

EMPLOYER NEWSLETTER

FEBRUARY 2012

Welcome to the February edition of our Employer Newsletter updating you on information affecting the NHS Superannuation Scheme (Scotland).

Featured in this issue:-

- Key management changes within SPPA
- Long term pension reforms
- Changes to employee contributions rates
- Valuations
- Tax and Auto Enrolment
- Recently issued circulars



KEY MANAGEMENT CHANGES

Ian Clapperton will be leaving the Agency in April and his post as Director of Operations, which encompasses the role of Scheme Administrator for both NHS and STSS, will transfer to Pam Brown who is currently the Agency's Director for IT and Projects. A new post of Deputy Director of Operations is being created and Eleanor Guthrie, currently working on NHS policy, has been appointed to the role.

Roy Millan, who has responsibility for the day to day management of the teams involved in NHS/STSS pension administration, is also leaving and his post will be filled by Gerry McGarry.

The formal date of the changes will be 10 April 2012 and contact details are:

Pam Brown -
Pamela.Brown1@scotland.gsi.gov.uk

Eleanor Guthrie -
Eleanor.Guthrie@scotland.gsi.gov.uk

Gerry McGarry -
Gerry.McGarry@scotland.gsi.gov.uk

LONG TERM PENSION REFORMS

Discussions for the NHS scheme in England and Wales have taken place on the longer term reforms planned for introduction from April 2015. Although the UK Government announced at the end of December that outline agreement had been reached on the proposed reforms it is not clear when a full and final agreement will be reached. Details of the initial announcement made by the UK Government in December is available from the following link: www.hm-treasury.gov.uk/press_146_11.htm

The Scottish Government is currently considering its approach to long term pension reform. It continues to seek clarification of the UK Government's reforms which it will consider as part of the options available to it in determining what reforms are right and relevant for the NHS scheme in Scotland.

SPPA's website will be updated with the latest information as reform discussions progress.

CHANGES TO EMPLOYEE CONTRIBUTION RATES

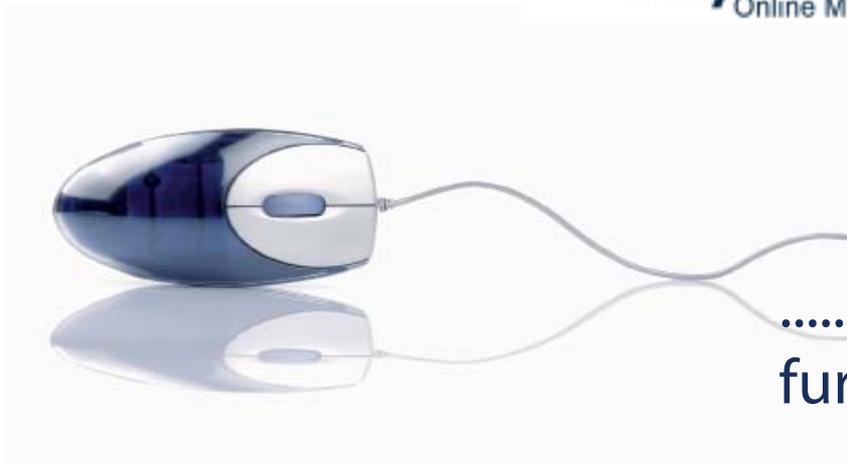
As a result of the UK Government's policy to increase public sector employee pension contributions, proposed increases for the NHS scheme in Scotland were consulted on between 7 October and 17 November 2011. It was concluded that the revised employee contribution rates being applied in England and Wales should also be applied in Scotland. Draft regulations reflecting these rates were issued for consultation on 22 December 2011 and consultation closes on 3 February 2012. Full details are available on SPPA's website. Subject to consultation responses and Parliamentary approval, the table below outlines the revised rates which will apply from 7 April 2012. Further information on applying the new rates will be sent to employers once these are confirmed.

Employee contributions to be paid in scheme year 2012/13

Pensionable Pay Band	Contribution percentage rate
Up to £15,000	5%
£15,001 - £21,175	5%
£21,176 - £26,557	6.5%
£26,558 - £48,982	8%
£48,983 - £69,931	8.9%
£69,932 - £110,273	9.9%
£110,274 and above	10.9%

Increases in employee contributions for 2013/14 and 2014/15 will be consulted on at a later date.

Coming soon.....



.....read on for
further information

VALUATIONS

Employers will wish to note that there are no plans to alter the existing employer contribution rate at this time. Scheme valuations to 2008 (NHS) and 2009 (STSS) are on hold following an instruction from HM Treasury and no further actuarial work on these valuations is planned.

SPPA will ensure that employers are informed should there be any change to this position.

ANNUAL ALLOWANCE

The Annual Allowance (the maximum amount of “pension pot” growth a member can have across all their pension arrangements) will, from 6 April 2012, reduce from £255,000 to £50,000. As a result some members may be faced with a tax charge if they have breached the annual allowance limit. HMRC have introduced a ‘Scheme Pays’ option to help members who are faced with a tax charge of over £2,000 in any one single year. However, if the member elects for the Scheme Pays option, their pension benefits will be permanently reduced to reflect the impact of any payments made.

Although the member is liable for paying the annual allowance charge, both employers and SPPA have a responsibility to ensure that members who may be affected by this are provided with the necessary information in order to allow them to make an informed decision about paying the charge.

Therefore, to comply with this requirement, employers now have a statutory duty to complete and submit their 2011/12 Annual Return information to SPPA with the members’ salary and service details by **6 July 2012**. This will enable us to provide members with a pensions’ savings statement by 6 October each year.

