

2019/20 Pensions Annual Allowance Charge Compensation Policy

A quick guide for **employers**

NHS England and NHS Improvement



What is the Policy?

- In recent years many of our NHS staff have been affected by pensions tax rules, and in particular, the Annual Allowance. Feedback that we have received suggests that this has had an impact on staff who want to help their patients by working additional hours.
- As a result of the impact that pensions tax rules were having on our frontline services NHS England and NHS Improvement introduced this Policy to help combat the problem. Therefore, exceptional action has been taken so that:

- Clinicians who are members of the NHS Pension Scheme ('NHSPS') and face an Annual Allowance charge in respect of the 2019/20 tax year will be able to have this charge paid by the NHSPS (by completing and returning a 'Scheme Pays' election form before 31 July 2021) meaning that they **don't have to worry about paying the charge now** out of their own pocket.

And

Their NHS employer will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are **fully compensated in retirement** for the effect of the 2019/20 Scheme Pays deduction on their income from the NHSPS in retirement.

- The Policy and benefits due under it are **guaranteed** by NHS England and NHS Improvement and the Secretary of State for Health and Social Care. They will be administered by the NHS Business Services Authority ('NHSBSA'), the administrator of the NHSPS.

Clinicians have been provided with a document setting out what they need to do to access the Policy. This is attached to this employer guide. What employers need to do is covered on the coming pages.

What do employers need to do?

To access the Policy clinicians will need to apply. The role of employers is limited and we have tried to keep this to a minimum. However, as an NHS employer you will also need to take some actions to allow your employees to access the Policy's benefits. These are the steps you need to take.



If you have any questions after reading this employers' guide please contact NHS England and NHS Improvement using the details on page 10.

Step 1: Understand the Policy

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- NHS employers have previously been sent information about the Policy. There is also information about the Policy on NHS England's website, bulletins and in trade press.
- To help you understand the Policy, its benefits and how it operates, we recommend that you read:
 - NHS England's website ([here](#)) which includes:
 - FAQs about the Policy for employers and clinicians
 - The letter sent directly to you in respect of the Policy (applicable to Trusts and Higher Education Institutions ("HEIs") only). This included communications to be shared with clinical staff– more details on this are on the next page.
 - An infographic for clinicians with a brief overview of the policy
 - The "Quick guide for clinicians" attached to this employer guide.
 - Letters for clinicians working in the Independent Sector and for GP and Dental Practices can also be found there
 - There are also a number of useful links provided at the end of this document, and in the "Quick guide for members" which will help you understand the Annual Allowance and other relevant aspects of pensions tax in more detail, if you need to.
- Finally, if you need any further information from NHSE&I you can contact us using the details set out on page 10.



Once you've understood the Policy and what it's trying to achieve, you can make sure you've communicated with members correctly.

Step 2: Communicate with members about the Policy

Step 2: Communicate with clinical staff about the Policy

- To access the Policy, staff should be provided with a letter from their employer setting out the offer. This letter forms a variation to the contract of eligible clinicians.
- To let people know about the Policy please make sure that you have sent out the following documents most of which can be found [here](#):
 - **Trusts** – please send the letter provided by NHSE&I to your clinicians in respect of the Policy.
 - **Higher Education Institutions** – please send the letter drafted by NHSE&I to eligible clinical academics with whom you have a contractual relationship. This was provided to you by UCEA.
 - **GPs** – please send the letter provided by NHSE&I to your clinicians in respect of the Policy.
 - **Dentists** – please send the letter provided by NHSE&I to your clinicians in respect of the Policy.
 - **Independent sector employers** – if you have eligible clinicians to whom you would like to offer the Policy a template letter is available to send to those individuals.

This letter may have already been shared with potentially eligible clinicians who have the appropriate professional registration. If you haven't already provided such a letter, please do so as soon as possible.



Clinicians working in secondary care wanting to apply for the Policy will ask you to endorse their eligibility. See the next page.

