

NHS Pensions - Scheme Pays FAQs

Q. What is scheme pays?

A. If you have an annual allowance charge you can ask NHS Pensions to pay some or all of that charge in return for an appropriate reduction to your NHS benefits. NHS Pensions may be able to help if the growth in your NHS Pension Scheme benefits exceeds your available annual allowance. This is scheme pays. NHS Pensions offers two types of scheme pays facility; mandatory scheme pays and voluntary scheme pays. From 2017/18 our voluntary scheme pays facility was extended to include members subject to an annual allowance lower than the standard annual allowance of £40,000.

If you are a member of both the 1995/2008 and the 2015 NHS Pension Schemes you can ask us to pay the charge from one or both NHS schemes. You can't ask us to pay your charge from only one NHS scheme.

Q. I have a tapered annual allowance can I ask for scheme pays?

A. Yes. If you have an annual allowance charge from tax year 2017/18 onwards we can pay 100% of your annual allowance charge that relates to your NHS benefits as long as we receive your election before our deadline.

If you have an annual allowance charge for tax year 2016/17, or earlier, you can't ask us to pay an annual allowance charge from the part of the pension input amount that is over your tapered annual allowance but under £40,000.

You can find more information in the Pension Savings Statement Guide on our website.

Q. What is the difference between mandatory and voluntary scheme pays?

A. It is a compulsory HMRC requirement for all pension schemes to have a mandatory scheme pays facility and they set the conditions for when an election is accepted.

It is not compulsory for pension schemes to offer a voluntary scheme pays facility. Because of this pension schemes can determine the conditions for when it will pay scheme pays using their voluntary scheme pays facility.

Q. When will the annual allowance charge be paid to HMRC?

A. If we pay your charge by mandatory scheme pays the deadline for the payment is 14 February following the end of the second tax year to which the liability relates.

If we pay some or all of your charge using our voluntary scheme pays facility we aim to pay the charge at the end of the quarter your election is accepted. NHS Pensions pays tax quarterly to HMRC with the final dates for payment being: 15 May, 14 August, 14 November and 14 February. This maybe after the self-assessment tax return deadline of 31 January.

Q. Will the date payment is made affect me?

A. If we pay any of your annual allowance charge by voluntary scheme pays then you remain solely liable for the charge. HMRC may charge you interest if the charge is paid after the self-assessment tax return deadline of 31 January.

The NHSBSA, the NHS Pension Schemes and your NHS employer do not accept any liability for interest charges in respect of a charge paid by voluntary scheme pays.

More details about the conditions and deadlines for mandatory and voluntary scheme pays can be found in the Pension Savings Statement Guide and other factsheets on our website.

Q. What is the maximum amount of scheme pays NHS Pensions will pay?

A. The maximum amount of annual allowance charge you can ask us to pay is the charge which has been calculated from the pension input amount in the 1995/2008 or 2015 NHS Pension Schemes.

If you are a member of both the 1995/2008 and 2015 NHS Pension Schemes this is the total pension input amount across both schemes.

You cannot ask us to pay an annual allowance charge you have incurred in a pension scheme that is not a NHS scheme.

Q. Is there a scheme pays option for the NHS Money Purchase AVC Scheme?

A. Yes. Scheme pays is also available if your pension contributions to the NHS Money Purchase AVC Scheme is more than your available annual allowance.

You will need to complete a separate scheme pays election which you can get by writing to the Annual Allowance Team Manager.

Q. I am considering scheme pays - what is meant by an irrevocable election?

A. It means that once NHS Pensions has accepted your scheme pays election you can't ask us to cancel your election at a later date. An election can be changed if the amount of the annual allowance charge changes.

Q. What are the deadlines for asking NHS Pensions for scheme pays?

A. For both the NHS Pension Scheme and the NHS Money Purchase AVC Scheme we must receive your scheme pays election by the 31 July in the year following the tax year the annual allowance charge applies.

The deadline for us to receive your election is earlier if one of the following events takes place before the deadline, either you:

- retire - we need to receive your completed election before your NHS benefits become payable; or
- reach age 75 - we need to receive your completed election before your 75th birthday.

Q. How much will scheme pays cost me?

A. The scheme pays is recorded as a notional negative defined contribution (DC) account on your pension record. In basic terms this is similar to us 'loaning' you money now to pay your annual allowance charge, which you then repay back later with interest.

Interest is added to the account each year from 1 January following receipt and acceptance of your scheme pays election.

Interest is based on the previous September's Consumer Price Index (CPI) figure plus the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. The SCAPE discount rate changed from 3% to 2.8% on 16 March 2016 and will reduce further to 2.4% from 1 April 2019.

NHS Pensions reserves the right to change the amount of interest charged following guidance received from the Scheme Actuary.

Q. When will the scheme pays amount be recovered?

A. We recover the scheme pays amount when you retire or transfer out.

In the NHS Money Purchase AVC Scheme it is taken from your pension fund when the charge is paid to HMRC. If you elect for scheme pays but hold investments with more than one NHS Money Purchase AVC provider it will be up to you to tell us from which provider and policy you want the scheme pays to be collected from.

