

## Example 1 – 80<sup>th</sup> Accrual Member – AA Not Exceeded

Pensionable service of 20 years at 31 March 2016

Salary of £90,000

Incremental Increase to £92,500 in the Pension Input Period (PIP) to 31 March 2017

Whole-time Service

CPI @ 0%

### Start of PIP (01/04/2016)

Pension	$(£90,000 \times 20/80) + 0.0\%$	= £22,500.00
Lump Sum	$£22,500 \times 3$	= £67,500.00

### End of PIP (31/03/2017)

Pension	$(£92,500 \times 21/80)$	= £24,281.25
Lump Sum	$£24,281.25 \times 3$	= £72,843.75

### Growth in Scheme Benefits

Pension	$= (£24,281.25 - £22,500.00) \times 16$	= £28,500.00
Lump Sum	$= £72,843.75 - £67,500.00$	= £5,343.75
Total		= £33,843.75

<b>Unused AA</b> (£40,000 – £33,843.75)	<b>= £6,156.25</b>
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**AA Charge Liability £0.00**

## Example 2 – 60<sup>th</sup> Accrual Member – AA Not Exceeded

Pensionable service of 31 years at 31 March 2016

Salary of £25,300

Incremental Increase to £26,500 in the Pension Input Period (PIP) to 31 March 2017

Whole-time Service

CPI @ 0.0%

### Start of PIP (01/04/2016)

Pension  $(£25,300 \times 31/60) + 0.0\%$  = £13,071.67

### End of PIP (31/03/2015)

Pension  $(£26,500 \times 32/60)$  = £14,133.33

### Growth in Scheme Benefits

Pension =  $(£14,133.33 - £13,071.67) \times 16$  = £16,986.08

**Unused AA**  $(£40,000 - £16,986.08)$  = **£23,013.92**

**AA Charge Liability £0.00**

### Example 3 – 80<sup>th</sup> Accrual Member – AA Exceeded

#### 2016 to 2017

Pensionable service of 25 years at 31 March 2016

Salary of £25,000

Promotion to £40,000 in the Pension Input Period (PIP) to 31 March 2017

Whole-time Service

CPI @ 0.0%

#### Start of PIP (01/04/2014)

Pension	$(£25,000 \times 25/80) + 0.0\%$	= £7,812.50
Lump Sum	$£7,812.50 \times 3$	= £23,437.50

#### End of PIP (31/03/2015)

Pension	$£40,000 \times 26/80$	= £13,000.00
Lump Sum	$£13,000 \times 3$	= £39,000.00

#### Growth in Scheme Benefits

Pension =	$(£13,000 - £7,812.50) \times 16$	= £83,000.00
Lump Sum =	$£39,000 - £23,437.50$	= £14,929.68
Total		= £98,562.50

AA Exceeded by $(£40,000 - £98,562.50)$	<b>£58,562.50</b>
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**AA Charge Liability £58,562.50**

*As this member has exceeded the AA we can look back at their previous 3 years to determine if there is any unused Annual Allowance that can be carried forward. A deemed AA limit of £40,000 has also been applied to the previous 3 years for this purpose.*

#### 2015 to 2016

Pensionable service of 24 years at 31 March 2015

Salary of £18,000

Promotion to £25,000 in the Pension Input Period (PIP) to 31 March 2016

Whole-time Service

CPI @ 2.5%

**Start of PIP (01/04/2015)**

Pension	$(£18,000 \times 24/80) + 2.5\%$	= £5,535.00
Lump Sum	$£5,535.00 \times 3$	= £16,605.00

**End of PIP (31/03/2016)**

Pension	$£25,000 \times 25/80$	= £7,812.50
Lump Sum	$£7,812.50 \times 3$	= £23,437.50

**Due to Budget change we must align AA with Tax Year – Increased by proportion to cover 371 days up to 05/04/2016**

Pension	$£7,812.50 \times 371/365$	= £7940.92
Lump Sum	$£7,812.50 \times 3$	= £23,822.76

**Growth in Scheme Benefits**

Pension	$£7,940.92 - £5,535.00 \times 16$	= £38,494.72
Lump Sum	$£23,822.76 - £16,605.00$	= £7217.76
Total		= £45,712.48

