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for Patients



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as One Team



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Always Improving

Working together to drive excellence in care
for our patients and communities

Portsmouth Hospitals NHS Trust Measures to support staff and service delivery in relation to pension tax issues guidance document

The consequences of the pension tax issue on (primarily) senior NHS staff has been well-documented, including a recognised reduction in activity as a result of staff reducing their working hours, retiring and returning on reduced hours and refusing additional work.

PHT has been working across the system and with colleagues in the LNC and BMA to identify options to support staff who have incurred a current tax liability in relation to Annual Allowance (AA) or Lifetime Allowance (LTA) and who have left or intend to leave the NHS Pension Scheme as a result.

The following options have been developed to provide staff with choice around how they might mitigate the impact of the AA and LTA whilst supporting staff to continue or increase additional activity without the anxiety of a detrimental tax impact.

The following suite of proposals will be implemented from the 1 October 2019, on a pilot basis, until the 31 March 2020, at which point PHT will adopt the revised national scheme. These are:

- **Pension Contribution Alternative Award**
- **Management of Pensionable Pay**
- **Use of TOIL to provide sabbatical leave opportunities**

The opportunity to sacrifice salary for a lease car or electrical devices is an existing benefit which is available to all staff and details can be found here [Click here](#)

Pension Contribution Alternative Award

- Where employees meet the eligibility criteria below, PHT will pay employees, who opt out of the NHS Pension Scheme, a sum equivalent to the Employer's Contribution (amount that the employer would pay into the relevant NHS Pension Scheme if they had remained a member of the NHS Pension Scheme) net of the Employer's National Insurance contributions. This will be paid as a supplement to the salary (separate cash payment).

However this proposal should not be seen as an inducement to leave the NHS Pension Scheme. PHT does not recommend that employees leave the NHS Pension Scheme and any decisions must be informed by taking independent advice.

From 01.04.2019 the employer's contribution is 20.6% of pensionable pay. However this has increased from 14.38% in the previous year and the cost of this increase is being paid directly to the NHS Pension Scheme and does not form part of the Trust's base budget for 19/20. On that basis, the payment made will only reflect the 14.38% minus Employer's National Insurance Contribution (approx. 12.38%). This is therefore cost neutral to PHT and would pass the employer's full contribution across to the employee as a supplement to salary in the event of leaving the scheme under the conditions described.

Eligibility criteria

In order to be eligible, employees must meet the following criteria:

- Have a current tax liability or be able to demonstrate that they are about to attract a tax liability in relation to the Annual Allowance or Lifetime Allowance should their current pension arrangements continue. Employees may be asked to provide evidence of this e.g. letter from Independent Financial Advisor or NHS Pensions letter.
- Confirm they have taken independent financial advice in relation to their decision to leave the NHS Pension Scheme.
- Confirm they fully understand the impact (including loss of associated benefits) of leaving the NHS Pension Scheme.
- Confirm they have left the NHS Pension Scheme.

The attached Pension Contribution Alternative Award Policy provides further information.

Management of Pensionable Pay

Determining certain elements of pay as being non-pensionable may help employees to limit the value and rate of their pension growth and mitigate pension tax issues. National guidance from NHS Employers states that employers have some flexibility in determining what pay is pensionable, depending on the nature and duration of the payment. As pension tax matters are very specific to each individual, PHT can agree pensionable pay arrangements with staff individually. The following may be considered as non-pensionable

- temporary payments where set locally can be determined as non-pensionable through agreement with the individual

- local payments where set locally can be determined as non-pensionable through agreement with the individual
- allowances for undertaking management responsibilities – these are set locally and can be determined as non-pensionable through agreement with the individual

To clarify:

- Additional Programmed Activities (PAs) – additional PAs (over 10) are non-pensionable. Should you have any queries regarding the status of your additional PA's please contact HR.
- Waiting list initiative (WLI) payments – where the acceptance of WLI payments is voluntary and in addition to full time contracted hours, WLI payments are non-pensionable.

However employees should be aware that non-pensionable payments may still have an impact on their pension tax position.

Lower pensionable earnings lead to lower pension benefits in retirement. The lower pension benefits received during retirement must be considered alongside any benefit gained from lower annual allowance and/or lifetime allowance charges.

Non-pensionable pay still counts towards threshold income and adjusted income, which determine if the employee will have a lower, tapered annual allowance.

Use of TOIL to provide sabbatical leave opportunities

PHT is proposing a scheme whereby employees may bank time off in lieu (TOIL) instead of receiving payment for additional work. This helps to reduce both pensionable income for the purposes of pension growth and the impact of the tapered annual allowance.

Additional time worked would be recorded and banked to allow employees to save up TOIL over a period of time. The hours banked may be used to take longer periods of leave, such as a sabbatical or career break, or be used at the end of the employee's career before retirement. The precise details of the policy, including the TOIL accrual rate and requirement to ensure organisational needs are met, needs further discussion and local agreement. PHT will be engaging with the LNC to progress finalizing this option as quickly as possible. In the meantime employees may bank TOIL in anticipation of a final scheme.

Next Steps

- Complete the appropriate form (attached) indicating whether you wish to:
 - apply for the alternative award policy (separate cash payment)
 - manage the pensionable pay elements of your salary
- Employees currently in the NHS Pension Scheme who wish to apply for the Alternative Award Policy will need to complete the NHS Pension opt-out form SD502. This can be found on the NHS Pension website.

- Submit the completed forms to the HR Inbox
- HR will assess eligibility and progress the request. You may be required to provide evidence of your tax liability if requested.

Application for Alternative Award Policy

Full Name	
Job Title	
ESR Assignment Number	
NHS Pension Scheme Membership Reference	
Opt out date from the NHS Pension Scheme	

I confirm that:

- I have read and understood the Pension Contribution Alternative Award Policy.
- I have a current tax liability or am able to demonstrate that I am about to attract a tax liability in relation to the Annual Allowance or Lifetime Allowance if my current pension arrangements continue. You may be required to provide evidence of this e.g. letter from Independent Financial Advisor or NHS Pensions letter.
- I have taken independent financial advice in relation to my decision to leave the NHS Pension Scheme.
- I fully understand the impact (including loss of associated benefits) of leaving the NHS Pension Scheme.

I understand that:

- The policy and alternative award payment do not form part of my contract of employment.
- The payment will cease on 31st March 2020.
- The Alternative Award Payment does not form part of my base salary, and is not included in the calculation of any overtime, bonus, long-term incentive plan, or other benefit entitlements that I may have.
- Payments will be subject to deduction for income tax and national insurance contributions.
- The Trust accepts no liability or responsibility for the consequences of any changes to my pension benefits or arrangements, or any consequences of no changes being made.

Signed	
Name	
Date	

Please return this form to the HR.Inbox@porthosp.nhs.uk

Pension Measures Briefing V1

Request to Manage Pensionable Pay Elements of Salary

Full Name	
Job Title	
ESR Assignment Number	

I wish HR to review and where applicable determine the following elements of pay as non-pensionable (Please specify)

Element/Payment	State which payment/s you wish to be considered
Temporary payments	
Local payment	
Allowances for undertaking management responsibilities	
WLI payments – where voluntary and in addition to contracted hours are non-pensionable	

The Trust accepts no liability or responsibility for the consequences of any changes to my pension benefits or arrangements, or any consequences of no changes being made.

Signed	
Name	
Date	

Please return this form to the HR.Inbox@porthosp.nhs.uk