



NATIONAL HEALTH SERVICE SUPERANNUATION SCHEME (SCOTLAND)

A Guide to the Scheme for Practice Staff
in Scotland

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Introduction

This booklet aims to answer most of the questions you may want to ask about with the NHS Superannuation Scheme.

A brief look at the NHS Superannuation Scheme.

The scheme provides for:

- A pension and lump sum when you retire
- Voluntary Early Retirement
- Ill-health retirement benefits
- Life insurance cover (Death Benefits)
- Family Benefits (Widow(er)'s/Civil Partner's and dependants' benefits)

All pension benefits are based on pensionable pay and length of service in the scheme. They are guaranteed by law to be there when you become entitled to them. Pensions are increased each year to maintain their value. With tax relief on contributions, the net cost of all these benefits for most members is around 3¹/₂% of their pay.

The scheme has the full support of the trade unions and professional bodies representing those who work in the NHS.

This booklet is intended as a general guide. While care has been taken to ensure it is accurate at the time of publication, it does not give a complete or legally-binding statement of the law and regulations which govern the scheme. Nothing in it can override the regulations which set out the conditions of entitlement and determine the rate at which benefits are payable.

If you are in any doubt about how the regulations affect you, you should contact the Scottish Public Pensions Agency for advice.

Welcome to the NHS Superannuation Scheme

The scheme is an important and valuable staff benefit for people working in the NHS. As a member, you get an excellent package of pension benefits, protected against inflation and guaranteed by the Government.

Scheme benefits are worth almost 20% of pay overall but only cost around 3½% of net take home pay for most members.

If you join the scheme, you will receive life insurance cover of twice your pensionable pay from the day you join.

Membership is not compulsory. You can make alternative provision through a personal pension or be contracted in to the State Earnings Related Pension Scheme (SERPS). Membership of a good occupational scheme, such as the NHS scheme, is usually recommended.

The next section contains information which enables you to compare the scheme with alternative ways of providing a pension. Please make sure you read it and seek independent financial advice if you are in any doubt about your pension choice.

The NHS Superannuation Scheme

What does the scheme provide?

- ▶ A retirement pension based on $\frac{1}{80}$ th of your pensionable pay at retirement for each year of service in the scheme
- ▶ A lump sum on retirement equal to 3 times the annual pension
- ▶ Life insurance of 2 years' pay while you are working
- ▶ Pensions and allowances for your spouse/civil partner and children if you die
- ▶ Benefits if you have to retire because of ill health after 2 years' service

Pensions and allowances are index linked to protect their value.

Benefits are guaranteed and are based on your pay and service in the scheme.

From age 50 you can choose when to retire if you are in NHS employment. If you have left NHS employment there may be some restrictions.

You do not pay administration costs.

Pension benefits can be transferred into and out of the scheme, but if you move to another job in the NHS your membership can continue.

You may be able to increase your contributions to improve your benefits.

Important note:

Time limits apply to some methods of increasing your scheme benefits. Transfers into the scheme must be requested within 1 year of joining.

Please tell your employer if you have previously been a member of the NHS scheme and if you were paying additional contributions, or are currently contributing to a personal pension.

What does it cost?

The contribution rate for most members is 6% of pay; manual workers pay 5%. The real cost is around 3½% because:

- ▶ You get tax relief on your contributions.
- ▶ You pay a lower rate of National Insurance contributions because you are contracted out of the State Earnings Related Pensions Scheme.

The benefits are valuable. Actuaries have assessed them as being worth almost 20% of overall pay. Your employer and the Government pay the extra required to meet the total cost of benefits.

You can compare the benefits and cost of scheme membership by looking at the following pages which give some information about alternatives.

Personal Pensions

You can choose to take out a personal pension through an insurance company, bank, building society, unit trust or friendly society. The money you pay during your working life is invested to build up a cash fund which at retirement is used to buy a pension.

The rules on benefits from the individual schemes may differ.

You do not need to transfer your pension if you move to new employment outside the NHS, but you should remember that a Personal Pension will:

- Depend on investment performance and the state of the Stock Market at the time that you retire – neither can be guaranteed.
- Be significantly reduced if you want family benefits or index linking.

You will get tax relief on the payments you make, but your employer will normally only pay the minimum contribution required by law.

Commission and administration charges will reduce the amount actually invested to provide your pension. These costs vary, but can be considerable.

What do they cost?

Contributions vary according to the level of retirement benefits wanted. The lower the level of contributions, the lower the benefits will be. So, you must have some idea of the level of retirement benefits you are aiming for. Personal Pension providers will give you projected estimates.

You may vary your payments but these are subject to Her Majesty's Revenue & Customs maximum limits according to age.

The State Scheme

The State Pension Scheme has two parts.

Flat Rate basic pension

This is paid at state pension age (currently 60 for women and 65 for men. Between 2010 and 2020 the state pension age will become 65 for everyone).

