This factsheet is designed for the use of the National Health Service Superannuation Scheme (Scotland) and the Scottish Teachers’ Superannuation Scheme and can be read in conjunction with the member’s guides.

This factsheet provides information for members who are considering whether or not to elect for the NHS or STSS schemes to pay the Annual Allowance (AA) charge on their behalf.

**What is a Scheme Pays election?**

A Scheme Pays election is where a member who is subject to an AA charge, elects for the relevant pension scheme to pay the charge on their behalf.

The NHS and STSS will only pay the AA charge if the scheme receives a Scheme Pays election notification and the member meets the mandatory requirements prescribed by HM Revenue and Customs (HMRC).

Where a Scheme Pays election is made, the member’s benefits are reduced in line with factors provided by the scheme actuary.

**What are the mandatory requirements needed before the NHS and STSS will pay the AA charge on a member’s behalf?**

The mandatory requirements of HMRC are as follows:

- your total AA charge liability for the tax year exceeds £2,000
- the amount of your pension growth in the scheme alone was more than the AA in the relevant year (i.e. £50,000 for 2011-12)
- you give your notification to the scheme within the statutory timescale

**What is the statutory time limit for the election to be made?**

The time limit for the 2011/12 tax year is the 31 December 2013. For the tax year 2012/13 the deadline will be 31 July 2014 and subsequent tax years will have a similar July deadline.

You must also provide the election before your benefits are taken from the scheme. If benefits have already been authorised for payment, it will not be possible to exercise the Scheme Pays election.
Can the election be revoked after it has been submitted?

No, election cannot be revoked once it has been received by SPPA.

Where can the Scheme Pays election form be found?

The Scheme Pays election form can be found in the Taxation section of the website under “Forms”.

The deadline for the election to be made in the 2012/13 tax year will be 31 July 2014

How is the reduction in my benefits calculated?

The scheme will calculate a notional debit which will be deducted from your benefits at the point you retire or transfer from the scheme. This is known as an AA pension debit and, if applicable, an AA lump sum debit.

Factors provided by the scheme actuary are used in accordance with your age, sex, normal pension age and type of retirement. The age used is your age at the implementation date, which is 31 March of the tax year to which the tax charge relates.

If you are a member with mixed service (ie service with both normal pension age [NPA] 60 and 65), the debit will be set off initially against your NPA 65 pension. If the AA charge exceeds the value of the NPA 65 pension, a debit will then be applied against your NPA 60, to cover the excess.

The amount of the AA debit will not affect the Guaranteed Minimum Pension (GMP). The value of the AA pension debit and the AA lump sum debit will be increased in line with pensions increases until you retire or transfer from the scheme.
How are the notional AA pension debits adjusted for early or late retirement?

The debits, increased up to NPA, are calculated assuming that you will retire on your NPA. However, if you retire before or after NPA, the debits will be adjusted to allow for the different period over which they will be deducted.

Any conversion of annual pension for lump sum will occur after the application of the AA debits.

Will the benefits for my spouse, civil partner or dependants be affected?

In the NHS and STSS, the benefits in respect of your spouse, civil partner or dependant will not be affected by the Scheme Pays election.

Can more than one debit be applied to my pension benefits if I exceed the AA in subsequent years?

An AA debit will be calculated in respect of each tax year in which you elect the NHS or STSS scheme pays option. This may give rise to multiple scheme pays elections if more than one tax year is affected.

Where can I find further details about Scheme Pays?

Further details about Scheme Pays can be found on HMRCs website www.hmrc.gov.uk. We also recommend that you speak with an independent tax or financial adviser.

Further information

SPPA cannot give you financial or tax advice and if you need this you should speak to a professional adviser. You can read more about the annual allowance and lifetime allowances on HMRCs website at www.hmrc.gov.uk/pensionsschemes

Factsheets are designed to give a brief overview. They do not cover every aspect and further guidance can be obtained from the member and employer guides. Full details are contained in the rules of the scheme.