Are You In or Out?

The NHS Pension Scheme is now well established in GP Practices. Having been around since 1948 in the mainstream NHS, it took until 1st September 1997 to be finally introduced for GP Practice staff who had been denied the opportunity of joining the Scheme up to that point. 17 years later and we are still surprised about misunderstandings that take place with regard to membership and opting out of the Scheme.

As many of you will know, there is new government pension legislation regarding automatic enrolment. This was introduced in October 2012 and is monitored by The Pensions Regulator. The legislation is aimed at ensuring that all employees are automatically enrolled into a suitable pension scheme. Eventually all employers will have to be compliant and we will cover this rather complex piece of legislation in future issues.

It may surprise you to learn that the NHS Pension Scheme has had its own version of automatic enrolment since 6th April 1988. From that date onwards all eligible members were automatically ‘brought into’ or enrolled into the NHS Pension Scheme on commencing NHS Pensionable employment. In simple terms this means that whenever you appoint a new member of staff at your Practice, providing they do not fall into one of the ineligible categories below, they immediately become a member of the NHS Pension Scheme.

A person who is ineligible to join the NHS Pension Scheme would be an employee who:
- Is a re-employed 1995 Scheme pensioner
- Is employed in whole time pensionable employment elsewhere
- Is aged over 75
- Is aged under 16
- Has already attained maximum service in the NHS Pension Scheme

These are the main restrictions and there are other unusual situations that can be found in the Scheme Guide (obtainable from the NHS Pensions website).

When an employee commences employment at the Practice, they should always be issued with a Scheme Guide. The moment they arrive for work on day one, they join the Scheme so it is a requirement that each new employee is given the Guide. As a new member of the NHS Pension Scheme they will no doubt want to find out as much as they can about the Scheme they have joined.
The main purpose of this latest edition of PIPs is to alert you to what should happen when an employee wants to opt out of the NHS Pension Scheme or subsequently leave the Scheme at a later date. It is important to remember that it is not a case of not wishing to join the Scheme, it is a case of opting out of the Scheme of which they automatically joined on day one.

Having issued the Scheme Guide and the employee having gone away and diligently read the booklet from cover to cover, they may decide, for whatever reason that they do not want to remain a member of the Scheme. This means they will need to complete form SD502 to legally opt out. NHS Pensions have reminded us that from 1st January 2015 only the current version published on their website (V13 - Online) 09/2014 should be used. In fact any old versions of form SD502 will be returned to the employer and a new form will have to be completed.

Until a member completes form SD502 you must start/continue to deduct pension contributions.

Form SD502 contains important information which endeavours to ensure the member fully understands what they are giving up. In case you have never read the opening page we would suggest you familiarise yourself with this. Form SD502 can be located at [http://www.nhbsa.nhs.uk/Documents/Pensions/SD502_(V13)_Online_-_09_2014.pdf](http://www.nhbsa.nhs.uk/Documents/Pensions/SD502_(V13)_Online_-_09_2014.pdf)

**Fairway Comment:** Automatic Enrolment legislation has been incorporated into the new SD502 form. Whether the Practice is Pre or Post Staging Date the new SD502 should be used in all situations and the following procedures should be used.

Part 1 should be completed by the employee. When received please check the form to ensure it has been completed correctly and, most importantly, signed and dated. NHS Pensions will return forms that are not fully completed.

Prior to the Practice reaching its Staging Date it is permissible to download the SD502 Opting Out form from the NHS Pension Scheme website for your employee or you can direct them to the website to download themselves.

However, if your Practice has reached its Staging Date you must not give your employee form SD502 as pension legislation does not permit this. You have to direct the employee to the NHS Pension Scheme website so that the employee can download the form and complete as necessary. Having forms available for your employees to complete could be considered as coercing your employees into opting out!

**SD502 Part 2 - Completion by employer**

2.1 When was the member enrolled? Enter here the date the member started work at the Practice or the automatic enrolment Staging Date if this is being completed as part of the automatic enrolment exercise.