The basic pension will depend on your National Insurance contributions record.

The Additional Earnings-Related Pension

This is known as SERPS (State earnings related scheme). The amount that you get depends on your earnings since 6 April 1978 on which you have paid NI contributions.

Members of the NHS Scheme do not pay anything to the earnings-related part of the State Pension Scheme. This means that you will only get the flat rate retirement pension from the state unless you have contributed to SERPS in another employment.

The NHS scheme is contracted-out of SERPS under the 1995 Pensions Act. This means that the NHS scheme must meet a statutory standard by giving benefits that are broadly equivalent to, or better than, those in a reference scheme for all membership from 6 April 1997.

For scheme members who joined before 5 April 1997, we guarantee that your NHS pension will be at least as much as the SERPS part of the State Pension would have been. This guaranteed amount is called the Guaranteed Minimum Pension.

Remember that:

- ▶ NHS scheme members qualify for a flat-rate basic pension based on their contribution record, though they are contracted-out of SERPS.
- ▶ There are fewer benefits under SERPS and they are likely to be lower than those of the NHS Scheme.

What does it cost?

You will pay the full rate of NI contributions.

You will not get any tax relief on this additional contribution.

Please note

If you are in any doubt about the right choice for you, seek independent financial advice.

The essential thing to remember is that you should make pension arrangements as early as possible in your working life. The later you leave it the more expensive it will become to ensure adequate arrangements are made.

Joining the NHS Superannuation Scheme

Who can become a member?

NHS employees and staff employed by general medical practitioners (unless they are employed to work on private health care, commercial duties, in limited companies or on an Agency basis) aged between 16 and 70.

- Membership of the scheme is voluntary. From 1 September 1997 you will automatically be made a member, unless you decide not to join. You can leave the scheme at any time.

Special Classes

Certain groups of staff who were members of the scheme before 1 April 1995 are known as Special Classes.

They are:

- › Nurses
- › Midwives
- › Physiotherapists
- › Health Visitors

Female members of the special classes are entitled to retire with benefits from age 55, if their last 5 years' service is in one of these jobs.

Men in any of these jobs can retire from age 55 if their last 5 years' service is in one of these jobs, but their benefits payable at that time will only be based on their service from 17 May 1990. Benefits for service before that date will not be paid until age 60 unless they choose to receive these earlier benefits under Voluntary Early Retirement with Actuarial Reduction.

Mental Health Officer (MHO)

A Mental Health Officer is a NHS scheme member who is:

- › Working for the whole or almost the whole of their time in the direct treatment or care of patients suffering from a mental health disorder.

A MHO with 20 years' MHO service may normally:

- › Retire with benefits from age 55
- › Count each year of MHO service as 2 years for benefit purposes.

Qualifying conditions

These special rights only apply to scheme members who:

- › Were in any of these jobs before 1 April 1995.
- › Have not had a break of 5 years in any pensionable NHS employment.
- › Satisfy the special classes or MHO conditions.

Special class or MHO status will NOT apply to anyone who starts working in one of these jobs for the first time on or after 1 April 1995.

Retirement Age

When can I retire?

For scheme members, the minimum age at which your pension will normally be paid is 60, or for special classes 55. In certain circumstances, outlined in later sections, you can receive your pension benefits before that age.

If you retire after age 60, your pension will be paid at that time.

If you retire and then return to work in the NHS within 1 month, your pension will normally be suspended and you will have to repay any pension you have received. Any further service will be non pensionable.

What if I want to retire early?

You can choose to take voluntary early retirement from age 50 and receive a reduced pension. You will get your benefits on the understanding that you are retiring and not simply taking a break in employment. Your benefits will be reduced to cover the extra cost of being paid for a longer time. **The same reduction will apply to those members of the special classes who retire before age 55.**

The following table is a guide to the proportion of benefits payable if you retire early. The benefits payable will vary between the exact ages shown. Your dependants will still get any benefits they are entitled to in full. In the unlikely event that your reduced pension is less than the Guaranteed Minimum Pension, you will not be able to take voluntary early retirement with a reduced pension.

Age	Pension	Lump Sum
59	94%	97%
58	89%	94%
57	84%	92%
56	80%	89%
55	75%	86%
54	72%	84%
53	68%	82%
52	65%	79%
51	62%	77%
50	60%	75%

Pensions awarded from age 50 do not normally attract cost-of-living increase until age 55.

Application

To apply for voluntary early retirement with a reduced pension, use form AW2 which you can get through your employer.

What if I have more than one job in the NHS?

If you have more than one pensionable job when you retire, your benefits will be based on all your service up to your date of retirement. You will have to leave the scheme in all your jobs and you will not be able to rejoin the scheme if you return to NHS work.

You will normally have to leave all your jobs before you can claim your retirement benefits. If you have other NHS jobs that you wish to keep, and they total 16 hours a week or less, you do not need to have a break in these jobs, provided you retire from at least one NHS job.

