

Superannuation (Health Service) Circular No. 4 /2008

NHS and other participating employers
GP Practice Managers

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Our ref: NHS/15/01/04

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Dear colleague

Changes to the NHS Pension Scheme in Scotland from 1 April 2008 - Allocation to contribution tiers for officer members in 2008/09.

1. SPPA circular No8/2007 informed employers and employees of ¹changes to the member contribution rates from 1 April 2008. This circular expands on that information and gives guidance to employers on how to allocate members to the correct contribution tier for the financial year 2008/09. Allocation to tiers applies to members of the current scheme and also to those who join the NHS pension scheme under the new arrangements from 1 April 2008. This circular applies to officer members only and a separate notice will be issued for practitioner members. Also please note that it only applies to 2008/09 and further advice will be supplied in respect of 2009/10.

2. A key feature of the new and revised NHS Pension Arrangements is that contribution rates vary from 5% to 8.5% depending on the member's pensionable earnings. Officer members will in the main have their contribution rate in 2008/09 set based on the previous year's full time equivalent (FTE) pensionable earnings. Members joining for the first time in 2008/09 or ²deferred members returning to the scheme (those that left pensionable employment before 31 March 2008) will have their contribution rate based on estimated FTE pensionable earnings for 2008/09. Whilst determining a contribution rate will be straight forward for the vast majority of members, there will be a number of circumstances which will not be straight forward.

3. This circular explains how the tiered contribution rate allocation should be administered in detail, including non straightforward cases. Employers should make the decision on the allocation of an appropriate tier. If a dispute arises SPPA will ultimately make the decision.

¹ These changes are set out in draft Regulations currently subject to consultation required by statute and to Scottish Parliamentary/Ministerial approval.

² Deferred members with service in the current 1995 scheme arrangements who return to NHS employment less than five years after leaving will be able to rejoin the 1995 pension scheme arrangements in 2008/09.

4. Tiered Employee Contribution Rates

Contribution Rates Table

The table for the initial allocation for 2008/9 is:

Table 1 - Tiered Contribution Rates (2007/8 pay rates)

Tier	Annual Pensionable Pay (Full time equivalent)	Current Contribution	New Contribution 2008/09
1	Up to £19,682	5% (manuals) 6%	5% 5%
2	£19,683 -£65,002	5% (manuals) 6%	5% (manuals) 6.5%
3	£65,003- £102,499	6%	7.5%
4	£102,500 plus	6%	8.5%

Note: The contribution rate for members in the current 'manual worker' category will remain at 5% until 31 March 2009 regardless of earnings. This means that any existing manual workers falling within tiers 3 and 4 would also qualify for the 5% contribution tier in 2008/09. From 1 April 2008, for members joining for the first time under the new arrangements, contributions are no longer dependent on whether employees are in manual or non professional grades - manual grades for pension purposes do not exist within the new arrangements and pensionable pay alone will determine the contribution tier. However following SPensiR's agreement, members already paying 5% on 1 April 2008 and those returning to the "Revised 1995 NHS pensions arrangements" during 2008/09 will retain this rate for 2008/09 only.

Updates to the Contribution Rates Table

- a. The table used to allocate staff to tiers will be updated by the Scottish Ministers from time to time.
- b. An updated table will be issued during 2008/9 once the AfC pay award is agreed.
- c. The updated table will be used for new starters who are allocated a contribution tier based on an estimate of 2008/09 earnings (see Annex B) who start on or after the implementation date of the revised table. Other members will retain their tier based on the 2007/08 table until 2009/10. Employers will be notified of the date the updated table is to be implemented when issued by the Scottish Ministers.

5. Allocation to Tiered Contribution Rates

General Principles

- (a) Once a tiered rate has been determined it is applied to the whole amount of pensionable pay. For example, someone with pensionable pay of £150,000 will pay contributions of 8.5% x £150,000.
- (b) Pensionable pay used to determine a contribution tier should include any fixed pensionable allowances plus any deemed pay. Deemed pay means the level of pensionable pay that the member was receiving before moving to reduced or nil pay

e.g. in the case of maternity leave or sick pay where the employer would continue to pay contributions on the higher level earnings). Any references to pay received, pay, earnings, income etc should therefore be read as plus any deemed pay.