**This is then split into the 2 periods 01/04/2015 – 08/07/2015 and 09/07/2015 to 05/04/2016**

**01/04/2015 – 08/07/2015**

$£45,172.48 / 371 \times 99$  = **£12,198.21**

AA limit for period 01/04/2015 – 08/07/2015 is **£80,000** therefore balance is **£67,801.79**

**09/08/2015 – 05/04/2016**

$£45,712.48 / 371 \times 272$  = **£33,514.27**

AA limit for the period 08/07/2015 – 05/04/2016 is **£40,000** therefore balance is **£6,485.73**

**Unused AA**

**£6,485.73**

**2014 to 2015**

Pensionable service of 23 years at 31 March 2014

Salary of £15,750

Increment to £18,000 in the Pension Input Period (PIP) to 31 March 2015

Whole-time Service

CPI @ 2.7%

**Start of PIP (01/04/2014)**

Pension	$(£15,750 \times 23/80) + 2.7\%$	= £4,650.38
Lump Sum	$£4,650.38 \times 3$	= £13,951.14

**End of PIP (31/03/2015)**

Pension	$£18,000 \times 24/80$	= £5,400
Lump Sum	$£5,400 \times 3$	= £16,200

**Growth in Scheme Benefits**

Pension = $(£5,400 - £4,650.38) \times 16$	= £11,993.92
Lump Sum = $£16,200 - £13,951.14$	= £2,248.86
Total	= £14,242.78

**Unused AA** (£40,000 – £14,242.78) **£25,757.22**

**2013 to 2014**

Pensionable service of 22 years at 31 March 2013

Salary of £15,000

Increment to £15,750 in the Pension Input Period (PIP) to 31 March 2014

Whole-time Service

CPI @ 2.2%

**Start of PIP (01/04/2013)**

Pension	$(£15,000 \times 22/80) + 2.2\%$	= £4,215.75
Lump Sum	$£4,215.75 \times 3$	= £12,647.25

**End of PIP (31/03/2014)**

Pension	$£15,750 \times 23/80$	= £4,528.13
Lump Sum	$£4,528.13 \times 3$	= £13,584.39

**Growth in Scheme Benefits**

Pension = $(£4,528.13 - £4,215.75) \times 16$	= £4,998.08
Lump Sum = $£13,584.39 - £12,647.25$	= £937.14
Total	= £5,935.22

**Unused AA** (£50,000 – £5,935.22) **£44,064.78**

## Applying the Three Year Carry-Forward Rule

There is a strict order in which *available* Annual Allowance must be used-up:

- AA for the current tax year should be used first;
- Unused AA from the three earlier years is then used – beginning with the *available* AA from the **earliest** tax year first – as shown below:

(£58,562.50)	AA Charge Liability 2016/17
<u>£44,064.78</u>	Unused AA 2013/14
(£14,497.72)	
<u>£25,757.22</u>	Unused AA 2014/15
£11,259.50	
<u>£ 6,485.73</u>	Unused AA 2015/16
£17,745.23	Unused and Available AA 2017/18

*The 'smoothing effect' of the 3 year carry forward is clearly in evidence, i.e. the potential AA charge of £58,562.50 in 2016/17 has been negated as a result of the carry forward facility*

**The member does not now have a tax liability for 2016/17 and has £17,745.23 unused and available Annual Allowance to carry forward from 2014/15 and 2015/16.**

## Example 4 – 80<sup>th</sup> Accrual Member – AA Exceeded Showing Effect of Additional Pension Purchase in Current PIP

### 2016 to 2017

Pensionable service of 30 years at March 2016

Salary of £35,000

Promotion to £42,000 in the Pension Input Period (PIP) to 31 March 2017

Lump sum purchase of £5,000 Additional Pension in the PIP to 31 March 2017

Whole-time Service

CPI @ 0.0%

<b>Start of PIP (01/04/2016)</b>		
Pension	$(£35,000 \times 30/80) + 0.0\%$	= £13,125.00
Lump Sum	$£13,125.00 \times 3$	= £39,375.00
<b>End of PIP (31/03/2017)</b>		
Pension	$(£42,000 \times 31/80) + £5,000$	= £21,275
Lump Sum	$£16,275 \times 3$	= £48,825
<b>Growth in Scheme Benefits</b>		
Pension	$= (£21,275.00 - £13,125.00) \times 16$	= £130,400.00
Lump Sum	$= £48,825 - £39,375.00$	= £9,450.00
Total		= £139,850.00
AA Exceeded by $(£40,000 - £139,850.00)$ <b>£ 99,850.00</b>		
<b>AA Charge Liability £99,850.00</b>		