Retirement Benefits

What benefits will I get when I retire?

When you retire you will receive a pension and lump sum.

Your annual pension will be $\frac{1}{80}$ th of your final year's pensionable pay for each year of service in the scheme. Part-years will also count towards your pension.

Your pension will usually be paid monthly for the rest of your life.

Your lump sum will normally be three times the amount of your annual pension. Some men with service before 25 March 1972 may get a smaller lump sum.

There are some time limits on the amount of service that can count for benefits. These are:

- ▶ Not more than 40 years and 1 day calendar length service at age 60 (age 55 for special classes)
- ▶ Not more than 45 years calendar length service altogether
- ▶ You cannot be a member after age 70 (age 65 for special classes)

Your pension will be based on your pensionable pay when you retire. Pensionable pay is normal pay and regular allowances. Payments like overtime, bonuses and travelling expenses are not included.

For new entrants to the scheme on or after 1 June 1989 a limit was imposed on the pensionable pay on which benefits can be calculated. This limit (Earnings Cap) is increased each year in line with the Retail Prices Index. The earnings cap limit for the tax year 2005/06 was £105,600. SPPA will advise on the current level of the earnings cap.

What if I only work part time?

For benefit purposes if you work part-time any service that you accrue will be taken at its actual length, however, your pensionable pay will be uprated to its whole time equivalent (WTE).

These amounts are then used to work out their benefits.

What if my final year's pensionable pay is reduced?

For most members their final year's pensionable pay is usually the highest of their working life. If it is not, your pension will be based on the best of the last 3 years' pensionable pay instead.

What if I am regraded?

If, through no fault of your own, you are regraded your pay may go down. If this happens your period of service at the higher rate of pay can be preserved.

If you want this to happen you should notify the Agency, in writing, WITHIN 3 MONTHS of your pay going down.

Will I get a state pension as well?

You will normally qualify for a flat rate retirement pension.

Application for retirement benefits

You should apply for retirement benefits 3 months before your retirement date. Forms can be obtained from your employer, and must be returned to your employer for submission to the Agency.

Ill Health Retirement

What if I become too ill to work?

If you become too ill to continue working in your present job until you reach normal retirement age, you may be able to retire early. An application to retire early because of ill health should be made to your employer. **The application must be supported by medical evidence and you may have to have a medical examination by SPPA's medical advisors. They will decide if the criteria for ill-health retirement are satisfied. If your application is successful, a pension and a tax-free lump sum will be payable.**

Qualifying

Benefits may be paid early to scheme members and former members who retire early because they cannot carry out their duties due to **permanent** ill health.

You may qualify for early payment of benefits if you are 'permanently incapable of efficiently discharging the duties of your employment' and either:

- ▶ You have at least 2 years' service in the scheme.
- ▶ You have chosen to leave the scheme, and you are still working in the NHS, and you have at least 2 years' preserved service.

Your benefits may also be paid early if you no longer work in the NHS if:

- ▶ You have at least 2 years' preserved service.
- ▶ You are permanently incapable of doing regular work.

If you are a scheme member and have at least 5 years' service when you have to retire, your service will be increased to improve the benefits you get.

The amount of extra service you get depends on how long you have been a member of the scheme and your age at retirement:

- ▶ If you have between 5 and 10 years' service, your service will be doubled, subject to the maximum you could have had by age 65.

If you have more than 10 years' service then either:

- ▶ Your service will be increased to 20 years, subject to the maximum you could have had by age 65.
- ▶ Your service will be increased by 6 years 243 days, subject to the maximum you could have had by age 60.

We will use the method which gives you the bigger pension.

The total length of service cannot be increased to more than 40 years.

If you work part time, your pensionable service will count at its full length for the purpose of calculating any increase. The pensionable service and enhancement of service will, however, be converted to its whole-time equivalent, before it is used in the calculation of benefits.

If you are seriously ill, you may be able to have a bigger lump sum instead of a pension. You can apply for a bigger lump sum if:

- You are a current member of the scheme.
- You become so ill that you are not expected to live longer than one year.

Your dependants will still get any pension they are entitled to in full.

Members buying additional service or unreduced lump sum

If you are buying additional years of service or an unreduced lump sum by deductions from your pay, then:

- You will not have to make any further payments.
- You will be credited with the full amount of additional service you would have had at the end of your contract.

Provided that:

- You are under age 60 when you have to retire, and you started to pay for the additional service more than one year before you applied for ill-health retirement.
- If you have made payments at a fixed rate, the additional service you have bought will be added to your service before extra service is added because of ill-health retirement.

If you were making payment as an extra percentage of your pay, the additional service you have bought will be added to your service after extra service is added because of ill-health retirement.

Application

If you are still working, you should apply on form AW8 which you can get from your employer.