(c) Allocation for 2008/09 will be based on full year, full time equivalent pensionable pay during 2007/08 or estimated full year, full time equivalent (FTE) pensionable pay during 2008/09 depending on circumstances, with the exception of existing members currently classed as manual workers and paying 5%. All existing manual workers will retain the 5% contribution rate until 31st March 2009. Those joining the New Pension arrangements on or after 1 April 2008 however will be allocated to a tier on the basis of pensionable pay and not whether they are classified as a manual worker. (If they rejoin the 1995 amended pension scheme they will retain 5% contribution rate)

(d) The 2007/08 pensionable pay used to allocate the member to the contribution tier should not include any arrears of pay not applicable to that financial year.

(e) The new contribution rates are to be applied from Week 1 / Month 1 2008/09.

(f) Pence should be ignored when determining pensionable pay for the purpose of allocating members to tiers.

(g) Pensionable allowances for part-time workers should be uprated to the (FTE) full-time equivalent where applicable.

(h) Any disallowed days should be adjusted for by uprating to a full year, full time equivalent pensionable pay

(i) For Officer members with multiple contracts, (FTE) pensionable pay under each contract is considered separately and each contract is allocated a tier individually.

(j) Officer members without breaks in employment will retain the same contribution rate for the whole of 2008/09:

(k) Officer members moving to employment with a different employer without a break where they were contributing to the scheme will retain the contribution rate they were allocated for the year by the previous employer when this information is available (but see paragraph (n) for multiple employments)

(l) Officer members who move to Practitioner posts will retain the contribution rate they were allocated for the year as Officer Members.

(m) Practitioners who leave the Practitioners' scheme and move to Officer Posts will pay the contribution rate they were allocated for the year as Practitioners.

(n) There are special rules with respect to members with multiple part-time employments who start new employments during 2008/09 which may lead to a contribution tier not being carried over into the new employment. These rules are detailed in Paragraphs 4 and 5 in Annex B.

(o) New starters in 2008/09 who are joining the pension scheme for the first time will be assessed based on estimated pensionable pay for 2008/9 based on FTE salary plus fixed superannuable allowances in payment using the contribution rates table in force at the time they join the scheme.

(p) Where allocation to tiers calls for the use of 2007/08 pensionable pay and every effort to obtain 2007/08 data is delayed and the member is unable to provide evidence of pensionable pay, then the member's contribution rate should be temporarily set by reference to the pensionable pay the employer estimates will be received during 2008/09 uprated to an annual full time equivalent amount and adjusted if necessary when the delayed information becomes available.

(q) For members on or returning from Maternity Leave (no pay SMP etc), parental leave, paternity leave, sick leave (half pay, no pay, SSP) or career breaks etc, normal 'deeming rules' apply from the date of return (see paragraph (b)). Those who go to half pay during the year must continue to pay the rate of contributions for the tier they were placed in but based on the reduced amount of pensionable pay they actually receive. For those staff already on half pay, the tier should be based on their deemed rate of pay. For those who were on nil pay and had been so for the full 2007/08 pay period, they should be allocated to a tier based on estimated FTE pensionable pay for 2008/09.

(r) With respect to contribution tiers, members of the NHS Pension Schemes in England and Wales & Northern Ireland transferring to the NHS Pension Scheme for Scotland will be treated in exactly the same way as members transferring within the NHS Pension Scheme for Scotland. Likewise those transferring from Scotland to other UK schemes should retain the tier they were allocated in Scotland where applicable.

6. Annex A to this notice gives more details for those who will be allocated to the contribution tiers from 1 April 2008, Annex B deals with members commencing employment part way through the 2008/09 financial year and Annex C is a table setting out some examples of how to calculate full year/full time pensionable pay.

7. Further information and scenarios may be posted on the SPPA website as they emerge.

Yours faithfully



Mrs Sharon Liptrott
Policy Manager, NHSSS

Initial 1st April 2008 Allocation

The initial allocation of members to contribution tiers is based on pensionable pay during 2007/08.

