ANNUAL ALLOWANCE GUIDE
Local Government Pensions Committee (LGPC)

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Introduction	Ref.
1. The information in this Guide sets out the LGPC Secretariat's understanding of the annual allowance provisions that operate from 2011/12. It is based on:	[Para 27 of Sch 17 to the Finance Act 2011]

- the provisions of the Finance Act 2004 (as amended by the Finance Act 2005, the Finance Act 2009, the Finance Act 2010, section 66 of, and Schedule 17 to, the Finance Act 2011, the Finance Act 2013, the Finance Act 2014, the Taxation and Pensions Act 2014, the Finance (No. 2) Act 2015, the Finance Act 2016 and the Finance (No.2) Act 2017,

- related Statutory Instruments i.e.

  - the Registered Pension Schemes (Standard Lifetime and Annual Allowances) Order 2007 [SI 2007/494]
  - the Registered Pension Schemes (Standard Lifetime and Annual Allowances) Order 2010 [SI 2010/922]
  - the Registered Pension Schemes (Uprating Percentages for Defined Benefits Arrangements and Enhanced Protection Limits) Regulations 2006 [SI 2006/130] - although section 235(3)(c) of the Finance Act 2004, to which this SI relates, has been deleted by the Finance Act 2011
  - the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791]
  - the Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011 [SI 2011/1793]
  - the Registered Pension Schemes (Reduction in Pension Rates, Accounting and Assessment) (Amendment) Regulations 2013 [SI 2013/1111]
  - the Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 [SI 2015/80]

- the Scottish Rate of Income Tax (Consequential Amendments) Order 2015 [SI 2015/1810]
- The Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2010/567] as amended by the Registered Pension Schemes (Provision of Information) (Amendment) (No 2) Regulations 2011 [SI 2011/1797], the Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2013 [SI 2013/1742], Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2016 [SI 2016/308] and paragraphs 87 to 90 of Schedule 1 to the Taxation of Pensions Act 2014.

- information in the annual allowance section of the Technical Pages in HMRC's Pensions Tax Manual at http://www.hmrc.gov.uk/manuals/ptmanual/ptm050000.htm

- correspondence between the LGPC Secretariat and HMRC, and

- face-to-face discussions with HMRC

2. It should be noted that, within this Guide:

- cross references shown in square brackets are to the relevant section(s) of the Finance Act 2004, as amended, or to another specified Act, or to the appropriate regulation in subordinate legislation (i.e. in a Statutory Instrument), and

- expressions / terms shown in plumb coloured font throughout this guide are defined in the Glossary at Annex 1.

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The annual allowance

5. The annual allowance is the amount by which the value of a person's pension savings may increase (the total Pension Input Amount) in any one year (the Pension Input Period) without having to pay a tax charge.

6. Pension Input Periods in the LGPS ran from 1 April to 31 March up to and including 2014/15. This mirrored the LGPS Scheme year. For 2015/16, the Pension Input Period ran from 1 April 2015 to 5 April 2016 (with special rules applying to the calculation of the annual allowance for benefits accrued between 1 April 2015 and 8 July 2015 and for benefits accrued between 9 July 2015 and 5 April 2016). For 2016/17 onwards the Pension Input Period runs from 6 April to 5 April. This meant that from 2015/16 the Pension Input Period ceased to be synchronised with the Scheme year which continued to run from 1 April to 31 March[1]. As will become apparent from this Guide, this has implications for the calculation of a member's Pension Input Amount and for the data to be supplied to administering authorities by Scheme employers. It should be noted that a paper on the pros and cons of aligning the Scheme year end with the Pension Input Period for 2015/16 onwards was considered by the Technical Group at its meeting on 11 December 2015 (see Annex 4). Having considered the paper, the Technical Group concluded that no request should be made to DCLG or SPPA to seek and amendment to the LGPS Regulations to align the Scheme year end with the Pension Input Period. [s238, 238ZA and 238ZB]

7. For tax years 2011/12 to 2013/14, the annual allowance was reduced [s 227ZA,

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[1] See definition of "Scheme year" in Schedule 1 of the LGPS Regulations 2013 and Schedule 1 of the LGPS (Scotland) Regulations 2014. Although regulation 56(2) of the LGPS Regulations 2013 and regulation 54(2) of the LGPS (Scotland) Regulations 2014 both specify (as at August 2016) that the Pension Input Period for the LGPS shall be 1 April to 31 March, those regulations need to be updated to reflect the provisions of sections 238, 238ZA and 238ZB of the Finance Act 2004 which require that from 2015/16, Pension Input Periods must end on 5 April.

to £50,000 (from £255,000 in 2010/11).

