

FAQs for applicants

Q What is the 2019/20 Pension Annual Allowance Charge Compensation Scheme?

The Compensation Scheme will compensate eligible clinicians in retirement for 2019/20 pension Annual Allowance charges which a member chooses to meet using the NHS Pension Scheme Pays mechanism. Not all charges are covered in every case (see below for more on eligibility).

When individuals use the Scheme Pays mechanism, their Annual Allowance charge is met through a deduction to their pension (and lump sum if applicable) at retirement. The Compensation Scheme will make payments to eligible clinicians during their retirement which offset the impact of these deductions due to 2019/20 Annual Allowance charges.

Q Who is eligible to be included in the Compensation Scheme?

The Compensation Scheme will only apply to clinicians who:

- were members of the NHS Pension Scheme (NHSPS) in the tax year 2019/20
- were employed or engaged in a clinical role during 2019/20 that required registration with an appropriate healthcare regulatory body, see: [Professional Standards Authority – Which professions are regulated](#)
- had a valid registration for the period of the 2019/20 ‘Scheme Pays’ election
- incur a tax charge associated with breaching the annual allowance, including the tapered annual allowance, in relation to the 2019/20 tax year in respect of membership of the 1995, 2008 and 2015 NHS pension schemes and who use ‘Scheme Pays’ election to pay the tax charge.

Individuals who meet these criteria are referred to as ‘Eligible Clinicians’. These criteria apply equally to general practitioner and general dental practitioners, and those working for NHS trusts, Local Health Boards, relevant non-NHS employers, and general and dental practices. If you are an employee, your employer will need to vary your contract of employment to incorporate the 2019/20 Annual Allowance Compensation Policy. Employers have been provided with template letters to use.

The Policy does not include pension tax liabilities incurred due to accruals in the MPVAC scheme, APC benefits, or contributions to another scheme. Growth in added years contracts entered into before April 2008 are covered by the Policy.

Q Will the Policy apply to clinicians employed by non-NHS organisations (such as social enterprises, general practices, higher education institutions, independent sector)?

Clinicians working for non-NHS organisations will also be eligible to benefit from the Policy providing they are delivering NHS services and meet the overall eligibility criteria, including being employed or engaged in a clinical role in 2019/20 that requires registration with an appropriate healthcare regulatory body and are a member of the NHS Pension Scheme.

General practitioners, dentists and other clinical staff may be members of the NHS Pension Scheme not as NHS employees but by virtue of holding contracts for the supply of NHS primary care services, or being members of a GP partnership which holds such contracts. This means the detailed implementation of the Policy will need to be slightly different, but the benefits provided by the Policy will be the same.

Q How can clinicians apply?

A clinician must complete two forms to access the Scheme:

- SPE2 scheme pays application form
- 2019/20 Pension Annual Allowance Charge Compensation Scheme Application Form

Q What do I need to do to make sure I will receive the 2019/20 Annual Allowance charge compensation that has been offered by Welsh Ministers?

There are the following key steps:

- If you are an employed clinician, GP or dental practitioner, your employer must have provided you with a letter setting out that your contract has changed to allow the compensation to be paid.
- You must meet the eligibility criteria
- You must have an Annual Allowance charge in respect of your NHSPS benefits for the 2019/20 tax year. Any charges in relation to money purchase additional voluntary contributions (AVCs) and any Additional Pension purchased in 2019/20 including the growth in contracts taken out before 2019/20 is not covered. Pension growth resulting from 'added years' purchases taken out prior to 2008 however will be covered under this policy.
- You must use the scheme pays facility to pay the Annual Allowance charge. The deadline for submitting the scheme pays election form is 31 July 2021. (For some clinicians this may need to be an estimated scheme pays election).
- You must complete a compensation policy application form and have this endorsed by NWSSP, PCSW or NHS Dental Services as appropriate after completing your scheme pays election

Q Is there a formal deadline for applying for the Policy?

The deadline for submission of the SPE2 form is 31 July 2021. (For some clinicians, particularly where they work in General Practice, this will be an estimate of their total liability which can be corrected before 31 July 2024.)

For the Pension Annual Allowance Charge Compensation Scheme Application form the deadline is 31 March 2022.

