NHS

Business Services Authority

Your guide to NHS Pensions & the scheme pays election

If you have a NHS Pension, from 6 April 2011 you've been able to ask NHS Pensions to pay some or all of your annual allowance charge. This is known as the **scheme pays election.** NHS Pensions can only pay the charge to cover the NHS Pensions Scheme (England & Wales) benefits, and not any other pension savings that you might have.

How does it work?

A **scheme pays** election allows you to ask NHS Pensions to pay the annual allowance charge. You can do this if:

- The total annual allowance charge is more than **£2,000.00**
- the growth in your benefits exceeds the standard annual allowance limit (currently **£40,000.00**), and
- the election is received by **31 July** in the year following the self-assessment deadline.

If your request is accepted, NHS Pensions Scheme will be responsible for paying the charge to HMRC by their deadline. If it isn't paid on time the Scheme may need to pay more charges and interest. This is called mandatory scheme pays election.

From **April 2017** you can ask that NHS Pensions to pay the annual allowance charge on your behalf. This is called voluntary scheme pays election. You can do this if:

- In the 1995 Section, the 2008 Section, or the 2015 NHS Pension Scheme the growth in your benefits (in each specific Section/Scheme) is under £40,000.00 but more than your tapered or money purchase annual allowance; or
- in total (when added together) the growth is more than your tapered or money purchase annual allowance.

Under a voluntary scheme pays election there is no longer a minimum threshold of **£2,000.00**. The election must still be received by HMRC's deadline for mandatory elections.

If NHS Pensions agrees to pay an annual allowance charge

NHS Pensions aims to pay any voluntary **scheme pays** election at the end of the quarter the election is received. When an election is accepted on a voluntary basis you will remain responsible for that charge and any interest or charges incurred if HMRC receives the annual allowance charge payment after the self-assessment deadline.

There is a separate guide that tells you about NHS Pensions and the annual allowance.

How does it work?

Under the **scheme pays** election method NHS Pensions effectively gives you the money as a loan to pay the charge. Recovery of the loan (and interest) is made when your NHS pension benefits are paid, or you decide to transfer out your accrued NHS pension benefits. When your benefits are paid the loan amount (plus interest) is divided by a factor to work out the amount to be recovered from the ongoing annual pension and in the 1995 Section the lump sum. If you transfer out your NHS Pension to another scheme, all of the loan and interest is recovered from the amount of money (e.g. the cash equivalent transfer value) to be transferred.

The interest amount and recovery factors are confirmed by the Scheme's Actuary.

You'll find lots more information in the **'Ask Us' knowledgebase**, on the **NHS Pensions website** and in the **HMRC Pension Tax Manual**. You should always think about getting independent financial advice about your pension and potential tax implications.