Cost Reimbursement

SPPA
Scottish Public Pensions Agency
Buidheann Peinnseanan Poblach na h-Alba

Member Guidance
Teachers' Pension Scheme

Cost Reimbursement Guide

Background

The cost reimbursement guidance is for individuals who are eligible for the McCloud 2015 Remedy and have pensionable service in the period between 1 April 2015 to 31 March 2022, known as 'the remedy period'.

The information in your remediable service statement (RSS) and/or remediable pension saving statement (RPSS), along with HMRC's Digital Service, means that choosing pension benefits or correcting Annual Allowance charges in the remedy period should be straightforward for most eligible members. Most members shouldn't need to seek professional advice for these purposes.

A small number of eligible members may have more complex financial situations and may need to pay for professional services or advice, such as an accountant or independent adviser (IFA). If so, they can apply to recover certain costs or other direct financial or tax losses through cost reimbursement.

Who can apply

An application for cost reimbursement may only be made by:

- A remedy member
- A personal representative of a deceased remedy member
- A designated person who has power of attorney for a remedy member who is not deceased

Eligibility

Claims for cost reimbursement will only be eligible if they fall under one or more of the following three categories:

1. Attributable to a breach of a non-discrimination rule. This means circumstances where a particular cost was directly incurred due to the implementation of the transitional protections in the pension reforms that were found to discriminate by the court.
2. Attributable to the application of the 2015 Remedy

3. A Part 4 tax loss (this relates to charges and entitlements under Part 4 of the Finance Act 2004)

Claims made under any of the categories above must be for a specific financial loss that is identifiable. For example, where a tax charge has been paid to HMRC before 6 April 2019 due to a breach of the annual allowance and because of the 2015 Remedy this tax charge would not have arisen.

Types of claims

Some claims will be automatic. These are:

- Eligible scheme members who bought additional pension in the 2015 scheme during the remedy period – members may choose receive compensation for the contributions they paid during the remedy period. SPPA will write to members to confirm their choice and then again to confirm when this will be paid.

- Eligible scheme members who bought out the early retirement reduction in the 2015 scheme during the remedy period – members may choose receive compensation for the contributions they paid during the remedy period. SPPA will write to members to confirm their choice and then again to confirm when this will be paid.

- Part 4 tax loss: there is no need to make an application for a cost reimbursement, further information can be found in the guidance below.

Other claims will require an application to be made to the scheme before any compensation payment is considered. There is no definitive list for all types of claims however it is expected that most claims will fall under one of the following categories:

Accountancy services

This is to reimburse the cost of engaging a qualified, registered accountant to assist with the following areas of the 2015 Remedy:

- Calculating a new or revised tax charge following receipt of a RPSS
- Supporting a taper protected or unprotected member to complete a revised tax assessment
- Supporting a member to complete information to use the HMRC digital service

Reimbursement claims for accountancy services will be considered up to a maximum value of £1,000.00.

Independent financial advice

This is to reimburse the cost of engaging the services of a qualified, registered, independent financial advisor to help with particularly complex cases such as:

- Members who are entitled to Ill-Health benefits in the alternative scheme
- Members who have lifetime allowance protections
- Members who will have a new or revised tax charge as a result of their service returning to the legacy scheme
- Members who have a pension sharing order
- Members who are considering making contingent decisions about their pension

Reimbursement claims for independent financial advice will be considered up to a maximum value of £500.00.

Legal Services

This is to reimburse specific cases where legal services must be undertaken, such as where a divorce or dissolution must be re-examined in light of changes to the value of benefits accrued during the remedy period.

Financial Loss

This is to reimburse for a direct financial loss which has occurred because of the discrimination that occurred or due to the operation of the 2015 Remedy.

Part 4 Tax Loss

This is to reimburse for a tax loss relating to the operation of Part 4 of The Finance Act 2004 and the 2015 Remedy. This may come under the following categories:

- **An overpaid annual allowance or lifetime allowance tax charge which occurred in an out-of-scope tax year**
- **An overpaid lifetime allowance charge when taking into account restoration of lifetime allowance protections**

For example, where a tax charge has been paid to HMRC before 6 April 2019 due to a breach of the annual allowance and as a result of the 2015 Remedy this tax charge would not have arisen.

HMRC will notify SPPA that these tax losses have occurred. Upon receipt of this information, SPPA will contact individuals concerned to initiate reimbursement.

There is no need to make an application for a cost reimbursement, SPPA will contact you for bank details to make any payments notified to them by HMRC.

Items that will not be considered for cost reimbursement

- Claims for cost reimbursement cannot be made and will not be accepted for the following categories:

- Professional advice or services that could have reasonably been obtained from the Scheme Manager

- Cases where a member has already received compensation for the loss in question (e.g. pursuant to a court order), or the compensatable amount has been used to reduce an amount owed by the member

- An unauthorised payment tax charge on interest for arrears of pension or arrears of lump sum for an immediate choice member

- An unauthorised payment tax charge on the arrears of lump sum due for an immediate choice member

- Indirect or hypothetical financial loss as a result of an employment decision

- An immediate choice member who is a taper protected member where either of their choices for remedy benefits results in a lower set of benefits than those in payment

- Fees for legal services incurred by a member in the case of litigation

There may be other cases where the scheme manager will not accept the compensation claim. Where a claim for reimbursement is rejected the reasons for this decision will be explained to you and you will be able to raise an appeal if you disagree with the decision.

How do I make a cost reimbursement application

You should make an application as soon as the direct financial loss has occurred. You may find that different aspects of the 2015 Remedy will impact your pension at different stages, so you may need to submit compensation claims at different times, as and when each direct financial loss arises.

Typically, applications will be accepted up to twelve months after you have made your immediate or deferred choice for remedy benefits. Applications received later than this, may still be accepted in exceptional circumstances.

You will need to complete the Cost Reimbursement Application Form to make your application. You should submit a separate form for each item you wish to claim back costs for. You will only need to do this for non-automatic claims.

You must also provide evidence in support of your application. Please submit the evidence with your application.

All applications must set out:

- How it meets one of the three eligibility criteria set out above
- Evidence of a direct financial loss such as a receipt, an invoice or a bank transaction

What happens next

Once we have received your completed application, we will:

- Review the information you have provided, along with any supporting documents
- Contact you if we require any further details or clarification
- Assess your claim in line with the relevant reimbursement criteria
- Confirm the outcome of your application in writing
- Arrange reimbursement if your claim is approved
- We expect this process to last no more than six months in most cases

You do not need to contact us after submitting your application — we will get in touch to confirm the outcome once your claim has been reviewed.

Appeals

If your application is rejected, you can appeal through the SPPA Internal Dispute Resolution Procedure (IDRP). Your appeal will be considered by the Head of Policy and will either be upheld or rejected. You also have the right of appeal to The Pensions Ombudsman.