

This is the third edition of the Employer Newsletter and the first of 2011

In this edition there is information about:

- Recent changes in UK Government pensions policy
- Finance Income Collection
- Choice Exercise
- Recently Issued Circulars

EMPLOYER NEWSLETTER





PENSION REFORM LATEST

Following Lord Hutton's independent review of public service pensions on behalf of the UK Government last year, the Chief Secretary to the Treasury, Danny Alexander, set out the UK Government's position on both short-term increases in employee contribution rates and potential longer-term reforms in a Written Ministerial Statement to the UK Parliament on 19 July. Consultations on the proposed 2012-13 increases in employee contributions for the NHS, Teachers' and Police Pension Schemes in England and Wales have already begun. Those for Firefighters and Local Government are expected shortly.

The UK Government has made it clear that it expects its proposed short and longer-term reforms to apply to public service schemes across the UK.

The latest Scottish Government position on potential employee rate increases and longer-term reforms as they might apply to schemes under Scottish Ministers' control – those for Local Government, the NHS, Teachers, Police and Firefighters in Scotland - was set out in the Finance Secretary, John Swinney's, statement to Parliament on 22 June 2011. Scottish Ministers are still considering these matters and are committed to engaging with stakeholders before final decisions are taken.

In addition, the UK Government is already introducing other reforms to both workplace and state pensions, some of which have already impacted on public service pension schemes in Scotland. This edition covers the impact of the UK Government's flagship approach to encouraging more people to save for retirement - auto-enrolment - as well as information on recent changes in pensions tax relief.



AUTO-ENROLMENT

As people are living longer and likely to enjoy a longer retirement, the UK Government is introducing Workplace Pension reforms. All the recommendations of the Independent Review on Workplace Pension reforms have been accepted and the Government is now taking these forward in the Pensions Bill 2011.

One of the key changes being introduced is “Automatic Enrolment” which will be implemented from 1 October 2012.

Automatic Enrolment is the core employer duty of work-based pensions reform. It means that employers must automatically place all eligible employees into their pension scheme and advise them that they have done so.

From 2012, there are significant changes which employers will be obliged to adhere to. The main aspects will be:

- automatically enrolling all eligible jobholders in the scheme within 3 months of them taking up employment (without the jobholder taking any action)
- not asking jobholders whether they wish to join, as happens currently
- providing new members with information about automatic enrolment and the scheme they have been enrolled into
- re-enrolling jobholders, who have previously opted out, after 3 years if they are still working for the same employer
- jobholders who have opted out within 12 months of the re-enrolment date are exempt until the next automatic re-enrolment.

Of course we're aware that, as employers, you will already be up-to-speed with these new duties that you face. As scheme administrator, SPPA can assure that we will work with employers to ensure that relevant forms and scheme information are amended for future and active members so that they are aware of their rights and the benefits of being in a pension scheme.

DWP, Workplace Pension Reform, The Pensions Regulator and the National Employment Savings Trust (NEST) have responsibility for ensuring that the programme is rolled out and maintained by employers.

PENSION TAX RELIEF

The UK Government announced changes to the Annual Allowance (AA) and Lifetime Allowance (LTA) for pension savings. From 6 April 2011, the AA has been reduced from £255,000 to £50,000 and from 6 April 2012 the LTA will reduce from £1.8m to £1.5m.

The changes to the way pensions are taxed are aimed at restricting the tax relief granted to the most highly paid and forms part of the Finance Act 2011.

The main changes are:

- From this tax year 2011/12, the AA is reduced to £50,000.
- From 6 April 2011, the way that the pension growth is calculated changed and a new flat rate factor of 16 will be used in calculating the build up of a pension in a year.
- Where a pension only entitlement increases by more than £3,125 after inflation in the year tested against the AA, the £50,000 limit will be exceeded.
- Where a pension and lump sum entitlement increases by more than £2,631 after inflation in the year tested against the AA, the £50,000 limit will be exceeded.
- Individuals will be able to carry forward three years of unused AA.
- From 6 April 2012, the LTA will reduce from £1.8m to £1.5 m.

The AA is the limit on how much tax-free pension savings you can make in any one year. If your pension saving in any year is over the AA you may have to pay extra income tax. With effect from 6 April 2011, the AA is £50,000 and contributions made to pension savings above this limit will be subject to tax at the individual's highest marginal rate.

The LTA is the overall total amount of pension's savings that you can have at retirement without incurring a tax charge. It is currently £1.8 million (2011/12) and will reduce to £1.5 million from 6 April 2012.

LIFETIME ALLOWANCE PROTECTION

For the purpose of the LTA, benefits crystallise on the date the member had an actual right to receive their benefits. This date is later of the payable date or the date the benefits are actually paid by SPPA.

The reduced LTA will, therefore, apply to members who become entitled to receive benefits when they :-

- retire on or after 6 April 2012 and the date the benefits are authorised or paid is before that date or
- retire before 6 April 2012 and the date the benefits are authorised or paid is on or after 6 April 2012.