However, we recommend that clinicians calculate whether they have an 2019/20 Annual Allowance charge and, if applicable, apply for Policy benefits as soon as possible after submitting their scheme pays election.

Q What if an employer is taken over, merges or ceases trading before I retire?

Where a Health Board or Trust ceases to exist, its assets and liabilities as well as the services they provide will be transferred to another LHB, Trust or other NHS body, or to the Welsh Ministers. This means that the financial commitments, including the commitment to compensate eligible clinicians, made will be safeguarded.

The promises in relation to the Policy made by HEIs to eligible clinicians would also be expected to transfer to a successor organisation in the Higher Education sector upon cessation for any reason of

the HEI. However, should this not be the case these promises are guaranteed by the partner trusts and ultimately the Welsh Ministers.

Q How will members be fully compensated? What does that mean in practice?

Qualifying clinicians who are members of the NHS Pension Scheme and who as a result of work during 2019/20 and face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance or tapered annual allowance will elect to have this charge paid by the NHS Pension Scheme. This is done by completing and returning a 'Scheme Pays' election form before the 31 July 2021 deadline. This means that clinicians do not have to pay the charge now out of their own pocket.

Employers, through the letters provided to them to send to clinicians, make a contractually binding commitment to pay a corresponding amount on retirement, ensuring that clinicians can be fully compensated in retirement for the effect of the scheme pays deduction on their income from the NHS Pension Scheme.

HMRC have confirmed that under current tax law, if all tax and NICs is paid at the time it is due, it is perfectly legitimate for an NHS employer to make payments equal to the amount of any reduction in NHS Pension Scheme benefits arising from any 2019/20 annual allowance tax charge after retirement where the Scheme Pays mechanism has been used.

Q What will happen if a Pension Annual Allowance Charge is found to be due for 2019/20 following the remedies that are put into place as a result of the McCloud consultation?

Some members of the NHS Pension Scheme have been affected by decisions made by the UK Government in 2015. These in effect required them to transfer from the 1995/2008 NHS Pension Scheme to the 2015 Scheme. Preventing NHS Pension Scheme members from remaining in the 1995/2008 NHS Pension Scheme was determined to be unlawful age discrimination by the Court of Appeal in 2018, commonly known as the McCloud judgment.

The UK Government has recently consulted on the steps which it will take to reverse this age discrimination. No decisions have yet been published but it is possible that NHS Pension Scheme members will become entitled to elect to revert to membership of the 1995/2008 scheme, or vice versa. In that event, there may be relevant clinicians whose AA Tax charge for 2019/20 has increased and there may also be relevant clinicians who were not previously subject to an AA Tax charge for 2019/20 but are now subject to such a charge.

Any remedies that are agreed **and** that impact on an individual's position vis-à-vis an Annual Allowance charge being due for 2019/20 and therefore their eligibility for the 2019/20 Pension Annual Allowance Charge Compensation Policy will be considered in the normal way. This will include extending the deadline for applications for those clinicians so that they are not disadvantaged.

Q Where can more information be found about the Annual Allowance and the Scheme Pays process in the NHS Pension Scheme?

A link to the NHSBSA's annual allowance website is [here](#).

Q How are members' rights under the NHS Pension Scheme affected by the 2019/20 Policy?

Members' rights are not affected by applying for the Compensation Scheme. As in any year a members' pension will be reduced if they use scheme pays for 2019/20 to pay HMRC for any pension tax liabilities incurred. However, on retirement members will receive a separate payment made under the 2019/20 Policy which compensates them for the reduction to their pension from using scheme pays for 2019/20 pension tax liabilities.

Q What about clinicians who opted out of the NHS Pension Scheme for 2019/20? Is there an alternative for those who did not build up pension?

Clinicians providing care to NHS patients who opted out of the NHSPS for some or all of the 2019/20 tax year were able to opt back into the NHS Pension Scheme, if they wished to do so.

If a member opted back in, they were not be able to backdate the date of re-joining and their contributions.

