

Pensions Restructure Payment (PRP) Guidance

1.0 Introduction

The University Hospitals of North Midlands NHS Trust (UHNM) recognises that as a direct consequence of membership of the NHS Pension Schemes, high earning employees are disproportionately affected by the tax charge and may find that their future pension benefits are affected. This is normally because they have either exceeded the Lifetime Allowance (LTA) threshold and/or are affected by tapering of the Annual Allowance (AA). **See Appendix 1.**

The Pension Restructure Payment (PRP) scheme has been introduced to address potential operational risks (reduction on contractual hours, reluctance to take on additional work and desire to focus on private work) that have been identified as a result of the changes introduced to the pension tax regime.

It is not the intention of the scheme to encourage employees to leave the NHS Pension Schemes or to provide advice on options or liabilities. For this reason, individuals considering making an application for a Pension Restructure Payment (PRP) are strongly advised to seek independent financial advice and will need to provide evidence of liability at the time of applying.

2.0 Pension Restructuring Payment

Individuals who are able to provide written evidence that they have exceeded their annual/life time allowance and/or have left the pension scheme as a result of tax tapering impact, will receive the employer contribution paid direct to them as a Pension Restructure Payment (PRP).

The payment would be subject to employer national insurance at 13.80% so should therefore be reduced by the same amount, to ensure cost neutrality to the Trust. The payment is also subject to full tax treatments.

3.0 Scope and Eligibility

Application is open to all employee who are employed by the UHNM NHS Trust; have an annual threshold taxable income (taxable income excluding the value of pension contributions) on or over £110,000; and for whom the Trust pays an employer contribution into the NHS Pension Schemes. An illustrative example is provided at Appendix 2.

Furthermore in applying for a Pension Restructure Payment (PRP) an individual will also meet the following stipulations:

- (1) They are 100% compliant with mandatory training requirements for their specific role at the point of application and will maintain 100% compliance on a rolling basis
- (2) They have an in-date appraisal as at the point of application and will maintain compliance with appraisal completion on a rolling basis
- (3) They have been fully engaged in the job planning process within the last 12 months and will continue to ensure an up-to-date job plan is in place on a rolling basis (Medical Staff Only)

- (4) They will continue to meet the operational demands as identified in their current job plan

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,

Furthermore the Trust may remove payments from individuals where it is considered that they no longer meet the eligibility criteria and stipulations.

Those employees on Very Senior Managers (VSM) terms and conditions are subject to Treasury/NHSI approvals if changes result in salary of £150k or above.

4.0 Determining Eligibility

Employees who are considering leaving the pension scheme may wish to request a Pension Restructure Payment (PRP) in lieu of employer's pension contributions. However, they must be aware that a PRP will not replicate the benefits provided by the NHS Pension Scheme, in respect of life cover, ill health retirement protection and death benefits, for example. When opting out of the NHS Pension Scheme the opt out form (SD502) must also show the reason as 'Annual Allowance/Lifetime Allowance'

Employees who opt out of the scheme and subsequently apply to return at a later date must be able to provide written proof that they have accrued a liability in order to apply for a further PRP.

The Trust recognises that some individuals may have already made the decision to leave the pension scheme due to liability issues and therefore individuals who have left the scheme from 1st April 2019 onwards and meet the eligibility criteria set out in section 2.0 and 3.0 above are also able to apply for a restructure payment.

5.0 Process for Applications

Application for a PRP should be made on the form at **Appendix 3**. The payment will be verified, and will be considered at the absolute discretion of the Trust, who reserves the right to determine whether or not a Pension Restructure Payment (PRP) will be made, with due regard to the circumstances of the employee at the time that the application is made.

Once of the approvals have been met, this will be sent to the Employee Services Team (Payroll) for processing in line with the usual payroll cut off timescales.

The Trust will consider applications from individual employees who meet a set of criteria to access a payment in lieu of the employer contributions to the NHS Pension Scheme on their behalf. If approved at the Trust's discretion payment will be made at the Trust's employer pension contribution rate, which is currently 14.3% of pensionable pay, less employer deductions (such as employer's national insurance) on this payment. All payments will be subject to relevant deductions including tax and employee's national insurance where appropriate. Payments will be adjusted as pensionable pay changes. The PRP will be paid as a monthly supplement to the salary.

Payments will be made for a 12 month period and it is each individual's responsibility to re-apply for the PRP on an annual basis.

Should the employee rejoin the NHS Pension Scheme, PRP will cease from the day preceding rejoining.

6.0 Executive Approval

Approval of a Pension Restructuring Payment for all eligible staff up to Consultant level will be jointly granted by the Chief Finance Officer and Chief People Officer.

In the case of applications from Executive Directors of the Trust, authorisation will be granted by the Chief Executive Officer (CEO) together with the Chairman.