8. For tax year 2014/15 the annual allowance was further reduced to £40,000.

9. For tax year 2015/16 only a transitional annual allowance of £80,000 was introduced and special rules applied to the calculation of the annual allowance for benefits accrued between 1 April 2015 and 8 July 2015 and for benefits accrued between 9 July 2015 and 5 April 2016.

s227B, 227F, 228ZA, and s228(1) as updated by s66 and para 4 of Part 1 to Sch 17 of the Finance Act 2011; and by s49 of the Finance Act 2013; and by para 65(1) of Part 4 to Sch 1 of the Taxation of Pensions Act 2014.]

10. Also, from 2015/16 a further change was made to the annual allowance rules by the introduction of a money purchase annual allowance for individuals who have flexibly accessed certain money purchase arrangements. These special rules apply to the annual allowance calculation where the Pension Input Period ending in a tax year contains the day on which a member first flexibly accesses benefits (on or after 6 April 2015) regardless of whether or not that day is in the tax year.

11. For tax year 2016/17 onwards a tapered annual allowance applies to high-income individuals with “adjusted income” in a tax year of over £150,000 and whose “threshold income” is over £110,000. Those affected have their annual allowance for the tax year restricted on a tapered basis subject to a minimum reduced annual allowance of £10,000.

12. HM Treasury may by order provide that the annual allowance for any tax year after 2014/15 is such amount as is specified in the order. [s228(2)]

13. Unlike the pre 2011/12 (£255,000) annual allowance test, the current annual allowance test also applies:

[s 229(3); and paragraphs 6(3) and 25 of Sch 17 to the Finance Act 2011]

- in the year of retirement (unless the member satisfies the severe ill-health condition – see paragraph 16) and

- to those Scheme members who registered for enhanced protection.

When is an annual allowance test not required for benefits in the Scheme?[2]

14. Subject to paragraphs 29 (note re underpin), 30, 38 (scenarios 2 and 3), 51, 103 and 111 (example 2), the Pension Input Amount is nil **if the member has no active membership** in the Scheme in the Pension Input Period and has paid no AVCs / SCAVCs under the Scheme during the Pension Input Period but:

- has deferred benefits in the Scheme that have been deferred throughout the whole of the Pension Input Period, or [s234(5B)(a) and (5BA)]

- has benefits in the Scheme that were deferred throughout part of the Pension Input Period and were in payment throughout the rest of the Pension Input Period, or [s234(5B)(a) and (5BA)]

- has benefits in the Scheme that were deferred throughout part of the Pension Input Period and were transferred out to another registered pension scheme or qualifying recognised overseas pension scheme during the Pension Input Period, or [s234(5B)(a) and (5BB)]

- has a frozen refund in the Scheme which has been frozen throughout the whole of the Pension Input Period.

Similarly, the Pension Input Amount is nil if a pension credit member has no active membership in the Scheme in the Pension Input Period (see paragraph 67).

The Pension Input Amount is nil in all the above cases because:

- a deferred benefit will not have been revalued by more than CPI (and, for this purpose, any increments for postponement of payment of a GMP and any actuarial increase in a deferred benefit for delaying payment beyond Normal Pension Age can be ignored[3]), [s234(5B)(a)]

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[2] For the purpose of the annual allowance test, the LGPS in England and Wales is a separate Scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

[3] Where a member has been a deferred beneficiary throughout the whole of the Pension Input Period and at the end of that Pension Input Period is over the age at which an actuarial increase would have been applied and / or GMP increments would have been applied had the benefits been drawn at the end of that Pension Input Period, any actuarial increase and GMP increments can be ignored. Neither are a Pension Input Amount because the conditions in section 234(5B) of the Finance Act 2004 are met i.e. the actuarial increase is given to any qualifying member and the rate of the increase is in accordance with the scheme rules that were in place on 14 October 2010 and GMP increments are a “relevant statutory increase” which can be ignored.