If you are no longer working, you should write to the SPPA with appropriate medical evidence of your permanent inability to do regular work. **Until Medical Evidence is received SPPA can take no action.**

Life Insurance and Family Benefits

You are automatically covered by the scheme's life insurance from the day you join.

Please tell your next-of-kin the benefits they may get.

The benefits payable will depend on your circumstances when you die.

Lump sums

These may be tax free. If you are married/civil partnership or separated, your surviving spouse/civil partner will automatically get the lump sum. If you do not want this to happen you should contact SPPA to change your nomination.

If no beneficiary is nominated, we can only pay the benefits due to your Estate. This requires the production of Confirmation of Estate with all the possible delay and costs this may place on your relatives.

Your nomination can be altered at any time by simply submitting a replacement form SB38. Please contact us or see our website for details. Contact details are at the back of this booklet.

Pensions

These are payable for life to your legal survivor through either Marriage or Civil Partnership. The pension is normally one half of the pension you have earned, but higher amounts (short-term pensions) are payable in the initial months.

Normally the pension would stop if your surviving partner remarried, entered into a civil partnership or began living with someone as their partner. However, if stopping the pension would cause severe financial hardship, it may be restored or continued in full or in part.

If the pension has been stopped and the relationship has ended, the pension may be reinstated in full or in part if there would otherwise be financial hardship.

If the pension has been stopped and cohabitation has ended, the pension will automatically be restored.

A widower's pension or benefits to a surviving civil partner will normally be based on his wife's service from 6 April 1988 unless:

- Extra cover was bought for any service before 6 April 1988, or in a widower's case he was financially dependent on his wife and she has nominated him for full widower's cover.

Child allowances

These are based on the member's pension and service.

The amount of the allowance depends on the number of dependent children and whether there is a surviving parent who will get a scheme survivor's pension.

The allowances are normally based on service of at least 10 years provided the member could have reached 10 years' service by age 65.

If there is a surviving parent getting a widow or widower's pension from the scheme, the allowance is:

- For 1 child – one quarter of the member's pension.
- For 2 or more children – one half of the member's pension.

If there is no surviving parent, or the survivor is not getting a survivor's pension, or one or more children are not dependant on the survivor, the allowance is:

- For 1 child – one-third of the member's pension.
- For 2 or more children – two-thirds of the member's pension.

If there are 2 or more children, the child allowance is divided equally between them.

There can be an Initial Rate Child Allowance payable for 6 months at the member's rate of pay before death.

What if I die before I retire?

If this happens, we will pay a lump sum equal to 2 years' pensionable pay.

How much would my spouse/civil partner's pension be?

If you have less than 2 years' service when you die, your partner will get a short-term pension for 3 months. The pension will be at the same rate as your pensionable pay at the time of your death.

If there is at least one dependent child, this pension will be paid for 6 months.

- If you have at least 2 years' but less than 5 years' service when you die, your partner will get the short-term pension for 3 months, or 6 months if there is at least one dependent child. This will be followed by a pension of half the amount you would have got if you had retired on the date of your death.
- If you have 5 or more years' service when you die, your partner will get the short-time pension for 3 months, or 6 months if there is a least one dependent child. This will be followed by a pension of half the amount you would have got if you had retired because of ill health on the date of your death.

What are the children's benefits?

A child allowance is based on the pension you would have got if you had retired on the date of your death. Your service will normally be increased to make the allowance bigger.

What if I die after I retire?

Your partner will get a short-term pension for 3 months (or 6 months if there is at least one dependent child), at the same rate of pension you were getting when you died. They will then get a pension of half that amount.

If you married (or enter into a civil partnership) after you retired, your partner may get a smaller pension.

Normally, when a pensioner dies, a lump sum is only payable if a pension has been in payment for only a short time. If so, the lump sum will be five times the pension less the amount of pension already paid. The lump sum is subject to a maximum of twice the member's pensionable pay less the retirement lump sum already paid.

Widower's pension/civil partner's pension

The survivor of a woman who retired before 6 April 1988 will **not** get a pension unless she had nominated her partner for full widower's cover.

The survivor of a member who retired on or after 6 April 1988 will get a short-term pension for 3 months, or 6 months if there is at least one dependent child. The short term pension will be at the rate in payment when the member died.

The scheme will then pay a survivor's pension of half the pension his partner would have received based on service from 6 April 1988.

If marriage/civil partnership took place after retirement, there will be a short-term pension payable for 3 months, or 6 months if there is at least one dependent child.

What if I leave the scheme but die before retirement age?

The scheme will normally pay a lump sum when any member dies within 12 months of leaving the scheme or with preserved benefits. The lump sum will not be paid if the member had claimed a refund of contributions or transferred their benefits to another scheme.

The lump sum will be three times the annual pension the member would have got if they had retired on the day they died.

How much would my spouse's pension be?

The amount of pension depends on when the member left the scheme and whether they were married at the time of leaving.

