Health and Social Care

Employer Pension Contributions - Alternative Payment Policy

1. Introduction

1.1. This policy outlines an option for employees who are current active members of the HSC Pension Scheme (the HSC Scheme) who can demonstrate that they will be affected by annual allowance (AA) in respect of their pension savings. For most employees, it will likely be in their best financial interests to remain in the HSC Scheme. This policy is only intended for those employees affected by the AA tax issue and sets out one option for these individuals. This may not be the best financial option for affected employees and so individuals should consider this policy and any associated information carefully before making a decision. Employees are strongly encouraged to obtain their own financial advice before making any changes.

1.2. This policy has been introduced to address operational risks that have been identified as a result of the pension tax regime. In particular, Trusts have experienced a number of requests for reduced contractual hours, a reluctance to take on additional work and a desire to focus on private work as a direct result of the pension tax regime. This policy is an attempt to address these operational issues by setting out an alternative option. Other options for addressing this issue are available and these are set out in the "Pension tax guidance for employers - Local measures to support staff and service delivery" document published by the Department of Health.

1.3. This policy does not form part of any employee's contract of employment.

1.4. This policy will allow those staff who believe they may be impacted by an in-year AA tax charge an alternative choice, allowing them to continue to work in their present role at their present level of service, and continue to develop in their career journey.

1.5. The HSC Pension Scheme now offers a number of flexible retirement options to support the attraction and retention of experienced employees. It is recognised that the ability to flexibly retire is a key way to attract and retain a diverse workforce. It can positively impact on productivity, stress and absence levels, whilst improving working lives and supporting a culture of wellbeing across our workforce. Further details on these can be found at Partial Retirement (Proposed) Flexibilities | HSC Pension Service (hscni.net)

2. Purpose

2.1 To provide an optional alternative to pension contribution for those employees who can demonstrate that they are impacted by an AA pension tax charge and decide to opt out of the pension scheme thereby choosing to forego pension tax relief.

3. The options

3.1. Where employees are currently active members of the HSC Pension Scheme, and consider that they will be affected by annual allowance (AA) they can:

a. Continue in the HSC Pension Scheme and bear any additional tax charges that arise in the tax year for an AA charge; or

b. Opt out of the HSC Pension Scheme and apply to be paid an alternative payment as outlined below.

3.2. Individuals who opt out of the HSC Pension Scheme will become deferred members and will not be able to make any further money purchase, added years or additional voluntary contributions into the HSC Pension Scheme.

3.3. Where individuals opt out of the HSC Pension Scheme there may be a significant impact on the level of benefits which may be received from the HSC Scheme. In particular, there is likely to be a notable reduction in ill-health benefits and death benefits from the HSC Scheme, and potentially redundancy benefits. Individuals considering the alternative payment should carefully review and consider the impact of opting out of the HSC Scheme on all of their benefits.

3.4. This is only one of the options that may be available. Other options may be available and the "Pension tax guidance for employers - Local measures to support staff and service delivery" document published by the Department of Health outlines a range of other flexibilities. Where individuals are concerned about this issue, it is suggested that the matter is discussed with their Trust to determine the potential options available.

4. Impact of the alternative payment

4.1. The alternative payment will not form part of base salary and would not be included in the calculation of any overtime, or other entitlements.

4.2. Although not forming part of base salary, the alternative payment will increase the amount paid each month. It will also impact on the following:

a. The amount of holiday and sick pay. Such calculations will include an element to reflect the alternative payment. Staff will continue to receive the alternative payment during these periods of leave, though the value will be adjusted accordingly for those who move on to half sick pay or none at all.

b. The amount of any redundancy pay calculation, but only in so far as any statutory cap. Where an individual's weekly pay is higher than any statutory cap applicable at the point of redundancy, then the alternative payment will not be included in the calculation.

c. Income for the purposes of the tapered annual allowance may be higher than before and so the annual allowance may reduce for any pension savings already built up in the tax year. This means individuals may be entitled to a lower amount of tax relief on their pension contributions.

