

HSC Pension Service - Scheme Pays FAQs

Q. What is Scheme Pays?

A. HSC Pension Service may be able to help if the growth in your HSC Pension Scheme benefits exceeds the Annual Allowance and you have an Annual Allowance charge of £2,000 or more. You can ask us to pay your Annual Allowance charge. This is 'Scheme Pays'.

In simple terms Scheme Pays can be likened to HSC Pension 'loaning' you money now to pay your current tax bill which it will receive back with interest when you retire from your accumulated pension benefits.

Q. I am considering Scheme Pays - what is an irrevocable election?

A. It is your decision to opt for Scheme Pays. It means that once you have completed, signed and sent the Scheme Pays Election Notice to HSC Pension Service that your decision cannot be revoked or withdrawn at a later date, but it may be amended if the amount of the annual allowance charge changes.

Q. When do I have to tell HSC Pension Service I want to use Scheme Pays?

A. For the HSC Pension Scheme you must send the Scheme Pays Election to HSC Pension Service by the 31 July in the year following the tax year the Annual Allowance charge applies.

Q. When will the Scheme Pays amount be recovered?

A. In the HSC Pension Scheme the amount will usually be recovered when your benefits are paid at retirement, or if you transfer out of the Scheme.

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

A. By permanently reducing your pension and in the 1995 section your lump sum as well.

Q. How much will it cost me?

A. The HSC Pension Scheme will add interest to any scheme pays balance.

Interest will be applied, based on the CPI figure every September plus 3% until 15 March 2016 and 2.8% from 16 March 2016.

Q. How will the total cost be recovered from my HSC Pension Scheme benefits?

The total balance will be converted by factors provided by the Scheme's Actuary into an amount to be recovered from your pension, and in the 1995 section your lump sum.

A separate factsheet about estimating this cost (Estimating effect of Scheme Pays in Reducing Pensions) is available on this website.

If you transfer out the total balance will be deducted directly from any transfer amount.

Q. What and when is the relevant date?

A. The relevant date is the date from which interest is added to Scheme Pays balance. This will be 1 January following receipt of your Scheme Pays Election Notice.

Q. Can I make an election for Scheme Pays after I have retired?

A. No. HSC Pension Service must receive you Scheme Pays Election Notice before you become entitled to your HSC Pension Scheme benefits.

Q. What happens if I make a Scheme Pays election but die before retirement?

A. If you die whilst a member of the HSC Pension Scheme, then any recovery due because of Scheme Pays will be written off and your estate will receive the same level of benefits as if you didn't utilise Scheme Pays.

Q. Will it affect my dependents benefits?

A. In the HSC Pension Scheme your dependents benefits will be based on your pension before any recovery for Scheme Pays.

Q. What happens if I exceed the Annual Allowance again?

A. The process will be repeated for each tax year in which a Scheme Pays payment is accepted.

Q. Why have you rejected my Scheme Pays request?

A. We do not have to pay your Annual Allowance charge, where:

- we do not receive the Scheme Pays Election Notice within the specified time limits
- the pension input amount, in the HSC Pension Scheme does not exceed the annual allowance
- the Annual Allowance charge, in the HSC Pension Scheme is less than £2,000
- you are in receipt of your full pension entitlement under either the HSC Pension Scheme
- you are over age 75
- you transferred out of the Scheme
- you have taken a refund of contributions.