

Scheme Pays Policy

Scheme Pays

1. An option for voluntary scheme pays is being introduced alongside the mandatory scheme pays for scheme members who breach the HMRC Annual Allowance limit on increase in their pension savings during a financial year.
2. The introduction of a voluntary scheme pays option will be at the discretion of the Oxfordshire Pension Fund.

Annual Allowances

3. The annual allowance is the limit of the tax relief given on pension savings during any financial year. If pension savings exceed this allowance, then a tax charge is payable. The current limit is £60,000.
4. Where employees have an annual threshold income over the specified amount the annual allowance is tapered. For these scheme members every £2 of income above the specified amount will reduce their annual allowance by £1, although this cannot be reduced below £10,000.

Mandatory Scheme Pays

5. Where a member has exceeded the £60,000 annual allowance and incurred a tax charge of £2,000, or more they can elect for the Fund to pay part or full amount of tax due to HMRC on basis that their future pension benefits will be reduced.

Voluntary Scheme Pays

6. If agreed, this option could allow scheme members with tapered annual allowances to elect for the Fund to pay their tax charge to HMRC on the basis that their future pension benefits would be reduced.
7. In both of the above options pension reductions are made in line with the factors issued by the Government Actuaries Department which are cost neutral to the Fund.
8. The mandatory scheme pays applies to benefits accrued in the Oxfordshire Pension Fund and it is envisaged that should a voluntary scheme pays option be introduced this would also only apply to benefits accrued within the Oxfordshire Pension Fund.

Administration

9. HMRC has different deadline for the payment of tax due under the above options and penalties for late payment is applied. In order to reduce administrative complications and avoid incurring any potential late payment charges it is suggested that for scheme members wishing to elect for voluntary scheme pays this election would be in line with the mandatory scheme pays option: -

- Tax charge must be in excess of £2,000
- Election must be made by 30 November following tax year end
- Payment of monies to HMRC by 31 January following tax year end

Fire Service Pensions

10. The option for voluntary scheme pays would also be applicable for members of the Firefighter Pension Schemes, which are administered within Oxfordshire Pension Fund.

11. Where Fire-fighters have a new, or additional annual allowance charge as a result of remedy to their former pension scheme between and including the tax years 2019 to 2020 and 2022 to 2023, members can elect for the scheme to pay on a mandatory basis. This will make the member jointly and severally liable to pay the annual allowance charge. This will apply even if:

- the pension input amount for the tax year does not exceed £40,000
- the tax is not £2,000 or more
- the member has crystallised all of their scheme benefits before they make the scheme pays election

12. For the scheme pays election to be made on a mandatory basis, the member must notify the fund by:

- 8 July 2025 — for active or deferred members
- 8 July 2027 — for pensioners