*As this member has exceeded the AA we can look back at their previous 3 years to determine if there is any unused Annual Allowance that can be carried forward. A deemed AA limit of £40k has also been applied to the previous 3 years for this purpose.*

### 2015 to 2016

Pensionable service of 29 years at 31 March 2015

Salary of £32,500

Increment to £35,000 in the Pension Input Period (PIP) to 31 March 2016

Whole-time Service

CPI @ 2.5 %

**Start of PIP (01/04/2015)**

Pension	$(£32,500 \times 29/80) + 2.5\%$	= £12,075.78
Lump Sum	$£12,075.78 \times 3$	= £36,227.34

**End of PIP (31/03/2016)**

Pension	$£35,000.00 \times 30/80$	= £13,125.00
Lump Sum	$£13,125.00 \times 3$	= £39,375.00

**Growth in Scheme Benefits**

Pension = $(£13,125.00 - £12,075.78) \times 16$	= £16,788.00
Lump Sum = $£39,375.00 - £36,227.34$	= £3,147.66
Total	= £19,935.66

**Unused AA (£40,000 – £19,935.66) £20,064.34****2014 to 2015**

Pensionable service of 28 years at 31 March 2014

Salary of £31,000

Increment to £32,500 in the Pension Input Period (PIP) to 31 March 2015

Whole-time Service

CPI @ 2.7%

**Start of PIP (01/04/2014)**

Pension	$(£31,000 \times 28/80) + 2.7\%$	= £11,142.95
Lump Sum	$£11,142.95 \times 3$	= £33,428.85

**End of PIP (31/03/2015)**

Pension	$£32,500 \times 29/80$	= £11,781.25
Lump Sum	$£11,781.25 \times 3$	= £35,343.75

**Growth in Scheme Benefits**

Pension = $(£11,781.25 - £11,142.95) \times 16$	= £10,212.80
Lump Sum = $£35,343.75 - £33,428.85$	= £1,914.90
Total	= £12,127.70

**Unused AA (£40,000 – £12,127.70) £27,872.30**



## 2013 to 2014

Pensionable service of 27 years at 31 March 2013

Salary of £29,800

Increment to £31,000 in the Pension Input Period (PIP) to 31 March 2014

Whole-time Service

CPI @ 2.2%

### Start of PIP (01/04/2013)

Pension	$(£29,800 \times 27/80) + 2.2\%$	= £10,278.77
Lump Sum	$£10,278.77 \times 3$	= £30,836.31

### End of PIP (31/03/2014)

Pension	$£31,000 \times 28/80$	= £10,850.00
Lump Sum	$£10,850 \times 3$	= £32,550.00

### Growth in Scheme Benefits

Pension	$= (£10,850 - £10,278.77) \times 16$	= £9,139.68
Lump Sum	$= £32,550 - £30,836.31$	= £1,713.69
Total		= £10,853.37

**Unused AA** ( $£50,000 - £10,853.37$ ) **£39,146.63**

Applying the Three Year Carry-Forward Rule:

**(£99,850.00)** AA Charge Liability 2016/17

£39,146.63 Unused AA 2013/14

**(£60,703.37)**

£27,872.30 Unused AA 2014/15

**(£32,831.07)**

£20,064.34 Unused AA 2015/16

**(£12,766.73)** No Available Carry Forward

*The 'smoothing effect' of the 3 year carry forward has not negated the tax charge in the 2016/17 financial year.*

**The member does have a tax liability for 2016/17 which is 20% of £12,766.73 and has no further carry forward.**

## Example 5 – 80<sup>th</sup> Accrual Member – AA Exceeded Showing Effect of Additional Pension Purchased in a Previous PIP

### 2016 to 2017

Pensionable service of 32 years at March 2016

Salary of £33,000

Promotion to £42,000 in the Pension Input Period (PIP) to 31 March 2017

Whole-time Service

CPI @ 0.0%

<b>Start of PIP (01/04/2016)</b>		
Pension	$(£33,000 \times 32/80) + 0.0\%$	= £13,200.00
Lump Sum	$£13,200.00 \times 3$	= £39,600.00
<b>End of PIP (31/03/2017)</b>		
Pension	$(£42,000 \times 33/80)$	= £17,325.00
Lump Sum	$£17,325.00 \times 3$	= £51,975.00
<b>Growth in Scheme Benefits</b>		
Pension =	$(£17,325.00 - £13,200.00) \times 16$	= £66,000.00
Lump Sum =	$£51,975.00 - £39,600.00$	= £12,375.00
Total		= £78,375.00
AA Exceeded by $(£40,000 - £78,375.00)$ <b>£38,375.00</b>		
<b>AA Charge Liability £38,375.00</b>		