Members who have already built up a pension pot in excess of £1.5m can apply to HMRC for protection. This is known as "fixed protection" and is an arrangement between scheme members and HMRC. However, anyone can apply for fixed protection but they are only likely to need it if they expect their benefits from all schemes to exceed £1.5m. Members must apply to HMRC by 5 April 2012 for protection and applications are available for their website at :- www.hmrc.gov.uk

SPPA is currently working with our system supplier to develop a solution to identify all pension scheme members who are affected by these changes.

Further information including a Q&A, modeller, calculator and links to HMRC are available on our website.

ANNUAL RETURN INFORMATION FROM 2012

To facilitate the new arrangements for the AA and LTA, employers will be required to provide Annual Return information to SPPA by 6 July following the end of the tax year. This is an HMRC imposed deadline which will allow the member to submit the tax assessment to HMRC by the following January, therefore a date to put in your diary is 6 July 2012!!

CHOICE UPDATE

The Choice Exercise Project concluded on 31 July 2011 and the Choice telephone helpline and e-mail box were closed from 1 August 2011. Any further enquires should be made to SPPA using the normal contact details.

Further information about this exercise including literature, calculators and DVD are still available on the NHS Choice section of the website.

MEMBER/PENSIONER WEB SERVICES

SPPA have started to develop a member web page. We will be letting you know more about progress, and what services members can expect to access via the web, over the coming months.

EMPLOYER SEMINARS

Circular 2011/08 was issued recently inviting employers to Seminars being held in our office in Tweedbank.

The proposed dates for NHS employers are 22, 23 and 24 November 2011.

Various topics will be covered including Pension Tax Relief, Auto Enrolment, Ill Health, Data submissions and a Pensions Policy update.

As an alternative to travelling to Tweedbank we are offering Video Conferencing facilities. If this is something you may be interested in using or you could possibly host a video conference for other employers in your area, please contact the Stakeholder Liaison Team by email to :- sppastakeholderliaison@scotland.gsi.gov.uk



FINANCE INCOME

The Finance income team is from left to right;

Mark Cockburn, Doug Wyngard, Heather Rivera and Marge Inglis.

The Finance team would like to thank all employers for their assistance in collecting and accounting for pension contributions and other scheme income.

To help us in our administration of the income collection we would like to remind you of some important points regarding the monthly pension contributions submission process. We would be grateful if you could consider the following points:

1. As our system is automated, please only send your SCAN form to sppa-contrs@scotland.gsi.gov.uk once, otherwise it will be duplicated on our finance system.
2. Please ensure that your SCAN form is sent to SPPA before you pay over your pension contributions.
3. Please state your SPPA employer reference number on all payments submitted and correspondence.
4. Your monthly pension contributions must reach SPPA's bank account strictly on, or before the following dates:
 - For The Scottish Teachers' Superannuation Scheme (STSS) – 7th of the month following the pay period.
 - For the National Health Service Superannuation Scheme (Scotland) - 19th of the month following the pay period.

Note: If the 7th and the 19th of a month fall on a week-end or bank holiday, please ensure the payment reaches SPPA's bank account by the Friday or last working day prior to this.

Useful Information

Bank Details

Please see our bank account details below. Unless you use a RBS bank giro slip, you should pay all payments to this account;

Bank	Citi Bank
Account name	GBS re SPPA
Account no	12479672
Sort code	08-33-00

Contact Details

Address:

SPPA
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

Fax: 01896 893 260

If you have any enquiries about this notice or any other pension contribution related questions, please either call 01896 893000 and ask for Finance Contributions or e-mail the finance team on SPPA-Finance@scotland.gsi.gov.uk (note the SCAN should not be e-mailed to this address). The best time to call is Monday to Friday 9.00 am to 4.30 pm.

RECENTLY ISSUED CIRCULARS

Circular 2011/08: Issued 11 August 2011

Premature Retirement, Capitalisation and end of Transitional arrangements from 30 September 2011.

Circular 2011/07: Issued 11 August 2011

Invitation to Employer Seminars.

Circular 2011/06: Issued 28 July 2011

Sending and Receiving data to and from SPPA.

Circular 2011/05: Issued 27 April 2011

Changes to Injury Benefits Payment.

KEEP US INFORMED

It is important that the SPPA is kept up to date with any change of contact details within your organisation and would like to request that if there is a change in personnel, or if we are issuing information to the incorrect person, please contact us by email at SPPAstakeholderliaison@scotland.gsi.gov.uk

Your co-operation with this matter is appreciated.

CONTACT US

NHS AWARDS

Tel: 01896 893000 and ask for 'NHS Awards'
Email: nhsawards@scotland.gsi.gov.uk

NHS SERVICE

Tel: 01896 893000 and ask for 'NHS Service'
Email: nhsservice@scotland.gsi.gov.uk

If you have any suggestions for the Newsletter or would like a particular topic covered in future publications please do not hesitate in contacting us at the email address below.

SPPAstakeholderliaison@scotland.gsi.gov.uk

Thank You