- ▶ For members who married **before** they left the scheme, no short-term pension will be paid, but the widow or widower will get a pension at the long term-rate from the day after the date of death.

- For members who die within 12 months of leaving the scheme, the widow's pension will be half the pension which would have been payable at the date the member left the scheme. It will be increased as for ill-health retirement. The widower's pension will be half the pension his wife would have received for service from 6 April 1988, increased as for ill-health retirement. The widower's pension could be larger if the member had paid for cover for the service before 6 April 1988 or had previously nominated her husband to receive a pension.
- For members who die with preserved benefits, a widow will get half the preserved pension her husband would have got if he had retired on the day he died.
- A widower will get half the preserved pension his wife would have got for any membership since 6 April 1988 if she had retired on the date she died. But there will be a bigger widower's pension if the member paid for widower's cover for service before 6 April 1988 or had previously nominated her husband to receive a pension.
- A widow will get half the pension her husband was getting on the day he died for any membership from 6 April 1978 only.
- A widower will get half the pension his wife was getting on the day she died for any membership from 6 April 1988 only.
- For members who married after leaving the scheme, no short-term pension will be paid. But from the day after the date of death, a widow will get half the pension her husband would have got for any membership after 6 April 1978 if he had retired on the day he died.
- A widower will get half the pension his wife would have got for any service since 6 April 1988 if she had retired on the day she died.

Civil Partner's Pension

Any Civil Partner's Pension will be based on a member's service from 6 April 1988 only. This will be at the rate of half the member's pension.

If a man with pre- 1972 service enters into a civil partnership, then any pre- 25 March 1972 service will only attract a lump sum payable at $\frac{1}{80}$ th as opposed to $\frac{3}{80}$ ths.

A member may elect to purchase pre- 1988 service to enhance a civil partner's pension. However, this option must be taken up before 28 February 2007.

Re-employment

If you retire from the NHS and subsequently re-join the NHS then your benefits may be affected.

If you return to NHS employment within one month of receiving either an age or voluntary early retirement pension and you work more than 16 hours per week, your pension will be suspended. It will only become payable again a month after you give up your re-employment or your hours are reduced to 16 hours a week or less for a period of one month. You will if you return to NHS employment within one month of receiving either an age or voluntary early retirement pension and you work 16 hours or less per week, or return after one month before age 60, your pension will be reduced to the extent necessary to ensure that your pension plus earnings after retirement are not more than your earnings before you retired. The pension reduction will apply to age 60 or until you stop working, if this is earlier.

If you return to NHS employment after receiving an ill-health or premature retirement (redundancy, etc.) pension, your pension will be reduced in a similar way up to age 60.

If you return to NHS employment at or after age 60, a reduction will not apply. If, however, you return to work in the NHS within one month of retiring and are working more than 16 hours per week, your pension will be suspended.

You can be a member of the NHS scheme after you receive retirement benefits only if you retired because of ill-health and you return to NHS employment before you reach age 50.

Index Linking

What about inflation?

NHS pensions are index-linked to protect them against inflation. This means they rise each year in line with the Retail Prices Index for as long as they are paid. A pension awarded from age 50 onwards does not normally attract cost-of-living increases until the pensioner reaches age 55. The pension is then increased to take account of the rise in inflation since the date it was awarded. The increases are paid from April each year. In the first year of your retirement, the amount of increase you get will depend on the date you retire.

Ill-health retirement pensions, and widow'(er)s/civil partner's and dependant's pensions are increased each year in line with inflation from whenever they start to be paid.

Cost

How much will all this cost me?

This depends on the type of job you do.

Most members pay 6% of their pay. Manual workers pay 5% of their pay.

Do I really pay that much?

No. You will get full tax relief on the contributions you pay. You also pay a lower rate of National Insurance contributions.

This means the actual cost to most members is nearer 3¹/₂% of pay.

Your employer contributes an amount equal to 14% of your pensionable pay which also pays for the cost of full index linking.

Your contributions are based on your pensionable pay. This includes your normal pay and regular allowances. Payments like overtime, bonuses and travelling expenses are not included.

Earnings limit

For new entrants to the scheme on or after 1 June 1989, a limit was imposed on the pensionable pay on which contributions can be paid. This limit (the Earnings Cap) is increased each year in line with the Retail Prices Index. For the tax year 2005/2006, the limit is £108,600.

Tax simplification: 6 April 2006 onwards

From 6 April 2006 current Tax restrictions on pensions are being replaced with a new Lifetime Allowance (LTA). For 2006/2007 this LTA has been set at £1.5 million and will increase each year thereafter. Members will be most likely to be affected if they are entitled to receive a pension of approximately £65,000 pa with a lump sum of £195,000. Where your total pension fund exceeds or is likely to exceed this amount you can protect your funds by contacting the HMRC for information on protection options available. See note at end of guide.

Maternity leave

While on maternity leave your contributions are based on the pensionable pay you receive during the period of paid maternity leave.