Step 3: Endorse members' eligibility

Step 3: Endorse members' eligibility

- **All clinicians** will need to complete an application form to access the Policy's benefits. If they are employed in a non-primary care setting they will need their employer to verify that they meet the Policy's clinical eligibility criteria.
- The Policy's eligibility criteria can be found in the FAQs online [here](#) and in the "Quick guide for members".
- The application form can be downloaded from [here](#).
- If you employ potentially eligible clinicians:
 - **A senior HR lead** will need to complete part 3 of each member's form – this will confirm that the member has worked for your organisation in a clinical role during 2019/2020 and had a valid clinical registration.
 - Take a copy of the form for your records, and return the original form to the member for submission to **NHSBSA**.
- Once clinicians have completed their forms the clinician will need to send them to NHSBSA along with their Scheme Pays election for 2019/20, which will ensure their annual allowance charge is paid. **Employers do not need to submit any forms on behalf of members to NHSBSA**
- **Dentists should** complete an on-line application form via Compass [here](#) for NHS Dental Services to endorse once they have submitted their Scheme Pays election to NHSBSA. The Policy application form will be sent directly to NHSBSA once endorsed.
- **GPs will need to** upload the form to PCSE via PCSE on-line for endorsement once they have submitted their Scheme Pays election to NHSBSA. PCSE is receiving the applications in windows. NHS England's website provides more details. The Policy application form will be sent directly to NHSBSA once endorsed.



Once you have completed your endorsement it is possible that members may have follow-up questions.

Step 4: Support members if they have any questions

Step 4: Support members if they have any questions

- There are a number of places that clinicians can find extra useful information that you can guide them towards:
 - Members will have access to the “Quick guide for clinicians” – this can be found [here](#). It is appended to this employer guide for information.
 - A comprehensive list of useful links can be found at the end of the “Quick guide for members”. These cover where to find more detailed information on the Policy and the Annual Allowance more generally (for example, if members are struggling to understand their Pension Savings Statements or calculating whether you have a charge).
- Members can contact the NHSBSA about the Policy using the details below:

Calling from the UK **0300 330 0012**

Calling from abroad **0191 279 0813**

- Alternatively, you may wish to offer Annual Allowance and wider pensions tax support sessions for groups or individuals, too. If you'd like to do this please let us know and we can put you in touch with someone who can help england.pensionsenquiries@nhs.net.



Minimal input will be required by employers on an ongoing basis. However, you will need to account for the Policy.

Step 5: Recognise the Policy in your accounts

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- The Policy's benefits will stretch long into the future. We expect that you may need to recognise the contractual commitments to members and the reimbursement from NHS England in your accounts.
- All organisations with individuals who apply for the Policy will be provided with ongoing management information to support with this.
 - Trusts: NHS employers such as Trusts will be provided with ongoing support from NHSEI on how to account for the Policy's benefits. Guidance has previously been sent to finance directors at Trusts with respect to 2019/20 accounts.
 - Higher Education Institutions - HEIs have been provided with the same information from UCEA
 - Other organisations – please discuss accounting for the Policy with your accountant and/or auditor.
- As noted in previous correspondence NHS England guarantees to cover the future cost of providing members with benefits under the Policy. As such, the provision of any liability in your accounts will be matched by a corresponding asset reflecting this position (and so the net effect of the Policy will be zero).
- However, it is ultimately the responsibility of individual organisations to agree an accounting treatment of the Policy's benefits with their auditor and NHSE&I cannot provide individual employers with advice on this itself.
- If you have any questions about the Policy or accounting for the Policy's benefits please contact us using the details below:

england.pensionsenquiries@nhs.net

Where can employers find more information?

The links below may be useful for employers looking for more detail on the Policy.