More information on opting back into the NHS Pension Scheme (and the Section that members would be eligible to join) can be found at the following websites:

<https://www.nhsbsa.nhs.uk/member-hub/joining-scheme>

https://contactcentreservices.nhsbsa.nhs.uk/selfnhsukokb/AskUs_Pensions/en-gb/5199/opting-in-and-out-of-the-scheme/17190/how-do-i-opt-back-into-the-nhs-pension-scheme

There is no cash alternative to compensation that can be offered if you were not a member of the NHS Pension Scheme in 2019/20.

Q What happens if an eligible clinician moves to another employer in the future?

If an eligible clinician changes employer after the end of the 2019/20 tax year, there will be no impact, as payments under the Compensation Scheme will remain linked to the employer that endorsed the member's eligibility.

If an eligible clinician moved between employers during the 2019/20 tax year, and incurs a tax charge, then the additional payments made under the Policy will be linked to the employer that made the commitment to the employee (via the published template letter).

Q What if an eligible clinician transfers their regular benefits out of the NHSPS?

If an eligible clinician with Policy benefits transfers their full entitlement to their NHSPS benefits out of the Scheme by taking a Cash Equivalent Transfer Value their Policy benefits will still be payable. It is not currently possible to transfer Policy benefits or exchange them for cash. Information about transfers from the NHSPS can be found [here](#).

Q Can a member retire before they receive their 2019/20 pensions savings statement and have their entitlement under the Compensation Scheme confirmed?

Members can retire. As is the case in any year, if members are about to retire they must submit an estimated scheme pays application form before they stop working and draw their pension. Using scheme pays for 2019/20 is a condition if they wish to take advantage of the commitment that has

been made for 2019/20. The NHSBSA scheme pays election [guide](#) sets out more detail on how to make an estimated scheme pays application.

For those who have recently retired and submitted an estimated scheme pays application and those who are retiring during the next few months it may be that their employer is asked to confirm eligibility after they retire.

Payments will not be made until the correct scheme pays adjustment for the 2019/20 tax year is known. Appropriate back payments to the date of retirement will be made in this circumstance.

Q How will I know whether I have an Annual Allowance charge for 2019/20?

The Compensation Scheme covers Annual Allowance charges incurred as a result of accrual of benefits in the NHS Pension Scheme during the 2019/20 tax year.

If you are an employed clinician, or a dentist in primary care who is a member of the NHS Pension Scheme, then if your annual pension savings in the NHS Pension Scheme have a value greater than the standard Annual Allowance of £40,000, the NHSBSA will have sent you a Pensions Savings Statement no later than 6 October 2020 (providing NHSBSA have received the year end update for your 19/20 earnings from your employer). Not everyone who may have an Annual Allowance charge will automatically receive a statement, and depending on your personal circumstances you may need to request a Pension Savings Statement.

GPs who are members of the NHS Pension Scheme (NHSPS) do not receive a Pension Savings Statement for 2019/20 from the NHS Business Services Authority (NHSBSA) until several months after their practice has submitted their Certified Statement of Pensionable Income. The deadline for this submission is 28 February 2021.

Whenever you receive it, your Pension Savings Statement tells you (among other things):

- the value of your pension savings in the NHS Pension Scheme in the 2019/20 tax year (this is called your Pension Input Amount)
- the value of your pension savings in the Scheme during the previous three tax years (2016/17, 2017/18 and 2018/19)

To work out your Annual Allowance charge you must take away any unused Annual Allowance from the previous three tax years from the amount by which your savings exceed your Annual Allowance in the 2019/20 tax year. Therefore, even if you have breached the Annual Allowance in 2019/20 this does not necessarily mean that you have an Annual Allowance charge to pay. This is explained in more detail in the NHSBSA Pension Savings Statement [Guide](#). It is important to read this guide in full. Other information about the Annual Allowance can be found [here](#).

Q What about the tapered Annual Allowance?

You need to calculate your taxable income at the end of a tax year in order to determine whether you may have a reduced or “tapered” annual allowance limit for that year. For 2019/20 having a threshold income of more than £110,000 and an adjusted income of more than £150,000 would result in an annual allowance which is less than £40,000. The reduction to the annual allowance is tapered, reducing the standard annual allowance by £1 for every £2 of adjusted income you had over £150,000. If you had adjusted income of £210,000 or more you have a tapered annual allowance of £10,000 for 2019/20. Threshold and adjusted income are HMRC defined terms and you

can find more information on how to determine and work out these incomes by visiting HMRC's website.

