National Recruitment and Retention Premia (NRRP).**
- **advise employers on the income to be used in setting contribution tiers for part-time officers.**

1. The National Health Service Superannuation Scheme Etc. (Miscellaneous Amendments) (Scotland) Regulations 2012 S.S.I. 2012/163

The above instrument came into force on 28 June 2012 though some provisions have retrospective effect. It amends the National Health Service Superannuation Scheme (Scotland) Regulations 2011 ("the 1995 Section"), the National Health Service Pension Scheme (Scotland) Regulations 2008 ("the 2008 Section"), the National Health Service Superannuation Scheme (Scotland) (Additional Voluntary Contributions) Regulations 1998 ("the AVC Regulations") and the National Health Service (Scotland) (Injury Benefits) Regulations 1998.

This instrument amends the Regulations to reflect:

- changes to tax legislation (mainly in respect of annual and lifetime allowances);
- the Isle of Man NHS scheme moving to a unified pension scheme; and
- minor changes to clarify certain regulations and correct previous errors.

(Information about tax changes has previously been advised to employers via SPPA circular 09/2011 and further information on pensions tax relief can be found at www.sppa.gov.uk).

The Regulations and the Executive note, which explains the changes, can be accessed from the UK Government legislation website at www.legislation.gov.uk. The annex to this circular also provides more information.

Employers are required to bring scheme changes to the attention of members in accordance with the requirements of the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996.

2. Ending of National Recruitment and Retention Premia (NRRP)

Employers will be aware that the review of all existing National Recruitment and Retention Premia (NRRP) concluded that NRRP should cease from 31 March 2011 or be converted to a local RRP where appropriate. 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 the payment at current value
- Year two: 50% of the payment at current value

Long term NRRP payments previously counted as pensionable income, therefore members losing this payment will suffer a drop in the amount of income that can be pensionable when payments cease permanently on 31 March 2013.

Members who are affected can apply to have their level of pay protected for pension purposes. Employers should advise members who have suffered a drop in pensionable pay due to the withdrawal of NRRP that, in line with arrangements in England and Wales, they have **until 31 March 2013** to apply to SPPA for protection of pay for pension purposes.

Members must apply using form "VPP" available at www.sppa.gov.uk. The form must be submitted to SPPA via their employer.

3. Income to be used in setting a contribution tier for part-time officers.

It is important to remember that for part-time officer members, the whole time equivalent (WTE) pensionable pay for their job should be used to assign the correct contribution tier.

The WTE pensionable pay calculated may also include pensionable allowances that have already been paid to the member at a whole time rate of pay (dependent upon local conditions of pay and in line with the AfC Terms & Conditions of Service Handbook).

All employers should check that any allowances that are already paid at the whole time rate to the member e.g. On-call payments, are not included again when up-rating the rest of their pensionable pay to the WTE rate for setting a relevant contribution tier.

Full details on how to set contribution tiers for 2012/2013 can be found in SPPA circular 2012/03.

Sharon Liptrott
Policy Manager
12 July 2012

Contact information:

Should you have any enquiries about this circular, or require further information, please contact: Sharon.Liptrott@scotland.gsi.gov.uk

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE

www.sppa.gov.uk
Telephone: 01896 893000
Fax: 01896 893214

Annex

The National Health Service Superannuation Scheme Etc. (Miscellaneous Amendments) (Scotland) Regulations 2012 S.S.I. 2012/163

Explanation of the main changes

Changes in respect of the Finance Act 2011

The Finance Act 2011 makes changes to the Finance Act 2004 which provides for the taxation of pensions, and certain of its provisions prescribe annual and lifetime allowance limits on tax-relieved pension benefits.

Reduced annual allowance

From 6 April 2011, pension tax relief for active scheme members is restricted to an annual allowance level of £50,000. Active scheme members whose pension benefits increase in value by more than the annual allowance during any year are required to calculate an annual allowance level charge through their self-assessment tax return. To support this there is now a new responsibility on scheme administrators to issue those members affected with a "pension savings statement" (benefit statement) setting out benefits to date and the amount by which the value of their benefits has exceeded the annual allowance level. Schemes are required to issue statements by October following any tax year, extended to October 2013 for the first year. There is also a new responsibility on scheme employers to provide administrators with the information they will need to calculate and prepare statements by July any year, extended to July 2013 for the first year. Changes are made to the scheme regulations to provide for this and have retrospective effect to 6 April 2011.