- NHS England's website - <http://england.nhs.uk/pensions>
- Professional Standards Authority – Which professions are regulated (for assessing eligibility):
<https://www.professionalstandards.org.uk/docs/default-source/section-29/section-29-general/which-professions-are-regulated.pdf>
- Communications – letters to employees:
 - **Trusts:** <https://www.england.nhs.uk/publication/action-on-2019-20-pension-tax-impacts-template-nhs-employer-letter-to-in-scope-employees/>
 - **HEIs:** <https://www.ucea.ac.uk/>
 - **GPs:** <https://www.england.nhs.uk/publication/pensions-tax-impacts-on-nhs-general-practice-a-solution-for-2019-20-letter-from-ed-waller-and-matthew-style/>
 - **Dentists:** <https://www.england.nhs.uk/pensions/>
 - **Independent sector:** <https://www.england.nhs.uk/pensions/>
- The infographic for clinicians with a brief overview of the policy <https://www.england.nhs.uk/pensions/>
- The “Quick guide for clinicians” attached to this employer guide.
- The FAQs <https://www.england.nhs.uk/pensions/>

Where can employers find more information?

In addition, employers can contact NHS England about the Policy using the following details:

- General queries: england.pensionsenquiries@nhs.net

Please note that useful links for members and contact details where members can find extra support can be found in the “Quick guide for members”.

2019/20 Annual Allowance Compensation Policy

A quick guide for **clinicians**

NHS England and NHS Improvement



What is the Policy?

- In recent years many of our NHS staff have been affected by pensions tax rules and in particular, the Annual Allowance. Feedback that we have received suggests that this has had an impact on staff who want to help their patients by working additional hours.
- As a result of the impact that pensions tax rules were having on our frontline services NHS England & NHS Improvement (“NHSE&I”) introduced this Policy to help combat the problem. Therefore, NHSE&I decided to take exceptional action so that:

Clinicians who are members of the NHS Pension Scheme (“NHSPS”) and face an Annual Allowance charge in respect of the 2019/20 tax year will be able to have this charge paid by the NHSPS (by completing and returning a scheme pays election) meaning that they **don’t have to worry about paying the charge now** out of their own pocket.

And

The NHS employer will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are **fully compensated in retirement** for the effect of the 2019/20 Scheme Pays deduction on their income from the NHSPS in retirement.

- The Policy and benefits due under it are **guaranteed** by NHSE&I and the Secretary of State for Health and Social Care. They will be administered by the NHS Business Services Authority (“NHSBSA”). It is a separate scheme from the NHS Pension Scheme.

This document explains how you can access the Policy if you are eligible. Turn over to check if you’re eligible.

Am I eligible?

- Before you apply for the Policy you need to check that you're eligible. The Policy will only be available to "Eligible Clinicians" who meet the following criteria:
 - ✓ are members of the NHSPS in the tax year 2019/20
 - ✓ are employed or engaged in a clinical role delivering care to NHS patients that requires registration with an appropriate healthcare regulatory body (for detailed information see the "Professional Standards Authority – Which professions are regulated" website [here](#)).
 - ✓ have a valid registration for the period of the 2019/20 "Scheme Pays" election
 - ✓ receive a tax charge associated with breaching the Annual Allowance, including the tapered annual allowance, in 2019/20 in respect of membership of the 1995/2008 and 2015 NHS pension schemes and use "Scheme Pays" election to pay the tax charge
- These criteria apply equally to General Practitioner and General Dental Practitioners, and those working for NHS Trusts and NHS Foundation Trusts, relevant non-NHS employers, and General and Dental Practices.

If you're eligible, you can use the rest of this document to understand more about the Policy and how to apply for the benefits.

What are the benefits?

- The Policy will compensate eligible clinicians who use Scheme Pays to meet their 2019/20 Annual Allowance charges resulting from their contributions to the NHSPS.
- The compensation will be paid in retirement, and will offset the reduction to your pension from using Scheme Pays for 2019/20 Annual Allowance charges.
- Members must use Scheme Pays to access Policy benefits and any exclusions are set out below.