If you take unpaid maternity leave, your contributions are based on the pensionable pay you were receiving immediately before the period of unpaid maternity leave.

Sick leave

While on sick leave, your contributions are based on the pensionable pay you receive. If your pensionable pay is reduced, contributions will be paid on the reduced amount. If you receive no pay, no contributions are payable and the unpaid period will not count for pension purposes.

Increasing Benefits

Can I increase my benefits?

Yes, by making Additional Voluntary Contributions (AVCs)

There are four ways of doing this. Contributions for all of them attract tax relief.

Buying additional service

This will increase your benefits which are based on how long you have been a member of the scheme. The more service you have, the bigger the benefits you or your dependants will get. There are limits on how much service you can buy, depending on your circumstances.

If you received a refund of contributions for service before 6 April 1978, you can buy that service at half the normal cost.

Taking out a money purchase AVC contract

Your contributions to this contract are invested on a tax-free basis to build up a cash fund. This is used to buy you annuity (an additional pension for yourself or your dependants) when you retire. Up to 25% of the fund may be taken as a tax-free lump sum on retirement.

SPPA has negotiated preferential terms for this facility through Standard Life.

Buying increased life assurance

Special terms are available for scheme members through Standard Life.

Buying an unreduced lump sum

Married men with service before 25 March 1972 will get a smaller retirement lump sum for that service, unless they have made arrangements to purchase an Unreduced Lump Sum.

How much extra can I pay?

Under Inland Revenue rules:

- ▶ You can contribute up to a maximum of 15% of your earnings to pension arrangements. This includes your normal 5% or 6% scheme contributions and any additional service you wish to purchase.
- ▶ You can, however, contribute up to 100% of salary (to a limit of £215,000) per annum to buy a money purchase AVC.
- ▶ The extra years of service you buy must not take your total scheme service above 40 years.

Even if you will have 40 years' service by age 60, you may still be able to take out a Money Purchase AVC contract.

Where do I find out more?

Separate booklets which provide more details about buying additional service or an unreduced lump sum are available.

For further information contact the SPPA.

For further information about a Money Purchase AVC contract or buying increased life assurance, contact Standard Life. Please see the Useful Contacts Section at the end of this booklet.

Important: time limits apply to the purchase of some AVCs.

Transferring Benefits

What if I have been a member of another pension scheme?

You may be able to transfer the value of your benefits to buy extra service in the NHS scheme if you have previously been a member of another pension scheme.

This can include a Personal Pension plan, or annuity contract.

Please note: the transfer of benefits accrued in NHS schemes elsewhere in the UK is NOT automatic. You must apply for a transfer to be made.

Applications to transfer benefits into the NHS Scheme must be made within 12 months of joining and before age 60.

If you wish to explore a transfer please contact the Agency. We will then advise on the course of action that you need to take.

Can I transfer my benefits out of the NHS Superannuation Scheme?

If you leave the NHS scheme, you may be able to transfer your benefits out of the scheme to:

- Another occupational pension scheme
- A personal pension scheme
- An insurance company to buy an annuity contract
- A self-employed pension arrangement

How is a transfer payment worked out?

A transfer payment is worked out by converting the value of the accrued pension rights to a current cash equivalent using factors supplied by the Government Actuary's Department in relation to the member's age at the date of calculation. The transfer calculation takes account of fluctuations in the Stock Market.

Leaving the Scheme

What if I decide to leave the scheme or the NHS?

If you are considering leaving the scheme but are staying in your job, before making your final decision, speak to your employer and seek independent financial advice.

If you leave your job or decide to leave the scheme:

- If you have been in the scheme for less than 2 years you can have a refund of the contributions you have paid provided that you are under age 60 when you leave. Tax and National Insurance contributions will be deducted from the refund before it is paid to you. **Refunds are not available to anyone who joins the scheme after age 60.**
- If you have been in the scheme for 2 or more years, you can leave your benefits with the scheme. These are called preserved benefits. Their value is maintained and they are normally paid to you at age 60.
- You may be able to transfer the benefits you have earned in the scheme to another pension arrangement.

If you have reached retirement age and decide to leave the scheme but carry on working, you will not be able to claim your retirement benefits until your NHS employment ends.

If you move to employment elsewhere in the NHS, you can stay in the scheme and your benefits will continue to build up.

If you are thinking of leaving:

- **Think carefully** – If you leave the NHS scheme, you would be giving up more than your pension...
- **From the day you join** – Life insurance cover and family benefits if you die.
- **After 2 years' membership** – A pension payable for life and a lump sum if you are forced to give up work because of ill health.
- **On retirement** – A pension payable for life and a lump sum.

Other information to consider:

- If you leave the scheme, you will still have to pay into a Personal Pension or the State Scheme.

Most informed opinion, including that of the Securities and Investment Board, recognises that employees will nearly always be better off if they belong to their employer's occupational pension scheme.

