

Alternative Pensions Contribution Scheme

1. INTRODUCTION

- The purpose of the Trust Alternative Pensions Contribution Scheme (the Scheme) is to set out the options for those staff substantively employed by the Trust whose aggregate pension benefits are approaching within the next two financial years or have exceeded either the annual allowance (AA) and/ or the Lifetime Allowance (LTA) as set by Her Majesty's Revenue and Customs (HMRC) as a consequence of membership of the NHS Pension Scheme.
- The Scheme has been introduced to address operational risks facing the Trust as a result of changes introduced to the pension tax regime as a result of the detrimental financial impact this may have on individuals e.g. reluctance from staff to take on additional work/hours, a desire to focus on private work, a wish to reduce working hours and a reluctance to seek more senior opportunities. The Scheme is also intended to act in a positive way to attract staff in similar circumstances and retain those affected who could be made alternative and competitive offers elsewhere.
- The Trust is committed to ensuring staff are encouraged to remain in the NHS Pension Scheme and this scheme is not intended to persuade employees to opt out. Equally it is not the intention of the Trust to enable staff to use this scheme to maximise pay and minimise personal HMRC liabilities. Therefore only staff who can evidence that they are adversely affected by the LTA or AA can apply for this scheme.
- Staff considering an application under this scheme are required to seek independent financial advice.
- The Scheme does not form part of any employee's contract of employment and the Trust may amend or remove it at its sole and absolute discretion. The Trust may remove payment from members of staff where it is considered they no longer meet the scheme criteria and stipulations.

2. DEFINITIONS

Term	Descriptor
Annual Allowance (AA)	The maximum amount of pension saving that you can make in all pension schemes each tax year without incurring a tax charge.
Lifetime Allowance (LTA)	The maximum value that an individual's aggregate pension savings over their lifetime can take without incurring a LTA charge. This can be varied by HMRC at any time.
Alternative pension contribution payment	An alternative pension contribution payment is the sum equivalent to the amount the Trust would pay into the relevant NHS Pensions Scheme if that employee were still a member (net of the employer's National Insurance contributions and any other deductions necessary from time to time to ensure that such payment is cost neutral to the Trust). This will be paid as a supplement to their salary and be subject to normal HMRC deductions.

3. SCHEME RULES

- The Scheme is open to all that can evidence that they are adversely affected by the pension taxation regulations (LTA/AA)
- Applicants must provide written evidence that the threshold has been reached or exceeded or will be reached or exceeded within the next two financial years, in the form of written advice from an Independent Financial Advisor (IFA) or from the NHS Business Services Authority
- Applicants to the scheme must be a current member of an NHS Pension Scheme to which the Trust is making a contribution when the application is made
- The Scheme must be cost neutral to the Trust. In order to achieve this, the Trust will pay 12.3% contribution to the employee as salary, which will be subject to normal payroll deductions (e.g. tax and NI). This is derived from 14.38% Employers' Pension Contribution minus Employers' national insurance contribution and tax.
NB: Current employer contributions are 20.6%, however, 14.38% is the cost to Trust with the HM Treasury picking up 6.3% to cover the increase from April 2019
- The scheme does not form part of any contract of employment and can be withdrawn at any time by the Trust
- Applicants must opt-out of the NHS Pension Schemes and not be in receipt of pension benefits after the application is approved (i.e. must become a Deferred Member)
- As a Deferred Member, applicants will not be able to make any additional voluntary contributions (AVC's) into the NHS Schemes
- Employees of the Trust should be aware that a payment under the Scheme will not replicate the benefits provided by the NHS Pension Schemes. A Deferred Member will not benefit from life cover (2 x annual salary lump sum to beneficiaries), and will have limited ill health / death benefits
- An alternative pensions contribution payment will not be available to employees who have completed any form of flexible retirement, including retire and return
- The Trust reserves the right to determine whether or not an alternative pensions contribution payment will be made and acceptance will be on the basis of the employee's ability to comply with the rules of the Scheme
- The Scheme is open to substantive staff only. Locums, agents, consultants, bank only staff or self-employed persons are not eligible for the Scheme
- Any staff member who has already opted out of the NHS Pension Scheme will be considered for the Scheme providing they can evidence their opt out in accordance with the Scheme rules. However no Scheme payments will be backdated to these individuals.
- The Trust will wait until the end of the scheme year to make the payment once the value of the unused employer contributions for the year is known. This would be given as a one off non-consolidated lump sum.
- The scheme is designed to address operational issues. Staff who benefit from it will not routinely have requests to reduce hours or PAs approved for the term that they benefit from the scheme.

4. APPLICATION PROCESS

- Anyone employed by the Trust may, subject to the rules in section 3, apply for the Scheme using the application form at Appendix 1.
- The completed form should be sent to the Head of Payroll, with evidence to support an application i.e. NHS Business Services evidence of an Annual or Lifetime Allowance charge. Alternatively written confirmation from an individual's IFA of a potential breach of these limits will be accepted.
- The Head of Payroll will confirm eligibility and calculate the amount of the anticipated Scheme payment. The individual will then be notified that they have been accepted into the Scheme.
- On receipt of confirmation into the Scheme the individual must confirm that they have opted out of the NHS Pension Scheme by submitting a SD502 form to the Trust Pensions Department.

- The SD502 form must state that the reason for opting out is that they have exceeded or expect to exceed either the AA or LTA.
- The individual will become a deferred member of the NHS Pension Scheme
<https://www.nhsbsa.nhs.uk/member-hub/leaving-or-taking-break-scheme>
- The Pensions Department will confirm to the employee that they are no longer a member of the NHS Pension Scheme and that they have been approved for a Scheme payment. This will come into effect from their next monthly salary payment
- An employee who has been refused entry to the Scheme may request that the application is reviewed by an Executive Director. New information must be presented to indicate why the original decision was incorrect. The decision of the Executive Director is final
- Payment under the Scheme will cease under the following conditions:
 - o The date an employee leaves the employment of the Trust
 - o The date the employee opts back into the NHS Pension Scheme
 - o The date an employee transfers their benefits out of the NHS Pension Scheme.
 - o The date that the employee commences drawing pension benefits from the NHS Pension Scheme

5. SCHEME REVIEW

The Scheme and the impact of its application will be reviewed routinely each year. However, it may be reviewed before that date if circumstances dictate the need for such a review e.g. HMR rules change or NHS Pension Scheme rules, rates or principles change.

Appendix 1

APPLICATION FORM

Alternative Pensions Contribution Scheme

Please complete in full attaching the required documents, and return to the Head of Payroll,

Full Name:	
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Division:	
Department:	

National Insurance No:	
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Assignment Number:	
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Month of intended opt out of the NHS Pension Scheme	
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I have attached evidence from NHS Business Services / Independent Financial Advisor that I will be adversely affected by the LTA or AA now or within the next two years.

I confirm that I have sought independent financial advice on the risks and benefits of opting out of the NHS Pension Scheme, and to the best of my knowledge the information I have provided on this form is correct. I accept that providing deliberately false information will result in my application being refused by the Trust or approval subsequently withdrawn.

Full Name.....

Signature

Date

Approved: Yes/No

Reason for rejection:.....

Head of Payroll signature.....

Date:.....