

Uniper UK Trustees Limited

The Uniper Group of the Electricity Supply Pension Scheme (ESPS)

“the Scheme”

The 2023-2024 Annual Allowance and your options

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Introduction

The Annual Allowance (AA) is the maximum amount of pension benefit an individual can build up or save in a tax year, with the benefit of tax relief. There is more about the Annual Allowance, and how it works, in the rest of this leaflet.

If you are subject to an AA tax charge, there are a number of options available to you:

- Pay the tax charge directly to HM Revenue & Customs (HMRC).
- Ask the Scheme to pay this charge for you:
 - Mandatory Scheme Pays (MSP) is an option if you meet certain conditions.
 - Voluntary Scheme Pays (VSP) is a Scheme-specific option that the Trustees have chosen to make available to you in case you do not meet the conditions to utilise Mandatory Scheme Pays.

There is more information on both of the Scheme Pays options in this leaflet.

Neither the Trustees nor Railpen as administrators of the Scheme are authorised to provide you with financial advice as to which is the best option for you.

If you are at all uncertain as to what the most appropriate option is for you, please seek Independent Financial Advice. If you don’t have your own financial adviser already, you can find one in your area by visiting: www.unbiased.co.uk.

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What is the 'Annual Allowance'?

The Annual Allowance (AA) is the upper limit on tax relievable pension benefits that may be built up by an individual across all of their pension arrangements in any tax year. The limit covers all contributions into, and benefits built up in, UK tax registered pension schemes. It specifically excludes the State Pension.

For the tax year 2023-2024 the standard AA was £60,000.

Please note that lower allowances apply to high earners and to members who have drawn savings from a Defined Contribution pension arrangement. You may also have unused allowances from the previous 3 tax years that you can bring forward.

Further information can be found on the HMRC website: <https://www.gov.uk/tax-on-your-private-pension/annual-allowance>.

What is my Pension Input Amount?

The value of pension benefits that you built up during the 2023-2024 Pension Input Period (6 April 2023 to 5 April 2024) is known as your Pension Input Amount (PIA). Your PIA is the sum of the increases to your Scheme benefits (your 'Scheme PIA') and any other pension arrangements you may have contributed to, for example Bonus Waiver.

Your 'Scheme PIA' is the value of the increase in your Scheme pension benefits during the Pension Input Period, including any additional contributions such as Added Years and Additional Voluntary Contributions (AVCs). The PIA is calculated according to [HMRC rules](#).

How do I know if I am liable for an Annual Allowance tax charge?

If your Scheme PIA has exceeded the standard AA for the tax year, you will receive a Pension Savings Statement (PSS). It will show your Scheme PIA for this and the previous 3 tax years and the value of any excess pension savings above the standard AA in 2023-2024. The PSS will indicate the total amount liable for a tax charge, based only on the standard AA and your Scheme PIA figures for the 4 years covered by the statement.

Your Scheme PSS does not include any other pension arrangements you may have contributed to. For example, if you have used Bonus Waiver during the period shown on the PSS, you will need to add these contributions. You can request a separate PSS from Fidelity.

If your earnings from Uniper were above £70,000 you will receive a PSS even if it doesn't indicate a potential tax charge. The PSS will be issued by post on or before 6 October and will also be available shortly afterwards online via [myESPS](#). If you haven't received a PSS but think you should have, please request one from Railpen using the contact details at the end of this leaflet.

If you are subject to a lower AA, or have contributed to any other pension arrangements during the year, the excess pension savings figure will need adjusting.

You must declare excess pension savings to HMRC and will incur a tax charge.

You may be able to instruct the Trustees to pay the tax charge, and accept a proportionate decrease in your Scheme benefits. This is known as 'Scheme Pays', and is described further in the next section.

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What is 'Scheme Pays'?