Rejoining the Scheme

Would I be able to rejoin the scheme?

If you are working in the NHS, you may rejoin the scheme at any time unless you are:

- On sick leave
- Absent from duty for any other reason
- Receiving scheme benefits (unless you retired on ill-health grounds and would be rejoining the scheme before age 50)

If you rejoin the scheme with preserved benefits, we will work out your benefits in one of two ways, either:

- Your periods of service will be added together and your total service and final pensionable pay will be used to work out your benefits.

Or

- The benefits you have earned for each period of service will be worked out separately. The benefits will be based on the pensionable pay at the end of each period and revalued. The benefits will then be added together.

We will use the method which gives you more.

What if I have had a refund?

If you rejoin the scheme within 12 months of leaving, you can repay your refund. We can then link your previous service to your new service. If you want to do this, you must repay your refund **WITHIN 6 MONTHS** of rejoining the scheme. Please write to the SPPA for more information.

If you rejoin after 12 months, you cannot repay your refund. You will be treated as a new member with no previous pension rights.

Quality of Service

SPPA aims to provide a prompt, efficient and helpful service to all members of the NHS Scheme.

We are committed to providing a standard of service you have a right to expect both in your employment and after you have retired.

When you become an NHS employee

You will automatically become a member of the scheme. But you can choose, if you wish, to make other arrangements.

As a scheme member

- We will provide you with an annual statement of your accrued benefits in the scheme
- You can ask us for the estimated value of your scheme benefits
- You can ask for other information about your pension rights
- You can get in touch with us at any time. We will deal with your queries quickly, accurately and politely
- If you write to us, we aim to send you a full and clear reply within 15 working days of the date we get your letter
- If we need to get more information before we can give you a full reply, we will let you know

If You Leave the Scheme

We will tell you about your choices.

If you are entitled to a refund of contributions or wish to consider transferring your scheme benefits, we will deal with your application quickly.

We aim to:

- Pay a refund within 3 months of receiving the application.
- Issue transfer value details within 8 weeks of getting the request. These details are then guaranteed for 3 months. If the transfer is to proceed, you must apply within the guarantee period, to avoid recalculation.
- Complete the transfer within 16 working days of receiving a member's instructions to transfer their rights.

When you retire

We will let you know how much your pension and lump sum will be.

We aim to:

- Work out your benefits accurately.
- Get your lump sum into your nominated account on the day following the date of your retirement.
- Get your first pension payment into your account during the following month.

All other pension payments will be issued to reach you on the due date.

If you have a complaint, please tell us:

If we have made a mistake, we will apologise and put things right as quickly as possible.

If you are not satisfied, we have a disputes procedure which complies with pension legislation and Citizen's Charter guidelines. This is a three-stage process, the first of which asks you to write to the Scheme Manager who will try to resolve your complaint and let you have a response within 3 weeks. If you are still not satisfied, you can get advice from The Pension Advisory Service (TPAS). Finally you may take your case to the Pensions Ombudsman.

The address for both of these is:

11 BELGRAVE ROAD
LONDON
SW1V 1RB

The Pensions Ombudsman will normally expect any complaint to have been looked at by TPAS first.

The telephone number of TPAS is 0845 601 2923 and the number for the Pensions Ombudsman is 020 7834 9144

Alternatively, you may wish to contact the Scottish Public Services Ombudsman, 4 Melville Street, Edinburgh EH3 7NS (0800 377 7330).

Some General Points

This section covers a few items of general interest about the scheme and your pension.

Superannuation Scheme Fund

The NHS Superannuation Scheme does not have a real pension fund but, as a statutory scheme, benefits are fully guaranteed by the Government. Contributions from both members and employers are paid to the Exchequer which meets the cost of the scheme benefits. The Exchequer also pays for the cost of increasing benefits each year by the rate of inflation. This extra cost is not met by the contributions from scheme members and employers.

Scheme Administration

The Scottish Public Pensions Agency is an Agency of the Scottish Executive.

Scheme rules

The rules of the NHS Superannuation Scheme are laid down in regulations agreed by Parliament. They are the National Health Service Superannuation Scheme (Scotland) Regulations 1995 as amended. The compensation scheme is covered by the National Health Service (Compensation for Premature Retirement) (Scotland) Regulations 1981 as amended and the injury benefits scheme by the National Health Service (Scotland) (Injury Benefits) Regulations 1998. If you wish to see the regulations, you can either ask your employer or see the SPPA website.

Data Protection

SPPA holds information about each scheme member on computer. In terms of the Data Protection Act 1998, you have the right to request and be given a copy of all the computerised information held about you. There will be a charge for this.