Failure to supply the required information when required could result in the member being subject to fines and late payment penalties from HMRC. We are also required to notify The Pension Regulator of employers who do not comply with the new statutory requirements. Please therefore ensure that you are in a position to provide the Annual Return information to us by 6 July 2012 in respect of the 2011/12 scheme year.

For further information:
www.hmrc.gov.uk/pensionschemes
www.sppa.gov.uk/



LIFETIME ALLOWANCE (LTA) IS REDUCING

In the Finance Act 2011, the UK Government confirmed that the standard LTA would reduce from its current value of £1.8m to £1.5m from 6 April 2012. Member's whose benefits are paid or authorised on or after 6 April 2012 will have their LTA based on the reduced standard LTA unless they have Fixed Protection.

For the purposes of the LTA, benefits crystallise on the date the member had an actual right to receive their benefits. This date is the later of:

- the payable date; or
- the date benefits are actually authorised by SPPA.

For those who are affected by the reduced allowance, the percentage of LTA used will be based on £1.5m. Any delay in claiming benefits may therefore result in:

- a bigger percentage of the LTA being used up. Charges may then apply to a later benefit crystallisation because there is insufficient LTA remaining; and
- high earning scheme members may become subject to LTA charges or see those charges increase.

IMPORTANT ACTION FOR EMPLOYERS

To allow scheme members to consider how they might be affected by the reduced LTA, employers must bring it to the attention of those who are planning to retire during the last quarter of 2011/12 or the first quarter of 2012/13. This includes members who have already confirmed their intention to retire. Members who wish to have their benefits assessed against the LTA of £1.8m must retire before 6 April 2012 and allow sufficient time before that date for the benefits to be authorised. The completed application form must, therefore be sent to SPPA at least three months before the intended retirement date.

PROTECTION FROM THE REDUCED LTA

For members who do not have either Enhanced or Primary Protection, HMRC has introduced Fixed Protection for those who wish to protect their pension benefits from the reduced LTA. Members should take independent financial advice before making a decision about applying for Fixed Protection.

Further information can be found on HMRC's website:

www.hmrc.gov.uk/manuals/rpsmmanual/rpsm11101000.htm (pages 11101500 to 11101550)

SPPA website at:

www.sppa.gov.uk/index.php?option=com_content&view=article&id=530:lifetime-allowance-frequently-asked-questions&catid=248&Itemid=989

Individuals must apply directly to HMRC before 6 April 2012 if they require Fixed Protection using form APSS227 which can be downloaded from HMRC's website at:

<http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=VZp7BA-5tmM&formId=4083>.

AUTO ENROLMENT

Workplace Pensions Reform is a highly significant reform process designed to increase participation in occupational pension schemes by providing employees with access to either a Qualifying Workplace Pension Scheme (QWPS) or an alternative centralised arrangement such as National Employment Savings Trust (NEST). Employers have a responsibility to provide members access to a suitable scheme, to auto-enrol eligible employees into that scheme and to make contributions.

The pension schemes that SPPA administer meet the 'suitable scheme' requirements although some changes need to be made to opt-out regulations and limits on service to comply fully. The schemes do not operate a minimum earnings criterion, therefore eligible employees between 16 and 75, regardless of earnings, must be auto enrolled.

Employees can continue to opt out at any time but will have to be re-enrolled every three years. Remember, for those with multiple employments, each employment will have to be dealt with separately, so a person could be a member for one employment and have opted out for another.

The Pensions Regulator has developed good quality guidance on this requirement which can be found at www.thepensionsregulator.gov.uk/employers.aspx.

MY PENSION – ONLINE MEMBER SERVICES



In Spring 2012 SPPA is launching "My Pension – Online Member Services".

This new service provides current members of the NHS Superannuation Scheme (Scotland) with a secure online service accessed from SPPA's website where they can:

- view their 2011 (and subsequent) pension benefit statements online
- use the online calculators to estimate their pension and lump sum options
- contact SPPA directly online with any pension or benefit statement enquiry.

To help promote "My Pension – Online Member Services" SPPA is arranging to send publicity materials to NHS employer organisations. These will be sent out during February/ March to nominated contacts, where this has been provided or HR Departments where this information is not available.

Can you please arrange for the flyers to be distributed to members of the scheme and the posters to be displayed in a prominent place for staff to view. SPPA is also able to provide the flyer and poster in pdf format on request and has set up a dedicated e-mail box for employers at sppamypension@scotland.gsi.gov.uk

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. It is essential that you comply with this deadline.

RECENTLY ISSUED CIRCULARS

Circular 2012/1: Issued 13 January 2012
Changed employee contributions.

Circular 2011/10 - Issued 14 December 2011
Advice for Employers about reporting strike days.

Appendix to Circular 2011/08 : Issued 9 November 2011.

Addendum to Circular 2011/08 : Issued 9 November 2011
An addendum of Circular 2011/08 originally issued on 11 August 2011 regarding Factors used in Premature calculations.

Circular 2011/09 : Issued 1 September 2011
An update on tax, following on from Circular 2011/01.

Circular 2011/08: Issued 11 August 2011
Changes to the scheme applicable from 1 October 2011.

KEEP US INFORMED

If an employee reports a change in their circumstances please make sure they notify us of this by providing them with contact details for SPPA.

Email - NHSAwards@scotland.gsi.gov.uk or NHSService@scotland.gsi.gov.uk



Telephone - 01896 893 000



Post - SPPA, 7 Tweedside Park, Tweedbank, Galashiels, TD1 3TE



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