The Policy only applies to regular pension build up in the NHSPS during 2019/20. It covers the following:

✓ 2019/20 pension and lump sum growth in the 1995 section and pension growth in the 2008 section	✓ 2019/20 pension growth in the 2015 scheme	✓ 2019/20 growth in pensions due to added years contracts purchased before 31 March 2008
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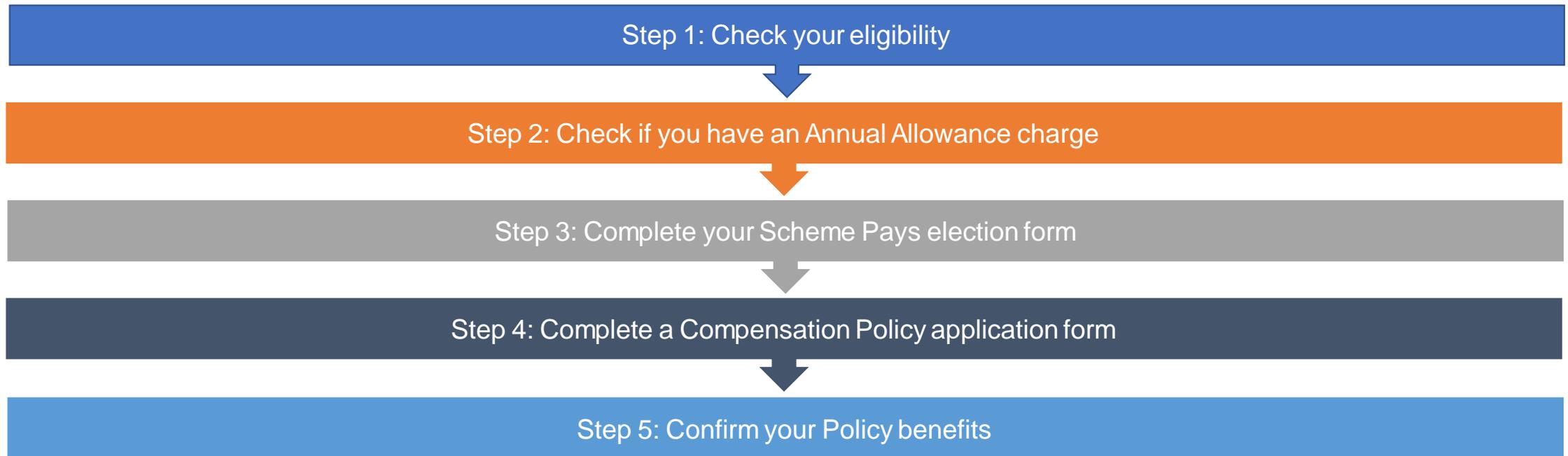
Note: this Policy covers the full Annual Allowance charge for eligible clinicians (see exclusions below), not just that resulting from additional work undertaken.

The Policy excludes the following:

✗ NHS Money Purchase AVCs	✗ Additional pension contracts purchased during 2019/20	✗ Growth from additional pension contracts purchased prior to 2019/20	✗ Pension build up in other pension schemes
✗ Annual Allowance charges in tax years other than 2019/20		✗ Annual Allowance charges paid <u>without</u> using the NHSPS Scheme Pays option	

How do I apply?

We have summarised the overall application process below. This is explained in more detail in the following slides.



Step 1: Check your eligibility

Step 1: Check your eligibility

- Check that you are eligible for the Policy using the information set out on page 3.
- If you are eligible, you can apply if you have a 2019/20 annual allowance charge and make a Scheme Pays election to pay it. This is covered on the next two slides.
- You will need to get your clinical eligibility endorsed if you have an Annual Allowance charge and would like to access the Policy's benefits. More details on this can be found on page 9 – the exact process will depend on your role.



If eligible move to Step 2: Check if you have an Annual Allowance charge. See next page.