2.2 Did you receive the SD502 form within the opt out period to be paid? A simple Yes or No are the only options available but understanding the definition of the opt-out period is crucial.

NHS Pensions define the opt-out period as the period in which a member can opt out of the Scheme that will ensure no qualifying membership in the NHS Pension Scheme is accrued. To work out if the form was received within the opt out period, follow the steps below:

If the member was enrolled into the Scheme (i.e. they started work at your Practice and were eligible to join the Scheme) and satisfies one of the conditions below then the opt out period is one month from the date entered at 2.1 above.

- is under the age of 22
- is over state retirement age
- earns less than the annual PAYE tax threshold
- requested in writing to join or re-join the NHS Pension Scheme
Opting Out

However, if the member was enrolled into the Scheme and satisfies both the conditions below:
- is aged between 22 and state pension age and
- earns the annual PAYE tax threshold or more

Then the opt out period is one month from the later of the date the member:
- was enrolled/auto-enrolled or
- was provided with written enrolment/auto-enrolment information.

Example – a new employee is 45 years old earning £15,000 per annum. They were enrolled into the Scheme on their first day of employment, which happened to be the first calendar day of the month. If you issued the written confirmation letter (i.e. gave them the Scheme Guide) on the 20th then the employee will have until the 20th of the next month to opt-out of the Scheme to be within the opt-out period for a local refund and not to accrue any NHS Pension membership.

The only exception to this rule is if the form had been incorrectly completed and was returned to the member. In this case the opt-out period will be extended from one month to six weeks.

2.3 Employment Details

N.B If you are a Fairway Payroll or Pension Administration client please do not complete this section but forward the form to your usual contact at Fairway Training:
- Enter your GP code.
- Enter the SD Number if known.
- Enter the Job Capacity Code.
- State if Whole Time or Part Time.
- Last Day of Scheme membership – enter the date that the employee signed the SD502. It is important that the last day of Scheme membership is at least one day later than the date the employee started e.g. if they started on 1st April 2015, they cannot opt out until 2nd April 2015. This may seem pedantic but if the form is not completed correctly NHS Pensions will return the form to you.
- The Pay band box is only for ESR users and is generally not used by GP Practices. Therefore leave this box blank.
- Sign, date and stamp the form.

Retain a copy of the form for your own records and forward the original to NHS Pensions at the address on the form.

Fairway comment

To avoid any unnecessary complication we strongly recommend that the Scheme Guide is given to the new employee on the first day of employment along with a letter which confirms that they have been automatically enrolled into the NHS Pension Scheme. This means that the start date and the date they were informed about enrolment will be the same. They will therefore have one month from the date of commencing employment to opt out of the Scheme. If they do complete the form within the opt-out period a refund of any deducted contributions can be made locally for both the employee and the employer.

N.B If the SD502 is completed before the first month’s payroll has been processed there is no requirement to deduct either employee or employer contributions. The employee has been enrolled (by turning up for work!) and has then opted out well within the opt-out period.

If the SD502 is received after the payroll has been processed but still within the opt-out period (see 2.2 above), the contributions deducted will need to be refunded locally via the payroll. This will probably mean making a payroll adjustment in the following month.

If they opt out of the Scheme after their opt-out period, the employee will have to claim a refund by completing form RF12. This involves the Practice submitting the refund application via Pensions Online and it also means that any employer contributions paid will not be refunded to the Practice!
Fairway Training Ltd
Specialists in NHS Pensions & Payroll
Administration and Training

Fairway News

New Members of Staff

As part of our continuing expansion and our commitment to providing Practices with a first class service, we are delighted to welcome five new employees to Fairway Training. We are confident that after a period of induction and training they will all be valuable additions and contribute to the continuing success of the company.

In December Stuart Newton joined the Pension Team and he was joined by Lucy McGinley at the start of January 2015. In addition Hannah Butler, David Frame and Steven Kent have joined the Payroll Team and they also started at the beginning of January.