'Scheme Pays' is a mechanism by which the AA tax charge can be paid out of a pension scheme, rather than by the member directly. If you choose to use Scheme Pays, your retirement benefits will be reduced and adjusted accordingly based on the amount of AA charge paid on your behalf. You can find out more about Scheme Pays at:

<https://www.gov.uk/guidance/who-must-pay-the-pensions-annual-allowance-tax-charge>.

As a member of the Scheme, if you choose to utilise Scheme Pays, you have two options to consider. These are Mandatory Scheme Pays (MSP) and Voluntary Scheme Pays (VSP). A summary of these options is set out below.

Mandatory Scheme Pays

This is available to Scheme members who satisfy all of the following criteria:

- the total AA charge for the tax year across all schemes exceeded £2,000;
- the Scheme PIA for the same tax year, for this scheme, exceeded the standard AA;
- the correctly completed MSP form is received by the Trustees before the earlier of 31 July following the tax year to which the charge relates and the date you retire from the Scheme.

For example, if you have a tax charge in the year 2023-2024 then, under this option, your correctly completed MSP form must be received by the Trustees by 31 July 2025. If you retire prior to 31 July 2025 then your correctly completed form must be received by the Trustees before your date of retirement.

The relevant form is available from the Scheme's administrator, Railpen. Their contact details are at the end of this leaflet. If you choose this option, the Trustees become jointly liable with you for payment of the tax charge.

Voluntary Scheme Pays

This is an option the Trustees have chosen to make available to members and therefore operates under Scheme-specific terms. The Trustees may, in the future, revise or withdraw this option. Any changes would only apply to future tax years after the decision is made.

In order to use this option the correctly completed VSP form must be received by the Trustees before the earlier of 31 December following the tax year to which the charge relates and the date you retire from the Scheme. VSP is offered only in respect of Uniper Group benefits which means that this option can be used by members for the tax year in which they leave but not thereafter.

For example, if you have a tax charge in the year 2023-2024 then your correctly completed VSP form must be received by the Trustees by 31 December 2024. If you retire prior to 31 December 2024 then your correctly completed form must be received by the Trustees prior to your date of retirement

VSP operates under a different timeline to MSP. For the VSP option, the liability to pay the AA charge remains with the member, and so the Trustees work within normal self-assessment deadlines. This means that the tax has to be paid by 31 January in the year following the year

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in which the tax year ends (so 31 January 2025 in our example). It is for the Trustees to set whatever deadline they consider appropriate in order to ensure the payment deadline is met.

The relevant form is available from the Scheme's administrator, Railpen. Their contact details are at the end of this leaflet.

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How does Scheme Pays reduce my pension benefits?

The same process applies whether you are using Mandatory Scheme Pays or Voluntary Scheme Pays.

If the Trustees pay your AA tax charge, this amount is recorded as a notional negative monetary amount on your pension record. This acts as a debt which you then repay by way of a reduction in your benefits at the earliest of retirement, death or transferring your benefits out of the Scheme.

ESPS Final Salary members

For ESPS Final Salary members, you have the option of making AVCs to increase your retirement benefits. There is more information regarding AVCs on the Scheme website [here](#).

If you have sufficient AVC funds at the point the tax charge arises, then these will be used to pay the charge. If you have some AVCs but not enough to pay the whole tax charge then a negative monetary figure will be created for the balance not covered by AVCs. This is then deducted from your benefits at the earliest of retirement, death or transfer out of the Scheme.

Retirement Balance Plan Members

For Retirement Balance Plan (RBP) members, your 'core' and 'additional' benefits are all credited to your Retirement Balance as a whole, so a negative monetary figure will be recorded for the full AA tax charge. This is then deducted from your Retirement Balance at the earliest of retirement, death or transfer out of the Scheme.

Are any charges applied, and how is the outstanding sum deducted from my benefits?

Your negative monetary figure will have interest charges added from the date the tax is paid until the earliest of your retirement, death or a transfer out.

On a transfer out, the total debt (with interest charges added up to the transfer date) will be deducted from the transfer value payable.