Disclosure of Information

Under the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 as amended, pension schemes such as the NHS Superannuation Scheme must provide you with certain information. This booklet includes the general information which we must provide, but you are also entitled to ask us for further information about your own circumstances. For example:

- › Details of what your scheme benefits are likely to be when you retire
- › The rights and options available to you if you decide to end your pensionable employment before normal pension age
- › An estimate of the amount of the transfer value you could expect on leaving the scheme (and information on how it is calculated)
- › An estimate of any refund of contributions that might be due if you left the scheme

Pensions Scheme Registrar

Information about the scheme has been given to the Pensions Scheme Registrar under the management of the Occupational Pensions Regulatory Authority. The address for the Pensions Scheme Registrar is:

PO Box 1NN
Newcastle-upon-Tyne
NE99 1NN

The Registrar's main responsibility is to provide a tracing service for ex-members of pension schemes who have pension entitlements and who have lost touch with their former employer.

Independent Financial Advice

If you are in any doubt which pension arrangement will be the best one for you, you should seek independent financial advice. Under the Financial Services Act of 2000 all financial advisors have to decide whether to be 'independent' or 'tied'. A financial advisor who is independent can offer a range of financial services and products, whereas a financial advisor who is tied can only offer the products of one company. Before you ask for advice, make sure you know which type of advisor you are dealing with.

Please note: most financial advisors will charge for their advice.

The charge may be in the form of a fee payable by you or commission payable by any company which you decide to invest in. If the advisor you choose charges on a commission basis, you should ask how your investments will be affected by the charges.

Your employer may be able to help you find a source if independent advise or you can contact:

Personal Investment Authority
25 The North Colonnade
Canary Wharf
LONDON
E14 5HS

Telephone: 020 7676 1000 E-Mail: enquiries@ssa.gov.uk

Introduction of Lifetime Allowance and Annual Allowance with effect from 6 April 2006

The UK Government introduced major changes to tax legislation from 6 April 2006 that dramatically change the way pension contributions and pension fund limits are examined. The new rules mean that you will be responsible for providing certain information to both the SPPA and the HMRC.

From 6 April 2006 the amount of superannuation contributions you make and the value of your total pension fund will be your responsibility. Although, the new legislation will allow you to pay up to 100% of your earnings into your pension funds, the amount of contributions, excluding those to money purchase AVCs, you can make to the NHS will continue to be limited to 15% of your salary. The total contribution to your pension arrangements should not exceed the annual allowance (initially £215,000 in 2006, increasing steadily to £255,000 by 2010). If the total contribution does exceed £215,000 in 2006, you will be liable for a tax charge of 40% on the excess amount.

The UK Government has introduced a new 'lifetime allowance' (LTA). This is the maximum anyone can have in their pension funds at the point they take benefits without incurring a tax charge. This will start at £1.5 million on 6 April 2006 and increase annually to £1.8 million in 2010, when the amount of the lifetime allowance will be reviewed for the following 5 years. If your fund is over the lifetime allowance when you retire, there will be a tax charge levied on the amount over the lifetime allowance.

How can you value your pension against the LTA?

Firstly you need to follow some simple rules when valuing your pension against the LTA. It is important that you remember the LTA value is the **total value** of your pension savings – whether in occupational or personal pension schemes. Money purchase pensions such as personal pensions or Additional Voluntary Contributions (AVCs) have a fund value associated with them, the value of these pensions is the **fund value**. Occupational pension schemes which pay out a set amount of pension upon retirement are valued by multiplying the pension by 20 with the value of the lump sum added. This rule also applies to preserved pensions from previous employments as well as to any pension being built up in current employment.

What happens if my pension is worth more than the Lifetime Allowance?

If your pension is worth more than the LTA when you draw your benefits, extra tax will be due on the excess above the LTA. The charge is 25% if the excess funds are used to provide pension or 55% if the excess funds are taken as a cash lump sum. Protection from the extra tax liability may be available for those members already at or close to the LTA but there are time limits for applying. You must contact HMRC to apply for protection.

How do I find out if the Lifetime Allowance (LTA) is an issue for me? To value your pension benefits, look at all your potential savings in pension and use our calculator to work out your pension benefits with our schemes. The calculator on our website www.sppa.gov.uk/pension-reform/taxation.htm will work out a projected value of your pension benefits with the schemes administered within SPPA and help you determine whether or not you are likely to be affected by the LTA at A-Day (6 April 2006) or in the future.

SPPA recommend that members seek independent financial advice if they are concerned about the impact of the changes.

Who to Contact if You Need More Information

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

Tel: 01896 893100

So that we can deal with your enquiry more efficiently, a list of contact numbers and E-Mail addresses are provided. Please choose the most appropriate Team to contact.

NHS Team 2, Direction Bodies, all NHS GP Practice staff	01896 893120	Nhspen2@scotland.gsi.gov.uk
NHS Team 3 Practitioners	01896 893130	Nhspen3@scotland.gsi.gov.uk

Website at: www.sppa.gov.uk

Many of the Agency's forms are now held on our website.

You can also get in touch with us by fax in 01896 893214.

Your employer should also be able to help you.