Retirement

The initial founder of Fairway Training has decided to retire. Philip Weatherall will be retiring on 31st March 2015. Philip originally founded the company in 1998 as a direct response to GP Practices being allowed into the NHS Pension Scheme. The company has grown from humble beginnings to now employing 35 staff; Philip more recently has also overseen the training and support side of the business. Philip’s enthusiastic training style and ability to make NHS Pensions interesting will be very much missed and the entire workforce at Fairway Training wishes him well in his well-earned retirement.

Employer Newsletter:
November 2014

The November and December 2014 newsletter contained 18 articles and we would like to draw to your attention the following.

Employer Newsletter November 2014

Item 6 - Ill Health Retirement – A reminder that employees who have at least two years qualifying service have the right to be considered for ‘in service’ ill health retirement benefits if their contract is to be terminated on the grounds of ill health. Employees must still be in employment for it to be classed as ‘in service’ and form AW33E should be used to apply. NHS Pensions recommend that applications should be made at the earliest possible stage. Ideally, this should be before paid sick leave ends so that the application can be considered before the member reaches a no pay situation.

Item 7 - Consultation on draft regulations - The full consultation on the draft National Health Service Pension Scheme (Transitional Provisions) Regulation 2015 was launched and ended on 15th December 2014.

The New 2015 Scheme Guide is now available on:
http://www.nhsbsa.nhs.uk/Documents/Pensions/SD_Guide_(V0.1)_Published_01.2015.pdf
**Employer Newsletter: December 2014**

**Issue 3 - Choice Letters** – a reminder that the Choice 2 exercise letters should now have been distributed and the deadline for members to return the forms if they want to exercise their right to make a choice is 16th March 2015.

**Item 4 - 2015/2016 NHS Pension Compliance Assurance and Estimated Total Contribution Statement** – see our recent Fairway Training bulletin ‘FTB1’ regarding this.

**Item 5 - Contribution rates for 2015 to 2019**

This includes a GP Practice Payment Schedule Factsheet which can be downloaded here and gives details of the final processing dates via Pensions Online.

The employee contribution rates have remained the same as 2014/2015 with some adjustments to the bands for Tier 4 and 5:

<table>
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<th>Tier</th>
<th>Bands</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to £15,431.99</td>
<td>5%</td>
</tr>
<tr>
<td>2</td>
<td>£15,432.00 to £21,477.99</td>
<td>5.6%</td>
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<tr>
<td>3</td>
<td>£21,478.00 to £26,823.99</td>
<td>7.1%</td>
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<td>4</td>
<td>£26,824.00 to £47,845.99</td>
<td>9.3%</td>
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<td>£47,846.00 to £70,630.99</td>
<td>12.5%</td>
</tr>
<tr>
<td>6</td>
<td>£70,631.00 to £111,376.99</td>
<td>13.5%</td>
</tr>
<tr>
<td>7</td>
<td>£111,377.00 and over</td>
<td>14.5%</td>
</tr>
</tbody>
</table>

As a reminder the Employers contribution rate will increase from 14.0% to **14.3%**.

**Employer Newsletter: January 2015**

**Editorial Team:**
Andrew Shirley  
Daniel Bott  
Stephen Blake

Most of the information in this newsletter will be covered in the next edition of PIPs. However, there is one important item regarding a payslip leaflet which is available and should be distributed to all staff as soon as possible. It contains the following information:

- Contribution rates for 2015/2016
- Change to Pension Access
- Choice 2 reminder
- Pensions Scams
- Marriage (Same Sex Couples) Act 2013
- 2015 Pension Scheme basic information

We understand that these are being issued automatically to employers. If you do not receive your copies please contact NHS Pensions directly.

*HTTP://PRACTICEINDEX.CO.UK/GP/FAIRWAY-TRAINING-LTD

NHS Pension Scheme Important Information for Employee’s Payslip Leaflet 2015 (V1) online 22.12.2014.pdf