This is also explained in more detail in the NHSBSA Pension Savings Statement [Guide](#).

The Compensation Scheme commitment includes compensation for charges related to a lower tapered annual allowance.

Q What is Scheme Pays?

Scheme Pays is a facility in the NHS Pension Scheme which enables scheme members to use their pension savings to pay any taxes to HMRC. The process is set out in the NHS Pensions Scheme Pays Election [Guide](#).

The NHS Pension Scheme pays the tax on your behalf when it is due, and members pay the scheme back through a reduction in their retirement pension (or lump sum).

We have guaranteed that any eligible reduction to your pension through using scheme pays for 2019/20 will be compensated on retirement through payments that mirror the amount of this reduction.

However, you should first of all check whether you have any unused Annual Allowance from the three previous tax years that you can carry forward and offset against your Annual Allowance excess for 2019/20 (as set out above). If you do not have enough carry forward to completely offset the excess then you will be liable to pay an Annual Allowance charge and can apply for the Policy.

Q What forms do I need to complete if I am eligible?

There are two forms:

- The scheme pays election form
- The Compensation Scheme application form

It is important that you do not send in your Compensation scheme application form before your scheme pays election form. It is fine to send them in together where this is possible.

Scheme pays election

The deadline for NHSBSA to receive a scheme pays election for 2019/20 is 31 July 2021, or before you retire if earlier. Where you are in receipt of your Pensions Savings Statement by 6 October 2020, you should check your statement, and then you work out whether your benefits are subject to an Annual Allowance as soon as possible, and if relevant make a scheme pays election. If you have not received a Pension Savings Statement but believe you may have an annual allowance charge to pay for 2019/20, we recommend that you make an estimated scheme pays application as soon as possible.

Compensation cannot be paid if you choose to pay any pension tax charges owing to HMRC directly from your own resources

There are two types of scheme pays available in the NHS Pension Scheme and which one is applicable to you will depend on your personal circumstances. These are known as voluntary and

mandatory scheme pays. If you are using voluntary¹ scheme pays early submission of the scheme pays election will ensure that you minimise any interest charges on taxes owing. Please see the Scheme Pays Election Guide for more details on this (see footnote below).

Some groups of clinicians with specific circumstances (such as GPs) do not receive a pensions savings statement by 6 October 2020. If you think you may have an Annual Allowance charge for 2019/20 (for example, because you had one previously) you should submit an estimated scheme pays election by 31 July 2021, and complete a Policy application form to ensure that you don't miss out. Estimates for 2019/20 can be corrected until 31 July 2024.

If you are about to retire, to make use of scheme pays you must submit an election form to NHSBSA before you start to draw your pension. This may be an estimate if you have not yet received your Pensions Savings Statement. You can at this point also submit your Compensation Scheme application form. However, compensation payments will not be made in respect of scheme pays elections based on estimated information and you will need to update your estimated scheme pays as soon as you can. Any payments owing from the Compensation Scheme will be backdated to the date that you have retired.

Compensation Scheme application form

- If you are a clinician working for a health board you should ask your main employer* for 2019/20 to endorse your application. This endorsement is purely to confirm that you have been working for that organisation in a clinical role that requires professional clinical registration in 2019/20, and that you have that registration. Your employer will need to retain a copy of the form for their records. The form can be downloaded from nhsconfed.org/NHSPensionsWales. (Please note your employer will not have access to wider information about your personal circumstances, for example any income you receive from non-NHS sources.) *The NWSSP will act as the employing authority and you should send your form to them either via email or post. Email a signed, scanned copy to Pensions.department@wales.nhs.uk using the subject title 'AA Charge Compensation Scheme' or send a signed hard copy to: Pensions Department, 4th Floor, Companies House, Cardiff. CF14 3UB. They will send you back a copy of the completed form and send a copy to the NHSBSA.
- If you are a GP you will download the form from nhsconfed.org/NHSPensionsWales. When you have filled in your part of the form you will email a signed, scanned copy to PCSW PCSBusiness_Services2@wales.nhs.uk who will endorse your application. This is purely to confirm that you have been working in a clinical role during 2019/20 that requires professional registration and that you have that registration. They will then send you a copy and a copy will be sent to NHSBSA by them.
- If you are a dental practitioner [NHS Dental Services](#) have provided an e-form via Compass and will endorse your application. They will send you an electronic copy and send a copy to the part of NHSBSA that is dealing with the compensation policy.