7.0 Scheme Approval & Authorisation

The principle of using a PRP was approved following consultation with the Trust Remuneration Committee (26th September 2019)

8.0 Monitoring & Compliance

The Trust will review the Pension Restructuring Scheme on an annual basis through the Trust Remuneration Committee.

The Trust reserves the right to cease operating the scheme if the government legislates at any time that the arrangements are no longer permitted or if the government reconsiders the tax liabilities on LTA or AA and the Trust reserves the right to reclaim any payments made on a proportionate basis.

Appendices

Appendix 1: Definitions

Appendix 2: Illustrative Example

Appendix 3: Authorisation Form

Appendix 4: Equality Impact Assessment

Appendix 5: Privacy Impact Assessment Questionnaire

Appendix 6: Pension Restructure Payments (PRP) Flow Chart

Appendix 1

Definitions

Lifetime Allowance¹

The lifetime allowance (LTA) is the total amount that an individual can have in all their pension savings, during their lifetime, without incurring an additional penal tax charge. From 6 April 2019, the lifetime allowance limit will be increased in line with the consumer price index (CPI) to £1,055,000. Prior to the pension tax changes the total lifetime allowance was £1.8 million and can be varied by Her Majesty's Revenue and Customs (HMRC) at any time.

If total pension savings exceed the lifetime allowance, a tax charge may be incurred on any benefits in excess of the allowance. Any lump sum taken will be taxed at 55 per cent and pension will be taxed at 25 per cent. (NB – it is the exceeded pension and lump sum that would be taxed at 55% for a person with a 40% marginal rate).

Annual allowance

The annual allowance is the amount of pension savings an individual can make in one year before receiving a tax charge. The standard annual allowance limit has been set at £60,000 since 6 April 2023². Employees may be subject to a lower tapered annual allowance, depending on their taxable income. If an individual's pension savings are more than the annual allowance (in one scheme year), they will receive a tax charge on the additional amount. The tax rate charged will reflect the individuals' marginal tax rate.

It is possible to carry forward any unused annual allowance for a maximum of three years provided the individual was a member of a qualifying pension scheme, at some time during all of the three previous tax years.

Tapered annual allowance³

The tapered annual allowance was introduced in April 2016, with the rates and allowances adjusted in April 2023, with the intention of reducing pension tax relief for high earners. It applies to those with adjusted incomes (taxable income and pension savings) of over £260,000 and threshold incomes (taxable income excluding the value of pension savings) of over £200,000. It also takes account of all occupational and personal pension arrangements such as private practice, bonuses, rental property and investments.

The rate of reduction in the annual allowance (from the current maximum of £60,000) is by £1 for every £2 that the adjusted income exceeds £260,000, up to a maximum reduction of £50,000. This means an individual's tapered annual allowance will be between £60,000 and £10,000. Pension benefits are tested against the tapered annual allowance by applying a factor of 16 to the increase in the benefit (the pension input amount) over the year.

¹ Only relevant for those employees already in receipt of a PRP who have already left the pension scheme due to the impact of the Life Time Allowance.

² Amended from £40,000 to £60,000

³ Amended in line with national changes 2023

Appendix 2 – Illustrative Example

Scenario:

For an employee with pensionable pay of £110k the calculation below shows the additional Gross Pay amount p.a. This would then be subject to the usual Employee NI and Tax.

Pensionable Pay	£110,000
Calculation (per annum)	
Employers Contributions - 14.38%	£15,818.00
Less Employer NI – 13.80%	£(2,182.88)
Gross Payment	£13,635.12

The Employer Contribution rate from April 2019

Whilst the NHS Pension employer contribution rate has increased in April 2019 from 14.3 per cent to 20.6 per cent there is currently no mechanism in place for employers to access this additional 6.3 per cent as this paid directly to the NHS Pension Scheme from NHS England. The Trust is therefore only able to pay employer contributions of 14.38 per cent to the employee.

Appendix 3

Pension Restructuring Payment (PRP) Request

Please complete in full attaching the required documents and submit to the Director of Human Resources Personal Assistant, Executive Suite, Ground Floor Springfield Building.

