

Example 1 - Male 1995 Section Member aged 36 at Implementation with NPA 60 1/80th pension and automatic lump sum

Tax to be paid

= Pension savings in excess of available AA x marginal tax rate
= £7,876 x 40%
= £3,150

Overall CETV

= CETV factor pension + 3 x CETV factor LS x weighted AMC/MLI
= (9.74 + 3 x 0.50) x 1.00
= 11.24

Reduction in Pension*

= Tax to be paid / Overall CETV
= £3,150 / 11.24
= £280.25 pa

Reduction in Lump Sum

= 3 x £280.25
= £840.75

*No corresponding deduction is made to the spouse's and / or dependant's pensions

Example 2 - Female 2008 Section Member aged 46 at implementation with NPA 65, 1/60th pension and no lump sum

Tax to be paid

= Pension savings in excess of available AA
x marginal tax rate
= £24,128 x 40%
= £9,651

Overall CETV

= CETV factor pension x weighted AMC/MLI
= 9.93 x 1.00
= 9.93

Reduction in Pension*

= Tax to be paid / Overall CETV
= £9,651 / 9.93
= £971.90 pa

*No corresponding deduction is made to the spouse's and / or dependant's pensions

Example 3 - Male 1987 Police Member showing use of early retirement factor.

Members of Police and Fire schemes are normally subject to a reduction on the scheme pays at retirement to take into account the additional length of time the pension will be in payment.

Member age 45 for debit.

Member aged 55 and 3 months at retirement.

Tax to be paid

= Pension savings in excess of available AA
x marginal tax rate
= £24,128 x 40%
= £9,651

Overall CETV

= CETV factor pension x weighted AMC/MLI
= 12.48 x 1.00
= 12.48

Reduction in Pension*

= Tax to be paid / Overall CETV
= £9,651 / 12.48
= £773.32 pa

Debit at retirement

The debit will be subject to CPI between implementation and retirement.
For this calculation we are assuming 10 years at a CPI of 2% per year (or an increase of 1.2190)

Debit at retirement = £942.68 (£773.32 X 1.2190)
Reduction at retirement = £942.68 X 0.781 = £736.23

*No corresponding deduction is made to the spouse's and / or dependant's pensions