¹ This guidance note describes the difference between voluntary and mandatory scheme pays facilities <https://www.gov.uk/guidance/who-must-pay-the-pensions-annual-allowance-tax-charge>. NHSBSA's Scheme Pays guide provides much more detail <https://www.nhsbsa.nhs.uk/sites/default/files/2018-12/Scheme%20Pays-Election%20Guide-20181217-%28V1%29.pdf>.

- If you are a clinical academic, you should ask your university employer to endorse your application. Contacts are as follows:

Bangor University hr@bangor.ac.uk,

Cardiff University: email your application to mdhr@cardiff.ac.uk with subject title '2019/20 NHS Scheme Pays'.

Swansea University – *details awaited*.

Q How will I know that my application for the Compensation Scheme has been received?

Once NHSBSA has your scheme pays election and your application form they will notify you that your policy application has been received

Q I am a GP what happens if my application for the Compensation Scheme is based on an estimated Scheme Pays application, and when I receive a Pension Saving Statement I do not have any annual allowance tax liability relating to pension growth in the 1995/2008 and 2015 NHS Pension Schemes during the 19/20 tax year?

If it is confirmed that you have no tax liability for 2019/20, then the compensation scheme payments will be cancelled by the scheme administrator. Should any payments have already been made NHSBSA has existing processes in place for debt recovery which will apply in such a case.

Q How will I receive the compensation payments?

The system which will allow the compensation payments to be made is being developed for us by NHSBSA. The system will be operational from April 2021 and will start to make payments to clinicians after this date automatically when you retire. For anyone who has retired before April 2021 when the system goes live any payments that would have been due in the interim will be backdated. Once you have submitted the scheme pays and eligibility forms the NHSBSA will link the two forms within their systems using your pension number and personal details. NHSBSA will then provide confirmation to you that your application for the Compensation Scheme has been received.

How will the compensation payments be made?

The compensation payments will be made on a monthly basis into the same bank account as your pension.

Once the compensation comes into payment, you will be told how much you will be paid in the coming year. Going forward you will receive an annual P60 and a payslip which indicates the amount you can expect to receive during the next year. This mirrors the approach taken for the NHS Pensions Scheme. Annual uplifts to the compensation payment will be at the same rate as those that are applied to your NHS pension.

Q What about tax and national insurance?

For all clinicians who have an employer in 2019/20, the payments will be taxed as income in the same way as your NHS pension. As with all income the rate of tax may vary from year to year to reflect any changes in tax rates and in your personal circumstances. For clinicians with an employer the payments will not attract any National Insurance contributions.

For those clinicians who are self-employed in 2019/20, the policy payments will be paid to you gross of income tax, and you will have to account for these payments as self-employed income through

self-assessment. In addition, depending on the level of your compensation payment, and whether you have reached state retirement age, there may be a need to pay self-employed National Insurance contributions. The payments made to you will be grossed up to take account of that if this is the case.

Q Can I take the policy benefit as a one-off lump sum?

No. It is not possible to take your full policy entitlement as a one-off lump sum.

In addition, there is no option to exchange part of the policy benefit for a lump sum at retirement.

For any 1995 section members, where there is a scheme pays deduction applied to the automatic tax-free lump sum, the policy will provide a lump sum payment to offset this.

Q What happens on death after retirement?

When a member dies after retirement, if they have a dependant, the compensation payments will be paid during the period any applicable short-term pension is in payment to that dependant (as described in this [NHS Pensions Survivor's Guide](#)). This is usually three months, unless there are also dependent children. Once the dependant's pension is in payment the compensation payments will cease.

This is because any scheme pays deduction that reduced a member's pension whilst they were alive continue to be applied to the short-term pension but do not affect a dependant's pension.

If a member dies within five years of retirement a lump sum is payable equal to the balance of payments for the remainder of the 5-year period.

Q How are payments affected by early retirement?