Q. How will it be recovered from my NHS Pension Scheme benefits?

A. At retirement the total negative DC account balance owing, including all relevant interest, is converted into a permanent reduction to your NHS benefits using actuarial factors provided by the Scheme Actuary.

If you are a member of the:

- 1995 Section - your pension and your lump sum is reduced; or
- 2008 Section or 2015 Scheme - your pension is reduced. This also applies if you chose to move from the 1995 Section to the 2008 Section under the Choice exercise.

The reduction factors are available on our website.

If you leave and transfer your NHS pension rights the transfer value is reduced to recover the total negative DC balance owing.

Q. What happens if I make a scheme pays election and then I die?

A. If you die before we pay your annual allowance charge your election is cancelled and we will write to your estate that they retain liability for your annual allowance charge.

If we've paid the tax charge to HMRC and then you die:

- before your retirement – we write-off the total amount owing; or
- after your retirement and your pension benefits had already been reduced - this has a consequential effect on the amount of initial dependent's pension payable because this is calculated on your reduced pension in payment at the time of your death.

A continuing dependent's pension will be calculated on your unreduced pension.

If you are in the NHS Money Purchase AVC Scheme any benefits will be based on your pension fund after the reduction for scheme pays.

Q. Can I make an election for scheme pays after I have retired?

A. No. NHS Pensions must receive your scheme pays election before your NHS Pension Scheme benefits become payable.

Q. I have annual allowance charges in both the NHS Pension Scheme and the NHS Money Purchase AVC Scheme – how can I elect for scheme pays?

A. You can't ask for the main NHS Pension Scheme to pay your annual allowance charge in the NHS Money Purchase AVC Scheme, and vice versa.

If you have a charge in the:

- 1995/2008 NHS Pension Scheme - you can only ask this NHS scheme to pay it.
- 2015 NHS Pension Scheme – you can only ask this NHS scheme to pay it.
- NHS Money Purchase AVC Scheme – you can only ask this scheme to pay it.

Q. Can I change my scheme pays election?

A. You can make changes to your scheme pays election if the amount of annual allowance you want us to pay changes.

You will need to complete another Scheme Pays Election Notice (SPE2), available on our website, and tick the box in Part B to confirm you are changing a previous election. This provision is useful if you initially estimated your annual allowance charge.

We must receive your change no later than the 31 July, following the end of a period of 4 years from the end of the relevant tax year to which your annual allowance charge liability relates.

If your annual allowance charge has:

- reduced - we will reclaim any overpaid tax from HMRC. If you have retired your NHS benefits will be reassessed and any additional NHS pension benefits paid to you.
- increased - we will pay any outstanding tax to HMRC. If we are using our voluntary scheme pays facility HMRC may contact you to pay interest on a late payment.

Q. If my original election for scheme pays was rejected or returned can I make an amendment?

A. If your original election was rejected or returned to you because it was incomplete or you provided insufficient or incorrect details you will be asked to complete another election and return it to us before the 31 July deadline. If the election is not received by this deadline it will not be accepted.

Q. Do I have to report my scheme pays to HMRC?

A. Yes. If you have an annual allowance charge you will need to tell HMRC about this and confirm how you will pay this amount.

If you usually complete a self-assessment tax return then you must tell HMRC about your pension input amount and your annual allowance charge as part of this return.

You will need to use the supplementary Additional Information form (SA101) of the tax return to confirm that the total pension input amount exceeds your annual allowance.

HMRC has published a help sheet, HS345 - 'Pensions - tax charges on any excess over the lifetime allowance, annual allowance and on unauthorised payments' to help you to complete the 'Pension Savings Tax Charges' section on page Ai4 of the additional information pages.

If you do not usually complete a self-assessment tax return or it has been some time since you last did so you will need to register for one by completing form SA1.

It can take up to 20 working days to complete HMRC's registration process at the end of which you will be given a Unique Taxpayer Reference (UTR).

Q. What happens if I exceed my available annual allowance again?

A. You can ask us to pay your annual allowance charge again by completing another scheme pays election.

Q. Why have you rejected my scheme pays election?

A. We do not have to pay your annual allowance charge, if:

- we do not receive the scheme pays election within the specified deadline;
- the annual allowance charge is in respect of a pension input amount in another pension scheme, outside the NHS or for a different NHS Scheme;
- you have retired;
- you are over age 75;
- you transferred out of the NHS Pension Scheme;
- you died before we paid the scheme pays to HMRC;
- you have taken a refund of contributions;

you have insufficient funds in the NHS Pension Scheme to repay the scheme pays at a later date.

Q. You have rejected my scheme pays election. Can I appeal against this decision?

A. You can appeal against this decision by writing to the Annual Allowance Team Manager and explaining why you did not meet the conditions for scheme pays.

If your appeal is successful we will confirm under which scheme pays facility, mandatory or voluntary, we can pay your annual allowance charge. If unsuccessful we will explain why it is has been unsuccessful.