*As this member has exceeded the AA we can look back at their previous 3 years to determine if there is any unused Annual Allowance that can be carried forward. A deemed AA limit of £40 k has also been applied to the previous 3 years for this purpose.*

### 2015 to 2016

Pensionable service of 31 years at 31 March 2013

Salary of £31,000

Increment to £33,000 in the Pension Input Period (PIP) to 31 March 2011

Whole-time Service

CPI @ 2.5%

**Start of PIP (01/04/2015)**

Pension  $(£31,000 \times 31/80) + 2.5\% = £12,312.81$

Lump Sum  $£12,312.81 \times 3 = £36,938.43$

**End of PIP (31/03/2016)**

Pension  $£33,000 \times 32/80 = £13,200.00$

Lump Sum  $£13,200.00 \times 3 = £39,600.00$

**Growth in Scheme Benefits**

Pension =  $(£13,200.00 - £12,312.81) \times 16 = £14,195.04$

Lump Sum =  $£39,600.00 - £36,938.43 = £2,661.57$

Total =  $£16,856.61$

**Unused AA**  $(£40,000 - £16,856.61)$  **£23,143.39**

**2014 to 2015**

Pensionable service of 30 years at 31 March 2014

Salary of £29,500

Increment to £31,000 in the Pension Input Period (PIP) to 31 March 2015

Lump sum purchase of £5,000 Additional Pension in the PIP to 31 March 2015

Whole-time Service

CPI @ 2.7%

**Start of PIP (01/04/2014)**

Pension  $(£29,500 \times 30/80) + 2.7\% = £11,361.19$

Lump Sum  $£11,361.19 \times 3 = £34,083.57$

**End of PIP (31/03/2015)**

Pension  $(£31,000 \times 31/80) + £5,000 = £17,012.50$

Lump Sum  $£12,012.50 \times 3 = £36,037.50$

**Growth in Scheme Benefits**

Pension =  $(£17,012.50 - £11,361.19) \times 16 = £90,420.96$

Lump Sum =  $£36,037.50 - £34,083.57 = £1,953.93$

Total =  $£92,374.89$

**AA Exceeded by**  $(£40,000 - £92,374.89)$  **£52,374.89\***

## 2013 to 2014

Pensionable service of 29 years at 31 March 2013

Salary of £28,500

Increment to £29,500 in the Pension Input Period (PIP) to 31 March 2014

Whole-time Service

CPI @ 2.2%

### Start of PIP (01/04/2013)

Pension	$(£28,500 \times 29/80) + 2.2\%$	= £10,558.54
Lump Sum	$£10,558.54 \times 3$	= £31,675.62

### End of PIP (31/03/2014)

Pension	$£29,500 \times 30/80$	= £11,062.50
Lump Sum	$£11,062.50 \times 3$	= £33,187.50

### Growth in Scheme Benefits

Pension	$= (£11,062.50 - £10,558.54) \times 16$	= £8,063.36
Lump Sum	$= £33,187.50 - £31,675.62$	= £1,511.88
Total		= £9,575.24

**Unused AA** (£50,000 – £9,575.24) **£40,424.76**

Applying the Three Year Carry-Forward Rule:

(£38,375.00) AA Charge Liability 2016/17

£40,424.76 Unused AA 2013/14

£2,049.76\*

£ 0.00 Unused AA 2014/15

£23,143.99 Unused AA 2015/16

£23,143.99 Unused and Available AA 2015/16

*The 'smoothing effect' of the 3 year carry forward is clearly in evidence, i.e. the potential AA charge of £38,375.00 in 2016/17 has been negated as a result of the carry forward facility.*

**The member does not now have a tax liability for 2016/17 and has £23,143.99 unused and available Annual Allowance to carry forward from 2015/16.**

**\*N. B. Any unused AA from earlier years out with the three year carry forward period is lost and disregarded.**