On early retirement members will also be fully compensated for any 2019/20 tax charge if they have confirmed their eligibility. On early retirement the pension will be reduced for early payment and the scheme pays adjustment in respect of the 2019/20 tax year (as well as for any other tax years) will be calculated in the normal way using the factors in force at the time (based on age at early retirement) and applied to the early retirement pension.

Q What if members take their 1995/2008 and 2015 scheme benefits at different times?

Scheme pays adjustments can apply to different sections of the NHS Pension Scheme and so could become effective at different times if the benefits are taken separately. Payments made to deliver the Policy will also become effective at different times to match this. The pension scheme that any 2019/20 scheme pays adjustment will apply to is determined at the time the scheme pays election is made and depends in which scheme the annual allowance was breached. This is set out in the scheme pays election [guide](#).

Q Will members still be eligible to receive the payment if they subsequently cease NHS employment/work, before retirement?

Yes – the payments made under the 2019/20 Policy will still be available alongside regular NHS Pensions at retirement, even if individuals cease NHS employment/work before retirement.

Q What if an eligible clinician is employed by 2 or more Health boards / Trusts?

If an eligible clinician is employed by more than one Health board or Trust during the 2019/20 tax year and incurs a tax charge, they should ask the employer with whom they had the most

substantive employment over the period to make the commitment. Only one employer is required to make the contractual commitment.

However, this should have no impact on employers as costs in relation to the payments will be met/reimbursed by Welsh Ministers and administered by NHSBSA. We wish to avoid apportionment of the benefit in this case.

Q Who can I contact with questions about Scheme benefits?

If you have questions about the Policy's benefits which cannot be answered through these FAQs please contact NHSBSA from the UK on **0300 330 0012** and calling from abroad on **0191 279 0813**.

Additional FAQs for non-NHS employees only

Q My substantive employer is a higher education institution. Am I eligible for the Policy?

The eligibility criteria are set out earlier in the FAQ. Only active members of the NHS Pension Scheme are covered. We are unable to make the commitment to active members of the Universities Superannuation Scheme (or any other pension scheme).

Q My substantive employer is a non-NHS organisation providing care to NHS patients. Am I still eligible?

The eligibility criteria are set out earlier in the FAQ. If you are a member of the NHS Pension Scheme during 2019/20 and meet the other criteria you may be eligible.

Q What if I am a clinician employed to deliver NHS services by both an NHS employer and a non-NHS organisation (where I am also eligible to build up benefits in the NHS Pension Scheme)?

In this case, we expect that the NHS employer will make the contractual commitment required for you to access the Policy and endorse your eligibility.

Q What if I am a clinician employed by more than one non-NHS organisations?

This will depend upon the nature of the non-NHS employers. We will work with NHSBSA to establish the process for asking for endorsement for Policy eligibility where there is more than one non-NHS employer. We expect that one employer will take overall responsibility for endorsement. We wish to avoid apportionment of the benefit in this case.

Additional FAQs for locums only

Locum GPs – specific questions

Q I am a locum. Am I eligible for the Policy?

If you are a freelance locum and are a member of the NHS Pension Scheme then you may be eligible for compensation under the Policy.

As for other clinicians, locum GPs must be:

- employed or engaged in a role that requires registration with an appropriate healthcare regulatory body, see: [Professional Standards Authority – Which professions are regulated](#)

- have a valid registration for the period of the scheme pays election
- on the Performer's List
- a member of the NHS pension scheme
- receive a tax charge associated with breaching the annual allowance in 2019/20 in respect of their NHS pension scheme membership.

Q I work as a locum for many different practices over the year. Who will take responsibility for verifying me as eligible to be part of the 2019/20 Policy?

You will need to submit your Policy application forms to PCSW to confirm that you have a valid registration for 2019/20 in line with other GPs. Please see the FAQs for eligible clinicians for information on this.

Acute sector locums

Q What if I am a locum clinician in the acute sector?

If you have chosen to be a member of the NHS Pension scheme and meet the eligibility criteria you will be able to benefit from the 2019/20 Commitment. If you work exclusively for a Health Board or Trust, or several Health boards / Trusts please follow the process for other clinicians in the Trust where you work most frequently.