Step 2: Check if you have an Annual Allowance charge

Step 2: Check if you have an Annual Allowance charge

- You can work out your charge using the information on your Pension Savings Statement – this shows your pension build up in the NHSPS for the current and previous 3 tax years.
- You should check that the statement seems consistent with any previous statements
- If you have any unused annual allowance for the 3 previous tax years to carry forward you must use this first before considering if you can apply for the Policy
- So long as NHSBSA has received all relevant information Pension Savings Statements for the 2019/20 tax year are issued to clinicians employed in secondary care and high street dentists by NHSBSA before 6 October 2020 where a member has breached the standard Annual Allowance of £40,000.
- If you need any guidance on calculating your charge you can visit the NHSBSA's Annual Allowance pages ([here](#)) and read their Pension Savings Statement guide ([here](#)).
- To benefit from the Policy you will need to pay your Annual Allowance charge using Scheme Pays.

Note: Not everyone who is liable for an Annual Allowance charge automatically receives a Pension Savings Statement. For example, people who have a Pension Input Amount of less than £40,000, may have a reduced (tapered) Annual Allowance because of income from other sources but would not automatically receive a Pension Savings Statement. If you have a “Threshold Income” of more than £110k, and think you have a potential tax liability you should request a Pension Savings Statement from NHSBSA. This is covered in the information on the NHSBSA website (links above). In addition, most GPs will not receive a Pension Savings Statement for 2019/20 by 6th October 2020. GPs should make a scheme pays election in the usual way using estimated information if necessary to meet the scheme pays deadlines. They will have time to apply for the Policy after they have done this.



If you have a charge move to Step 3: Complete a Scheme Pays election. See next page.

Step 3: Complete a Scheme Pays Election Form



Step 3: Complete your scheme pays election form

- To use the Policy you need to pay for any 2019/20 Annual Allowance charge in the NHSPS using Scheme Pays. You can request this by filling in a scheme pays election from [here](#).
- To complete the form you will need to have worked out your 2019/20 Annual Allowance charge for the NHSPS using your Pension Savings Statement and the NHSBSA's Pension Savings Statement Guide (available [here](#)).
- A full outline of the scheme pays process can be found in the NHSBSA's Pension Savings Statement Guide ([here](#)).
- Once you have completed your form, please send it to NHSBSA at **NHS Pensions, PO Box 2269, Bolton, BL6 9JS**. You can submit this before your Policy application form so that you can meet the required deadlines (see below).
- **If you are about to retire you should try to complete a scheme pays election before you draw your pension if you think you have breached the Annual Allowance in 2019/20. This may be based on estimated information.**

Note: The deadline for NHSBSA to receive a mandatory scheme pays election for 2019/20 is 31 July 2021 (and 31 March 2022 in the case of those using voluntary scheme pays). If you do not have enough information to calculate your pensions tax position before this date (which may be the case for GPs) you still need to submit a Scheme Pays election to be eligible for the Policy. This can be an estimate.



Once you have a completed Scheme Pays election go to Step 4: Complete an application form.

Step 4: Complete a Compensation Policy application form

Step 4: Complete an application form

- You will need to complete an application form to access the Policy's benefits and verify your eligibility to receive them. **Please don't do this until you have submitted your scheme pays election.**
1. **If you work in secondary care** download the application form ([here](#)) and complete your part. Ask your main employer in 2019/20 to fill in section 3 and confirm that you worked for their organisation in a clinical role during 2019/2020 and had a valid clinical registration. You should contact your employer's HR department for this. Ask them to return the form to you when they have completed it. You then need to post the form to NHS BSA at the address below. We ask that you do this by 31 March 2022.

NHS Pensions, PO Box 2269, Bolton, BL6 9JS
 2. **If you are a dentist** an online form will be available via Compass ([here](#)) for NHS Dental Services to endorse your application. You need to fill in the form and it will be sent directly to NHS BSA once endorsed, and a copy made available for you on Compass.
 3. **If you are a GP** PCSE will provide this endorsement. They are receiving application forms in windows. The next window opens on 2 August 2021 and runs to 1 October 2021. PCSE will send endorsed forms to NHBSA and confirm to you that they have done so.