4.3. The alternative payment that will be paid in the event of an approved alternative application will be 12.4% of pensionable pay. **Please note that this rate will be subject to annual review**. It will be paid in equal monthly instalments as part of your normally monthly salary.

4.4. Payments will be subject to deduction for income tax and employee national insurance contributions. In deciding on the alternative payment, individuals may wish to consider whether it would be financially beneficial to receive the alternative payment as compared with paying an additional pension tax charge by staying in the HSC Scheme and also consider the effect on pension benefits and growth by staying in the Scheme versus opting out. Employees who are considering opting out of the HSC Pension Scheme are therefore strongly encouraged to obtain their own independent financial advice.

5. Making a request for the alternative payment

5.1. In order to make a request under this policy employees must comply with all of the following:

- be in the employment of an HSC Trust.
- be an active member of an HSC Pension Scheme at the point of application*.
- be able to show evidence that they have a reasonable expectation of an AA tax charge for the respective financial year.

**As noted in 1.4, Health Trusts operating this policy will need to determine whether to approve any retrospective payments for opt-outs already made within the current financial year based on the criteria within this policy.*

5.2. As indicated above individuals must be reasonably expecting a tax charge for the financial year for which they are making an application for the alternative payment. Given that any AA tax charge will not be confirmed until after the end of the tax year (saving statements are issued in the October following the end of the respective tax year) an assessment must be made to provide a best estimate to evidence the likelihood of an AA tax charge arising. The NHS Employers Annual Allowance Ready Reckoner may be used to provide an indication of the likelihood of an AA charge.

5.3. Individuals are responsible for obtaining whatever advice is necessary for them to make an informed decision, including where appropriate (though not limited to) professional advice from an accountant or independent financial advisor, guidance from the HSC pension scheme (Member Hub – HSC Pension Service), information from reputable sources such as professional organisations and unions, HM Revenue & Customs.

5.4. Meeting the criteria as set out in paragraph 5.1, does not automatically mean that applications for the payment of employer contributions will be approved. The approval process as set out in section 8 will consider all applications as set against the individual submission and the need for each outcome to be clearly recorded as to the reason for its approval or rejection.

6. Evidence requirements

6.1. The section below provides guidance for individuals on the information required to support an application:

a. Retrospective Evidence that you are or would be affected by AA. This will usually be in the form of acceptable documentary evidence from HSC Pension Service confirming the annual increase in your HSC pension benefits and acceptable documentary evidence confirming that you may be subject to an annual allowance tax charge e.g. from the NHS Employers Annual Allowance Ready Reckoner (note that where individuals are subject to the tapered annual allowance this may take the form of proof of earnings from all income sources);(**anyone seeking documentary evidence from HSC Pension Service which is in addition to the Pension Savings Statement available through the Member Self Service Portal will be subject to a financial charge for this service.)**

b. Prospective Evidence that you will be affected will typically be in the form of pension/pay modelling data using evidence from sources contained within 5.1 & 5.2 taking into account, for example, incremental pay progression and changes in working patterns and/or proof of projected income from multiple sources in the relevant financial year.

7. Process for applications

7.1. Application for an alternative payment should be made on the application form at Appendix 1. Please note all applications and supplementary evidence must be submitted by the 5th day of the month to give adequate time for processing with payment being effective from the 1st day of the following month. *i.e. if an application was submitted on 3 January, the staff member can normally expect payment to be made in their February salary.*

7.2. All applications must be accompanied by a completed opt out form which should be submitted with your application (not directly to BSO Payroll). This will be will be processed with the same effective date as your alternative payment.

7.3. The application should be submitted via email to hrretirements@belfasttrust.hscni.net for AFC staff or MedicalHR-SM MedicalHR@belfasttrust.hscni.net for Medical & Dental staff.

7.4. The application will be put forward for consideration to a regional panel as set out in Section 8.

8. Panel Decision

8.1. A decision making panel with clear accountability to the Chief Executive and Human Resource Director will consider the application. The Panel will be under a duty to take into account the eligibility criteria defined in this policy in

approving or rejecting applications and must record the justification for each decision.