A further change introduced in the Act permits scheme members with large annual allowance charges (over £2,000) to apply for a new "scheme pays" arrangement. The facility allows members to require schemes to pay these charges to HMRC, on their behalf, subject to the scheme recovering that cost by reduction of current or future benefits. Consequential changes to NHS Scheme regulations apply with retrospective effect to 11 August 2011.

Reduced lifetime allowance

From 6 April 2012, lifetime allowance is also reduced from £1.8m to £1.5 million. The change is accompanied by a new "transitional protection" arrangement (aka "fixed protection"), which permits individuals with pension savings above £1.5 million (or who believe investment/growth will cause benefit value to rise above this level) to apply for a personal lifetime allowance of £1.8 million. Individuals requiring transitional protection must curtail pension saving in all registered pension schemes and have applied to HMRC before 6 April 2012. Members granted "transitional protection" must provide pension schemes with information and the relevant HMRC reference number, to secure the increased lifetime allowance when retirement benefits are calculated.

The changes in the NHS Scheme regulations:

- reflect current HMRC legislation;
- provide for the “scheme pays” and “transitional protection” arrangements; and
- clarify annual allowance level responsibilities for practitioner and non-GP provider members.

Consequential changes to NHS Scheme regulations apply with effect from 6 April 2012.

Changes in respect of the Introduction of Unified Public Service Pension Scheme in the Isle of Man

From 1 April 2012, the Isle of Man Government introduced a Unified Public Service Pension Scheme that will make provisions for NHS staff, Civil Servants, Fire Fighters and a number of other public sector workers on the Island. All active and deferred members of the Isle of Man (IoM) Health Service Pension Scheme (from both the IoM equivalents of our 1995 and 2008 Sections) will have joined the IoM Unified Scheme on 1 April 2012. In addition, all existing NHS Scheme service earned up to 31 March 2012 will be transferred into the Unified Scheme on that date. The IoM Unified Scheme will not participate in the Public Sector Transfer Club (“the Club”).

Currently, dedicated transfer arrangements apply to most members transferring between the four separate Health Service Pension Schemes in Scotland, England and Wales, Northern Ireland and the Isle of Man. In the first instance, a member leaving an NHS Scheme’s 1995 Section would usually be eligible to join and transfer into another NHS Scheme’s 1995 Section. On payment of a transfer value calculated in accordance with Club rules, the receiving NHS Scheme would accept and adopt the member’s NHS Scheme service, pay and contribution record from the sending NHS Scheme. In this way the member is treated as if all their NHS service had accrued in the receiving NHS Scheme.

Introduction of a non-Club Unified Scheme with different provisions to current NHS Schemes means that it will not be possible for the Isle of Man to be part of these dedicated arrangements in respect of members joining a UK Health Service Scheme on or after 2 April 2012.

From that date, when taking up qualifying employment in Scotland, former members of the Unified Scheme will be eligible to join the 2008 Section of the NHS Pension Scheme. Subject to existing time limits, such members will be able to transfer benefits across from the Unified Scheme on a cash equivalent basis in the same way as members transferring from other HMRC approved overseas pension schemes.

Former members of the IoM Health Service Scheme, who joined either the 1995 Section or the 2008 Section on or before 1 April 2012, will be able to complete a transfer on the current basis as long as their application is within current time limits (a transfer must be applied for within a year of joining).

The cessation of “health service scheme” status for the IoM Unified Scheme from 1 April 2012, means that suspension and abatement of pension rules for Scottish NHS Scheme pensioners re-employed in the IoM Health Service on or after 1 April 2012 will also cease to apply. Suspension and abatement rules will continue to apply to Scottish Scheme pensioners re-employed on or before 31 March 2012.

Changes to the NHS (Injury Benefits) Regulations to reflect HMRC tax changes introduced under the Finance Act 2011

Regulation 4(6) of the NHS (Injury Benefits) Regulations 1995 lists certain pensions and benefits paid to individuals to compensate them for injury that must be offset (deducted) from an injury benefit (IB) award, to avoid “compensating them twice from public funds” for the same purpose. Sub-paragraph (a) of regulation 4(6) lists circumstances in which a reduction to a pension named in 4(6) (e.g. because the member exchanges part of their pension for lump sum) must be *disregarded*. With no disregard, individuals would be “double compensated” for their injury.

The Finance Act 2011 changes referred to in this annex make it possible for members to pay an annual allowance tax charge by reduction to pension benefits – the “Scheme Pays” facility. As a consequence, a further ‘disregard’ must be added to the list in IB regulation 4(6)(a).

Other Miscellaneous Changes

Other minor changes are to clarify certain regulations and correct previous errors.

Full details are included in the explanatory note at the end of the regulations.