Name:	
Job Title:	
National Insurance No:	
Payroll number:	
Month and Year of Pension Scheme opt out:	
Reason for opt out indicated on Pension Opt Form (SD502)	
NHS Pension Scheme Membership Reference:	

I can confirm that:

I have read and understood the Pension Restructure Payment Guidance	
I have assessed that I meet the eligibility criteria set out within the Pension Restructure Payment Guidance	
I confirm that I have sought professional advice, and to the best of my knowledge the information I have provided on this form is correct. I accept that providing deliberately false information could result in my application being refused by the Trust.	
I have attached evidence from my personal Accountant or Financial Adviser	
I am currently 100% compliant with mandatory training requirements and will maintain 100% compliance on a rolling basis	
I currently have in-date appraisal and will maintain compliance with appraisal completion on a rolling basis	
I have been fully engaged in the job plan process within the last 12 months and will continue to ensure an up-to-date job plan is in place on a rolling basis (Medical Staff Only).	
I will continue to meet the operational demands as identified in my current job plan	

I understand that:

The Pension Restructure Payment does not form part of my contract of employment and 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 entitlement that I may have	
The Trust may amend or remove this scheme at its sole and absolute discretion and/ or could remove payment at any time should I be deemed to have breached the stipulations of the scheme	
Pension Restructure Payment received will be subject to deductions for tax and national insurance contributions	
If I rejoin the NHS Pension Scheme I must also inform the Pensions team of my PRP payment as this will cease.	

Individual Sign Off

Signature	
Date	

OFFICE USE ONLY

Executive Authorisation

Chief Finance Officer	
Signature	
Date	
Chief People Officer	
Signature	
Date	
For Chief Officer applications only	
Chief Executive Officer	
Signature	
Date	
Chairman	
Signature	
Date	

Approved forms should be sent to:

uhnmpayroll@nhs.net

Copy to: Applicant
Personal File

Appendix 4

Equality impact compliance assessment

1. General

Title of document	Pension Restructure Payment (PRP) Guidance
Purpose of document	To offer interim alternative arrangements to staff affected by the current pension position
Intended scope	Members of the NHS Pension Scheme

2. Consultation

Which groups/associations/bodies or individual were consulted in the formulation of this document?	Medical Local Negotiating Committee
What was the impact of any feedback on the document?	Feedback was used in the development of this policy.
Who was involved in the approval of the final document?	Trust Executive Team Nominations and Remuneration Committee
Any other comments to record?	None

3. Equality Impact Assessment

Does the document unfairly affect certain staff or groups of staff? If so, please state how this is justified.	No
What measures are proposed to address any inequity?	-
Can the document be made available in alternative format or in translation?	-

4. Compliance Assessment

Does the document comply with relevant employment legislation? Please specify.	Yes. Pension Automatic Enrolment (Pensions Act 2008)
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5. Document assessed by:

Name	Ro Vaughan
Post title/position	Chief People Officer
Date	July 2022

Appendix 5

Privacy Impact Assessment Screening Questionnaire

Procedure Title: Pension Restructure Payment (PRP) Guidance

Project lead: HR Director

Date: September 2019

Assessment question		Yes	No
1	Does the project/policy/procedure use or suggest new or extra technologies that will have a greater impact on privacy?		x
Comments:			
2	Is the justification for the new data-handling unclear or unpublished?		x
Comments:			
3	Does the project/policy/procedure involve an additional use of existing identifier?		x
Comments:			
4	Does the project/policy/procedure involve use of a new identifier for multiple purposes?		x
Comments:			
5	Does the project/policy/procedure involve new or substantially changed identity authentication requirements?		x
Comments:			
6	Will the project/policy/procedure result in handling of significant amount of new data about each person, or significant change in exiting data-holdings?		x
Comments:			
7	Will the project/policy/procedure result in the handling of new data about a significant number of people or a significant change in the population coverage?		x
Comments:			

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8	Does the project/policy/procedure involve new linkage of personal data in other collections, or significant changes in data linkage?		x
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Comments:

9	Does the project/policy/procedure involve new or changed data collection policies or practice that may be unclear or intrusive?		x
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Comments:

10	Does the project/policy/procedure involve new or changed data quality assurance processes and standards?		x
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Comments:

11	Does the project/policy/procedure involve new or changed data security arrangements?		x
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Comments:

12	Does the project/policy/procedure involve new or changed data access or disclosure arrangements?		x
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Comments:

13	Does the project/policy/procedure involve new or changed data retention arrangements?		x
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Comments:

14	Does the project/policy/procedure involve changing the medium of disclosure for publicly available information in such a way that data becomes more readily available than it was before?		x
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Comments:

15	Will the project give rise to new or changed data-handling that is in any way exempt from legislative privacy protections?		x
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Comments:

Does the project/policy/procedure require further privacy impact assessment?		x
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If the project/policy/procedure does not require any further Privacy Impact Assessment, this document should be signed by the Project Lead/Policy Author and relevant Information Asset Owner. The project/policy/procedure should state that it is exempt from a Privacy Impact Assessment, and this questionnaire should be kept with the project/policy/procedure documentation.

No further Privacy Impact Assessment need.

Signed _____ Date _____ Project
Lead/Policy Author

Signed _____ Date _____ Information
Asset Owner

Appendix 6

Pension Restructure Payment (PRP)

Application Process for Separate Cash Payment