8.2. If the application is accepted, the employee will be issued a letter confirming this and the relevant period it covers, normally within five working days of the panel's decision.

9. Implementation

9.1. Where an application has been successful, the alternative payment will be paid to the employee on a monthly basis as part of their monthly salary.

9.2. Any changes to terms of employment will continue as agreed by the Trust and the continuance of the alternative payment will be subject to the Trust's over-riding legal duties. The alternative payment will apply to an individual's current role only.

9.3. In the event that an individual in receipt of the allowance changes roles, then the continuation of the alternative payment will be at the absolute discretion of the Trust, although not unreasonably withheld.

9.4. If an individual subsequently chooses to reduce sessions/working hours while in receipt of the alternative payment, they must notify their relevant HR Department of the change and this will automatically trigger a review to assess ongoing eligibility.

9.5. For individuals who determined that they would be affected by an AA charge and are in receipt of an alternative payment, this will only be for the duration of the financial year within which the AA charge would have been incurred and will therefore cease at the end of the financial year i.e. 31st March. At this point, individuals should determine whether they wish to be re-enrolled into the HSC Pension Scheme and make the necessary arrangements.

9.6. If they choose not to re-join at this point, they will remain out of the HSC Pension Scheme until the next date within their organisation for auto enrolment when they will be automatically re-enrolled, providing they meet the necessary auto re-enrolment requirements. An opt out can then be submitted if desired.

9.7. Where the individual considers that they would be affected by an AA charge in the subsequent financial year a new alternative payment application can be made.

9.8. In the event an employee no longer wishes to avail of the alternative payment it is their responsibility to notify the relevant HR department and BSO Payroll of this and whether or not they wish to re-join the pension scheme.

10. Appeals Process

10.1. Where an application has been refused the applicant may write, within ten days of receipt of their decision letter, to the Director of People and Organisation Development (P&OD) and ask for a review. The Director of P&OD along with the Director of Finance will review the original decision, taking into account all the material before the decision making panel and any further relevant material provided by the applicant and issue a final decision. There is no further right of appeal and no right to raise a grievance under the Respect & Resolution policy about the process or outcome.

10.2. Please note that in the event your application has been unsuccessful and you wish to opt-out of the pension scheme, it is your responsibility to notify BSO Payroll and submit an Opt Out Form directly to them.

APPENDIX 1

APPLICATION FOR AN ALTERNATIVE PAYMENT

Section A

Please complete in full and forward to <insert relevant email address>

Name:	
Post:	
Payroll Number:	
National Insurance No:	
Email address for correspondence	
Effective date- *(note: this should be the 1st of the month, and should be the same as the date given in the opt out form)*	

Declaration:

I confirm that I have taken the necessary steps to obtain appropriate advice in respect of my voluntary decision to opt out of the HSC Pension Scheme and understand the consequences of opting out of the HSC Pension Scheme on further and future pension savings and accrual.

- I have attached all relevant evidence that I have a reasonable expectation of exceeding the Annual Allowance for pension growth in the current financial year and that this breach is likely to generate a tax charge (i.e. documentary evidence of basic pay plus pensionable allowances; documentary evidence of the amount of salary sacrifice (if applicable); NHS Ready Reckoner; Remedy Pensions Saving Statement.)*
- I have taken into account any annual allowance carry over.
- I have completed and attached an Opt Out Form as part of this application.

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**Please note that failure to supply all relevant information required will result in your application not being considered by the regional panel and being returned to you.*

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I confirm that to the best of my knowledge the information I have provided on this form is correct, including information I have provided to HMRC and/or BSO
I confirm that I understand that opting out of the HSC Pension Scheme will mean I will not benefit from active members provisions including ill health retirement benefits and death in service benefits.

Name	
Signature	

Date	

Please submit your complete form to; hrretirements@belfasttrust.hscni.net **for AFC staff or** MedicalHR@belfasttrust.hscni.net **for Medical & Dental staff.**

APPENDIX 2

Section B – for completion by Decision Panel

Application approved Yes/No

State justification for application being approved/not approved

Authorised by ……..Date…….

(Chair of Panel)

Authorised by ……..Date…….