

NHS Pension Scheme

2020/07

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| Who should read: | <ul style="list-style-type: none">• NHS HR and Payroll Managers• GP Practice Managers• Direction Bodies• Practitioner Service Division (PSD)• Dental Payments |
| Action: | For information |
| Subject: | Coronavirus Job Retention Scheme (CJRS) |
| Date: | 5 May 2020 |

The purpose of this circular is to give guidance on the UK Government's Coronavirus Job Retention Scheme (CJRS) and in particular on the action and impact for Employers and members of the NHS Pension Schemes (Scotland).

Some employers may be eligible for financial support schemes during the COVID-19 period. UK Government guidance can be found on the following link:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

1. Furloughed Staff and Pay

Furloughed staff are those that are being paid under CJRS. Where employers receive public funding for staff costs, and that funding is continuing, it is expected that employers will use that money to continue to pay staff in the usual way and not furlough them. This includes Health Boards, who continue to be pay their staff in full. Non-public sector employers who receive public funding for staff costs should also not furlough staff. However we are aware that some employees of third sector Direction Body employers are being furloughed. Furlough pay is to be treated as pensionable under the scheme regulations.

Contribution Rate

Both employee and employer contributions will be payable on the actual pay the member is being paid. If that is 80% normal pay, or £2,500pm, then contributions should be based on this reduced amount. If the employer chooses to "top up" to normal pay then the contributions should be based on the normal pay. This applies to both those in the Final

Salary and Career Average schemes. Employee contributions should continue to be deducted at the members existing contribution rate as this is based on the member's whole-time equivalent pay which is not changing.

Service and Pensionable Earnings in the NHS Superannuation Scheme (Scotland) 1995 & 2008 Sections (Final Salary)

Where final pay is less than normal pay the amount of service that counts towards pension benefits (known as reckonable service) will be proportioned in relation to the amount paid. For example if 80% of the salary is paid then this will result in 80% of full time service for that period. As furlough is expected to be a short-term arrangement, this should have minimal impact at the point of retirement. Any furloughed salaries should be reported to SPPA as part-time. For pension calculation purposes, the full time equivalent will be used for the final years' pensionable pay and reckonable pay.

The Death in Service (DiS) lump sum in respect of part-time members is based on pro-rated pensionable pay. Where the member's service is reduced to part-time as a result of being furloughed, the full-time pay from the previous year (1995 section) or the average of the full-time pay from the previous three consecutive years (2008 section) would, if higher, be used to calculate the DiS lump sum, therefore minimising the impact of the furlough period.

Pensionable Earnings in the NHS Pension Scheme (Scotland) 2015 (Career Average)

Where 80 % furlough is in place for those in the Career Average pension scheme, only that percentage of the pension will be added to the Career Average pension. Again, as this is for a short period of time there should be minimal impact on final pensions. As for members in the final salary scheme, employers should report furlough earnings as part-time. Guidance on reporting is included below.

Pensionable family leave

If the member is on family leave whilst being paid under CJRS, the contribution percentage rate should remain unchanged and will apply to the actual pensionable earnings. Pension benefits will continue to accrue as long as the member is being paid.

Reporting to the SPPA

- A Service Change form is required for full time members of staff who are being furloughed – there is no requirement to send service changes for members who are already part time and are reducing their hours further.
- Employers should ensure they add “**furloughed staff 80%**” in the notes column of the form.
- The subsequent annual return should include earnings for the full year.
- Pension accrual will be affected because furloughed staff are paying less contributions and accruing less service and pension from the date of change, but these arrangements are temporary and this approach ensures the impact on members will be minimal.
- Remember any reductions will only apply from the date of change. Pension accrued prior to change will be unaffected.

When members return to full time employment you should notify the SPPA by submitting the service change form, indicating the return to full time employment.

2. Staff not furloughed but have a temporary reduction in pay

Where an employer has reduced the pay of their staff on a temporary basis but not on furloughed leave that revised salary will be used in the calculation of contributions and pensionable earnings for both the Final Salary and Career Average schemes.

Any questions?

Please contact greg.walker@gov.scot if have any enquiries about this circular.

Greg Walker
Policy Manager
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