1. Continuous Pensionable Employment

Member has continuous pensionable employment 1 April 2007 to 31st March 2008 inclusive:

General Principle:

Members who are employed on 1st April 2008 and who were continuously in pensionable employment throughout the scheme year 1 April 2007 to 31 March 2008 (2007/08) should have their contribution rate set according to the pensionable pay they received in that year.

Pensionable pay for part-time members should be uprated to the (FTE) full time equivalent.

Any disallowed days should be adjusted for by uprating to a full year's pay

Scenarios:

A. Member is full time and employed throughout the scheme year 1 April 2007 to 31 March 2008 by a single employer. Contribution rate is set according to the pensionable pay they received in that year.

B. Member is part time and employed throughout the scheme year 1 April 2007 to 31 March 2008. Contribution rate should be set according to the pensionable pay that would have been received in that year had the member worked full time. Any pensionable allowances etc for part-time members should also be uprated to the (FTE) full time equivalent where applicable.

C. Member has worked a combination of full time and part time continuously throughout the scheme year 1 April 2007 to 31 March 2008. Contribution rate should be set according to the pensionable pay that would have been received in that year had the member worked full time in both employments. That is, the part time employment would be uprated to (FTE) full time equivalent pay and added to the full time pensionable pay. An example which illustrates this calculation is included in the table at Annex C.

2. Part Year Pensionable Pay

Member is in pensionable employment 31st March 2008 and 1st April 2008 with the same employer but:

Member has changed employers during 2007/08.

Or

Member has only part year service during 2007/08.

Or

Member has part year scheme membership

General Principle:

Members should have their contribution tier set based on the pensionable employment current as at 31st March 2008 uprated to the full year, (FTE) full time equivalent.

Scenarios:

A. Member is employed on 31st March 2008 but changed employers during 2007/08. The member's contribution rate should be based on the pensionable earnings in the employment current as at 31st March 2008 uprated to full year equivalent, the earlier employment is disregarded. If the 31st March 08 employment is part time then pensionable earnings should be uprated to the (FTE) full time equivalent as well as full year equivalent.

B. Member is employed on 31st March 2008 but started the employment part way through 2007/08. The member's contribution rate should be based on the pensionable earnings in the employment current as at 31st March 08 uprated to Full year equivalent. If the employment is part time pensionable earnings should be uprated to (FTE) full time equivalent as well as full year equivalent.

C. Member is employed on 31st March 2008 and 1st April 08 but only had part year scheme membership in 2007/08. The member's contribution rate should be based on the pensionable earnings received during that period of membership uprated to Full year equivalent if he was only in employment for part of 2007/08. However if the member was in employment for the full year although not in membership for the full year, for the purposes of allocating a tier his actual pensionable pay received should be accepted as if contributions had been made to the scheme for the full year. (i.e. his tier will be based on 2007/08 actual pensionable earnings.) If the employment is part time pensionable earnings should be uprated to (FTE) full time equivalent as well as full year equivalent.

3. Concurrent Employments

Member is in pensionable employment which meets the criteria specified in sections 1 and 2 of this annex. However, the member has two or more such employment contracts concurrently.

General Principle:

Each employment contract should be assessed separately and assigned a contribution tier individually.

The tier for each employment should be determined by applying the rules outlined in sections 1 and 2 of this annex to each employment. This may result in different tiers being assigned to each employment contract.

Scenarios:

Member has two part time employments. Each employment should be taken separately and the contribution tier(s) set using the rules outlined above.

Notes:

- Concurrent employment requires each employment to have a separate employment contract.
- There is no difference between multiple employment contracts with single employer and concurrent employments with multiple employers.

Tier Allocation during the 2008/09 financial year.

Allocation of members to tiers during 2008/09 may be based on a tier calculated as at 31 March or 2008/09 estimated pensionable pay depending on circumstances.

1. New Entrant

Member joins the NHS Pension Scheme for the first time during 2008/09

General Principle:

Members should have their contribution tier set based on the employer's estimate of pensionable pay for 2008/09.

Scenario:

Member joins the NHS pension scheme during 2008/09 either on 1st April 2008 or later in the year. The contribution rate should be based on the pensionable pay the employer estimates will be received during 2008/09 uprated to the full year, (FTE) full time equivalent.