If you are a Final Salary member, on your retirement the total debt (with interest charges added up to the date of retirement) will be deducted from your AVC 'pot' if you have one. If you do not have an AVC 'pot', or the balance is less than the amount due, then the outstanding amount will be deducted from your Scheme pension. You may choose to either take the amount from any tax-free cash or by conversion into a permanent reduction to your annual pension income using the cash commutation factors in force at the time of retirement.

If you are an RBP member, the total debt (including interest charges) will be deducted from your retirement balance before you access your benefits.

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Other Frequently Asked Questions

Can I have a statement earlier than 6 October?

The statutory deadline for issuing a PSS is on or before 6 October following the end of the tax year. Railpen aim to issue them as early as possible but due to various factors it is not currently possible to issue the statements much in advance of the deadline.

What can I do if I am also a member of the Uniper Bonus Waiver Plan?

If you have elected to join the Bonus Waiver Plan you will have a completely separate pension account with Fidelity and will need to contact them directly to request a PSS. Any PSS issued by Railpen for the Uniper Scheme will not take into account any benefits you may have in other pension arrangements, including your arrangement with Fidelity.

Please contact Fidelity on 0800 3 68 68 68 or email pensions.service@fil.com.

What if I am also contributing to other pension arrangements?

If you are contributing to more than one pension arrangement, and the Pension Input Amounts don't individually exceed the AA but might when added together, then you should ask each of your pension scheme administrators for a PSS so that you can work out if your total pension savings for the tax year exceed the AA. If you are not confident in doing this, you may want to consider seeking financial advice.

What authority do the Trustees have to deduct monies from my Scheme benefits?

Legislation allows the Trustees to make an adjustment to a member's benefits where they have made an AA tax charge payment under Scheme Pays.

Please be assured that this is not considered by HMRC to be a breach of restrictions on members accessing their funds early.

Can an ESPS Final Salary member refuse to have the tax charge deducted from their AVC 'pot'?

No. The Trustees have determined that the first call on any tax paid shall be AVCs and members cannot override this.

Can RBP members that pay Additional Contributions use these at the point the tax charge is incurred?

No. RBP Additional Contributions count towards your Defined Benefit accrual. This means that it is not possible to use these at the point the tax is incurred.

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What interest rates are used in the roll-up calculation?

The rates determined by the Actuary and agreed by the Trustees are:

- 1 April 2016 – 31 March 2017: 2.3%
- 1 April 2017 – 31 March 2018: 2.1%
- 1 April 2018 – 31 March 2019: 2.7%
- 1 April 2019 – 31 March 2020: 2.7%
- 1 April 2020 – 31 March 2021: 2.1%
- 1 April 2021 – 31 March 2022: 2.0%
- 1 April 2022 – 31 March 2023: 3.2%
- 1 April 2023 – 31 March 2024: 5.9%
- **1 April 2024 – 31 March 2025: 6.5%**

The Trustees, on advice from the Actuary, decide on the appropriate measure of interest to be applied to Scheme Pays tax charges. The rates have been set in line with the one-year spot rates on the fixed interest gilt yield curve rate plus 2% as at 1 April. This is consistent with the way members' benefits are valued for the Scheme's actuarial valuation.

Where can I find the one-year spot rate on the fixed interest gilt yield curve at 1 April?

The yield curves can be found on the Bank of England website, via this link:

<https://www.bankofengland.co.uk/statistics/yield-curves>

What if I die before retirement?

Interest charges will cease at the date of your death and that rolled-up amount will be deducted from any lump sum death benefits due. If there are insufficient lump sum death benefits to cover the rolled-up amount, your estate will be liable for the outstanding balance.

What happens if I take my pension early?

Interest charges will be applied up to your retirement date. The rolled-up amount will be deducted from your retirement benefits.

Does Scheme Pays affect any spouses' benefits?

No. Any Scheme Pays calculations are only applicable to members' benefits.