Once you have a completed application go to Step 5: Confirm your Policy benefits.

Step 5: Confirm your Policy benefits

Step 5: Confirm your Policy benefits

- Once you have submitted your Scheme Pays election form to NHSBSA and your Policy application form has been received, NHSBSA will write to you to confirm receipt of your forms.
- If there is any missing information, they will ask you for this before confirming your entitlement under the Policy.

You do not need to do anything else until you retire and request your NHSPS benefits from the NHSBSA.

However, please note that if you have applied for Policy benefits based on an estimated Scheme Pays election for the 2019/20 tax year this election will need finalising.

Receiving your Policy benefits

- Payments will start to be made soon after the start of the 2021/22 tax year for clinicians that have already retired and who have submitted their application. For clinicians that have already retired payments will be backdated to the date of your retirement.
- Going forward payments will start to be made automatically when you draw your regular NHSPS benefits – you won't need to apply for Policy benefits separately.
- As a brief overview the Policy will provide:
 - ✓ Compensation in retirement for reductions to your NHS Pension as a result of using scheme pays to meet a 2019/20 Annual Allowance charge
 - ✓ Payments into the same bank account as your regular NHS pension.
 - ✓ An annual statement setting out the amount you can expect to receive during the next year and a P60.
 - ✓ Benefits that increase in line with your NHSPS benefits.
 - ✓ Some death benefits (please note that most death benefits are not affected by Scheme Pays and therefore do not need to be compensated for by the Policy).
- For most individuals tax will be deducted at source in line with your normal NHSPS benefits. For those clinicians who were self-employed at the point of retirement, you will be responsible for the payment of any tax and/or National Insurance Contributions due, and your benefits will be paid to you gross. You will be reminded of this at retirement by NHSBSA.

Where can I find more information?

There are a number of places that you can find extra useful information :

- A comprehensive list of useful links can be found on the next page. These cover where to find more detailed information on the Policy and the Annual Allowance more generally (for example, if you're struggling to understand your Pension Savings Statements or calculating whether you have a charge).
- If you'd prefer to speak to someone you can contact the NHSBSA call centre using the details below:
 - Calling from the UK **0300 330 0012**
 - Calling from abroad **0191 279 0813**
- Your employer may be offering pensions tax support sessions, too. Please ask your local HR contact about this just to check.

Where can I find more information?

The links below may be useful for members looking for more detail on the Policy or the Annual Allowance more generally.

- On NHS England's website <http://england.nhs.uk/pensions> you will find:
 - The infographic provided to members with a brief overview of the policy
 - The "FAQs for members" document
 - Background information about the Policy
- Professional Standards Authority – Which professions are regulated:

<https://www.professionalstandards.org.uk/docs/default-source/section-29/section-29-general/which-professions-are-regulated.pdf>

- NHS BSA's Annual Allowance member hub - <https://www.nhsbsa.nhs.uk/member-hub/annual-allowance>
- NHS BSA's Pension Savings Statement Guide - <https://www.nhsbsa.nhs.uk/sites/default/files/2019-11/Pensions%20Saving%20Statement%20Guide%20%28V2%29%2010.2019%20printable.pdf>
- NHS BSA's Scheme Pays Election Form - <https://www.nhsbsa.nhs.uk/sites/default/files/2019-03/Annual%20Allowance%20Scheme%20Pays-SPE%202-20181217-%28V11%29.pdf>
- HMRC's annual allowance calculator - <http://www.hmrc.gov.uk/tools/annualallowancelimit/>

If you are unsure about your financial affairs and the impact that pensions tax or the Policy could have on them we would always recommend seeking financial advice from an FCA registered advisor.