2. Deferred scheme member returns to pensionable employment

Deferred scheme member who had left pensionable employment by 31 March 2008 and returns on or after 1 April 2008

General Principle:

Members not in employment as at 31 March 2008 but who return after 1 April 2008 should have their contribution rate based on the pensionable pay the employer estimates will be received during 2008/09 uprated to the full year, (FTE) full time equivalent.

Scenario:

Member leaves the pension scheme in October 2007 and is not therefore a member at 31st March 2008 or when he commences new pensionable employment on 1 May 2008. In this case the contribution rate should be based on the pensionable pay the employer estimates will be received during 2008/09 uprated to the full year, (FTE) full time equivalent.

3. Change in Employment falling over 31st March and 1st April 2008

Member ceased to be in pensionable employment on or before 31st March 2008 but returns to employment on or after 1st April 08. That is, the member wasn't employed by the same employing authority on 31st March 08 and 1st April 08.

General Principle:

Members should have their contribution tier set based on the employment started in 2008/09.

Scenarios:

A. Member left employment during 2007/08 and returned to pensionable employment in 2008/09. Contribution rate should be set by the pensionable pay the employer estimates will be received during 2008/09 uprated to the full year, (FTE) full time equivalent.

B. Member left employer on 31st March 08 and commenced with a different employer on 1st April 08. Contribution tier should be set by the pensionable pay the employer estimates will be received during 2008/09 uprated to the full year, (FTE) full time equivalent.

Notes:

- Because the member wasn't employed by the same employer over the 31st March 08 and 1st April 08 they will not have been given a contribution tier based on 07/08 pensionable pay. Had they been employed by the same employer over the year end / year start then they would have been allocated a tier which they would then have retained for the later employment.

4. Members Moving Employments during 2008/09

Member moves employment, either with the same or different employer during 2008/09:

General Principle:

New starters in 2008/09 who were previously working in the NHS as officers or practitioners and were allocated a contribution tier in that employment should have contributions deducted on the basis of their previously allocated contribution rate; provided the member does not have more than one part time officer employment already or will have more than one part time officer employment with the addition of the new post.

In other cases contributions should be based on the best estimate of pensionable pay for 2008/09. That is where the member:

- has more than one part time officer post at the point of moving employment; or
- will have more than one part time officer post with the addition of the new employment; or

Special rules around multiple employments are further explored and exemplified in Annex B paragraph 5.

Scenario:

A. Member moves employment during 2008/09. The contribution tier assigned with respect to the first employment in 2008/09 should be retained for the second and any subsequent employments in 2008/09.

5. Concurrent Employment Scenarios

Member has concurrent employments with the same or a different employer:

General Principle:

Normally an employee will retain a contribution tier for the whole of 2008/09 and will retain the tier when moving employments. However, in circumstances where a member has more than one part time officer employment already or will have more than one part time officer employment with the addition of the new post, it will not be possible to identify an existing contribution tier that the member should retain.

In such cases the contribution tier for the member's new employment should be based on estimated 2008/09 full year, (FTE) full time equivalent pensionable pay, rather than being carried over from a previous employment. That is, where the member:

- has more than one part time officer post at the point of moving employment; or
- will have more than one part time officer post with the addition of the new employment;

The contribution tier for any existing, continuing employment will not be reassessed and would continue unchanged.

There is no difference in the application of the rules with respect to multiple employment contracts with respect to whether they are with a single or multiple employers.

Scenarios:

A. Member has part time Employments 1 and 2 which terminate at the same time and starts new Employment 3 without a break. In this scenario the employee has multiple employments at the point Employment 3 starts; therefore, the contribution tier for Employment 3 would be based on estimated 2008/09 FTE pensionable pay.

B. Member has part time Employments 1 and 2. Employment 1 terminates and Employment 3 starts without a break. In this scenario the employee has multiple employments at the point Employment 3 start; therefore, the contribution tier for Employment 3 would be based on estimated 2008/09 FTE pensionable pay. There has been no change in Employment 2 therefore there is no change to the tier already assigned.