Will Scheme Pays calculations be available in the Annual Benefit Statements?

Unfortunately this is not currently possible although the Trustees continue to explore ways to enable this function with Railpen in the future.

How can I find the current balance of my negative monetary amount due to Scheme Pays?

Contact Railpen, who will be able to advise you of the current value of the negative monetary amount on your record due to Scheme Pays.

Having elected Scheme Pays, can I pay off the amount early?

No. If the full tax amount was not deducted from any AVC 'pot' that you had at the point the tax was paid by the Trustees then it cannot be paid off until you retire, die or transfer out.

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Can I pay any historical tax charges through Scheme Pays?

No. It is not possible to pay any previous tax years' charges through Scheme Pays. You will need to make other arrangements to pay these.

Can I amend a request to pay once it has been submitted to the Trustees?

No. Once a form is submitted then that is final.

If the interest method used to calculate Scheme Pays changes, will this be applied retrospectively to a negative monetary amount already incurred?

Although the Trustees reserve the right to change the methodology it is not expected that any change would be retrospective.

If I have a negative monetary amount from a previous year's Scheme Pays, will the two be amalgamated?

No. Each year will be treated separately.

If I have a tax charge this year because of high inflation but have a negative or nil PIA next year, can I claim a tax rebate?

No. A Negative PIA (which will normally be shown as nil) cannot be used to offset past AA breaches.

Can I request 'Scheme Pays' to cover a partial amount of my AA tax liability?

Yes. Railpen will simply pay to HMRC the amount you instruct them to pay. It is your responsibility to ensure that the amount instructed to Railpen is appropriate. It is also your responsibility to pay any outstanding balance to HMRC.

If I am purchasing Added Years under the ESPS Final Salary section are they dealt with in same way as AVCs?

No. Added Years purchase extra main Scheme pension. Only AVCs purchased within the Final Salary section can be used to meet the tax charge.

If a Final Salary member is not currently paying AVCs can they start?

Yes. Contact Railpen for details of the current options on offer.

If I become a deferred member and have a negative monetary amount against my benefits how is this handled?

If you are not retiring or transferring out at the point of leaving pensionable service (i.e. you become a deferred member), the negative monetary amount will continue to attract interest charges until you retire, die or transfer out. At this point, the total outstanding debt will be deducted from your benefits.

What do I need to tell HMRC?

If your Pension Savings Statement (PSS) from Uniper (or a combination of Uniper and any other eligible pension schemes) shows that a tax charge is due, you should complete a Self-

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Assessment tax return. If you have not completed a tax return in previous years then you will need to register for Self-Assessment by 5 October of each year.

Whether or not you decide to make a request under Scheme Pays, you will need to declare the tax liability to HMRC on a Self-Assessment tax return.

Your tax return allows you to inform HMRC of any tax paid by the Trustees on your behalf, quoting the Uniper Group's Pension Scheme Tax Reference (PSTR) which is 00825995RV.

What if the deadline has passed for registering for self-assessment?

HMRC set the deadline for registering for Self-Assessment which unfortunately falls the day before the statutory deadline for issuing PSSs. There is nothing Railpen or the Group Trustees can do to change either of these dates. As set out above, the Trustees will endeavour to issue PSSs before 6 October each year where possible.

Any member who feels disadvantaged by this issue is encouraged to contact HMRC directly to put their case for an extension to the 5 October deadline.

How much tax will I have to pay?

The AA tax charge is not a fixed rate. It depends on your marginal rate of income tax. For the 2023-2024 tax year, the charge could be in whole or in part 45%, 40% or 20% of the excess pension savings, depending on your circumstances. Different income tax rates apply to Scottish taxpayers.

Can I use my spouse's tax allowances?

In principle no, however there may be a limited set of circumstances where this may be possible. However, neither the Trustees, the Company or Railpen are qualified to give financial or tax advice so you will need to seek specific advice either from HMRC or a tax adviser.

Contact Details

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