C. Member starts new Employment 2 whilst already employed in Employment 1. In this scenario the employee has multiple employments at the point Employment 2 starts; therefore, the contribution tier for Employment 2 would be based on estimated 2008/09 FTE pensionable pay. There has been no change in Employment 1 therefore there is no change to the tier already assigned.

D. Member starts new Employment 2 whilst already employed in Employment 1 and then terminates Employment 1 and starts Employment 3. In this scenario the employee has multiple employments at the point Employment 2 starts and at the

point Employment 3 starts; therefore, the contribution tier for Employment 2 and 3 would be based on estimated 2008/09 FTE pensionable pay. There has been no change in Employment 1 therefore there is no change to the tier already assigned up to the point it terminates.

Notes:

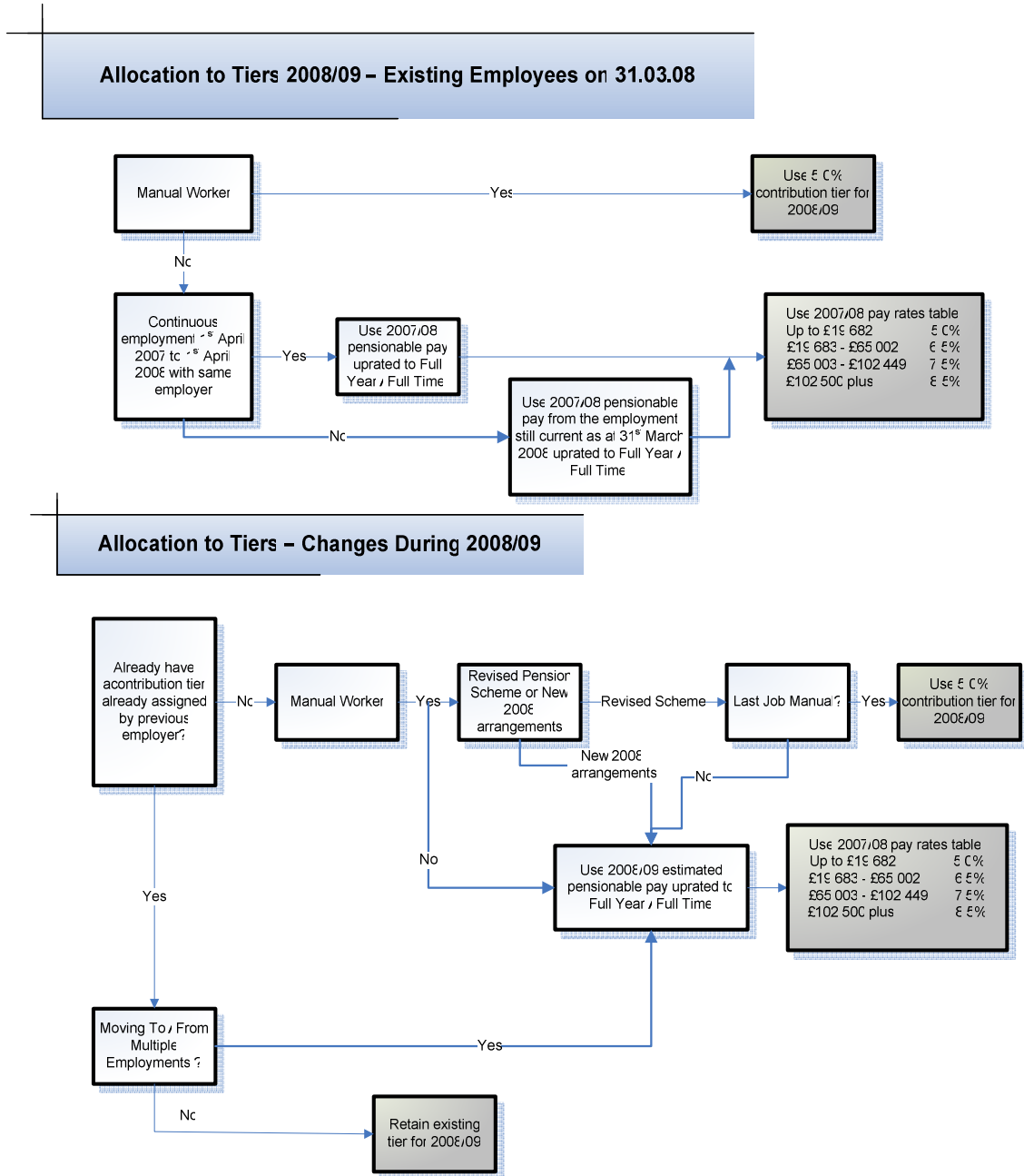
- Concurrent employment requires each employment to have a separate employment contract. Multiple duties under a single employment contract do not constitute separate employments even if the different duties attract different rates of pay.

There is no difference between multiple employment contracts with single employer or multiple employers.

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6. Flowchart

The flowchart below illustrates the rules to be applied when allocating members to contribution tiers at the start of 2008/09 and during 2008/09:



Notes

- 1 Staff not employed 31 03 08 to 01 04 08 by the same employer will not have been allocated a contribution tier
- 2 Tiers are for 2008/09 stated at 2007/08 price levels. Pence are ignored for tier assignment
- 3 Estimated pay includes estimated pensionable allowances etc
- 4 See main document section 3.4 for explanation of multiple employments

Calculation of Full Year, Full Time Pensionable Pay

The table below gives some examples of how to calculate full year / full time pensionable pay.

Scenario		FTE Pensionable Pay	Tier
Full Time – Full Year	Employed full time	£20,000	5% if Manual Worker (and a member of the existing arrangements) 6.5% otherwise
	Continuous employment in 2007/08 2007/08 pensionable pay - £20,000.	No adjustment is required.	
Full Time – Full Year but with disallowed days	Employed full time	£19,000 x 1955/1900 = £19,550	5%
	Continuous employment in 2007/08 2007/08 pensionable pay - £19,000.	That is: Pensionable Pay x Full Time Hours / Actual Hours	
	Pensionable hours worked = 1900		
	Full time hours = 1955		
Part Time – Full Year	Employed part time 20 hours per week	£20,000 x 37/20 = £37,000	5% if Manual Worker (and a member of the existing arrangements) 6.5% otherwise
	Full time for post is 37.5 hours per week	That is: Pensionable Pay x Full Time Hours / Actual Hours	
	Continuous employment in 2007/08		
	2007/08 pensionable pay - £20,000.		
Full Time - Part Year	Employed full time	£10,000 x 12/9 = £13,333	5%
	Continuous employment 01.07.2007 to 31.03.2008	That is: Pensionable Pay x Full Year / Part of Year Worked	
	2007/08 pensionable pay –		
	£10,000 for the period worked.		
Part Time – Part Year	Employed part time 20 hours per week	£10,000 x 40/20 x 12/7 = £34,286	5% if Manual Worker (and a member of the

	<p>Full time for post is 40 hours per week</p> <p>Continuous employment 01.09.2007 to 31.03.2008</p> <p>2007/08 pensionable pay – £10,000 for the period worked.</p>	<p>That is:</p> <p>$\text{Pensionable Pay} \times \frac{\text{Full Time Hours}}{\text{Actual Hours}} \times \frac{\text{Full Year}}{\text{Part of Year Worked}}$</p>	<p>existing arrangements) 6.5% otherwise</p>
Mix part-time & full-time	<p>Employed part time 20 hours per week 1.4.07 to 30.11.07.</p> <p>Full time for post is 40 hours per week</p> <p>Employed full time 1.12.07 to 31.03.08</p> <p>2007/08 pensionable pay for employment 1 - £30,000.</p> <p>2007/08 pensionable pay for employment 2 - £10,000.</p>	<p>$£30,000 \times \frac{40}{20} + £10,000 = £70,000$</p> <p>That is:</p> <p>$\text{Pensionable Pay Employment 1} \times \frac{\text{Full Time Hours}}{\text{Actual Hours}} + \text{Pensionable Pay Employment 2}$</p> <p>Employment 1 is adjusted to full time. Employment 2 is already full time and is simply added to the adjusted Employment 1.</p>	7.5%