- a pension in payment will not have been increased by more than CPI, [s234(5B)(a), s238(7) and 238ZB(3)]

- a frozen refund will not have been increased at all (other than by interest), and

- a pension credit member only has a deferred or actual pension in the LGPS (derived from that pension credit) which will not have been revalued by more than CPI. [s234(5B)(a), s238(7) and s 238ZB(3)]

15. Subject to paragraphs 29 (note re underpin), 30, 38 (scenarios 2 and 3), 51, 103 and 111 (examples 3 and 4), there is no Pension Input Period and, consequently, no need to calculate a Pension Input Amount, if the member (or a widow, widower, civil partner, eligible co-habiting partner, child or pension credit member in receipt of a pension from the Scheme) **has no active membership in the Scheme** in the Pension Input Period **and has paid no AVCs / SCAVCs** under the Scheme during the Pension Input Period but:

    - has had benefits in the Scheme in payment throughout the whole of the Pension Input Period. [s238(7) and s238ZB(3)]

    There is no Pension Input Period, and no Pension Input Amount for the member because the benefits will not have been increased by more than CPI (and, for this purpose, any GMP, any increments for postponement of payment of a GMP and any anti-franking increase can be ignored). [s234(5B)(a), s238(7) and 238ZB(3)]

16. There is no Pension Input Amount for a Pension Input Period in respect of an individual arrangement if the Scheme member:

    - in respect of that arrangement, satisfies the severe ill-health condition. This is because the Pension Input Amounts under an arrangement where the member meets the severe ill-health condition will be deemed to be nil; or [s229(3)(a) and (4)]

    - has died. This is because for the tax year in which an individual dies their total Pension Input Amount is set at nil. Note that any outstanding annual allowance charge for previous tax years (i.e. for tax years before the tax year in which the member died) is still payable. [s229(3)(b)]

    Similarly, there is, in respect of an individual arrangement, no Pension Input Amount for a Pension Input Period if the Scheme member receives a refund of contributions in respect of that arrangement (even though, of course, there may have been a Pension Input Amount for the previous Pension Input Period(s) during which the member was an active member in that arrangement because the member had not ceased to be an active member at that time).

For the purposes of the first bullet point above, the member satisfies the severe ill-health condition if the member:

- becomes entitled to all the benefits to which he / she is entitled under the arrangement in consequence of the Scheme administrator (i.e. the administering authority) having received evidence from a registered medical practitioner that the individual is suffering from ill-health which makes the individual unlikely to be able (otherwise than to an insignificant extent[4]) to undertake gainful work (in any capacity) before State pension age, or [s229(4)(a)]

- becomes entitled to a serious ill-health lump sum under the arrangement [s229(4)(b)]

Following an exchange of e-mails between DCLG and HMRC it was agreed that provided the registered medical practitioner signing the LGPS ill health certificate confirms that either:

- the individual is suffering from ill-health which makes it unlikely that he / she will be able (otherwise than to an insignificant extent) to undertake gainful work (in any capacity) before State pension age[5], or

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[4] 'Insignificant extent' means, for example, that the person could undertake voluntary work or unpaid work where out of pocket expenses are reimbursed or small amounts of travelling or subsistence payments are made. Any paid work should be insignificant, for example it should be infrequent or only for a few days during the year and the payment must be small in amount, not just as a proportion of the pay or salary the person was earning in the job from which they are to be ill health retired.

[5] State Pension Age is currently age 65 for men. State Pension Age for women is currently being increased to be equalised with that for men and will reach 65 by November 2018.

State Pension Age equalisation timetable for women

Date of Birth	New State Pension Age
Before 6 April 1950	60
6 April 1950 - 5 April 1951	In the range 60 - 61
6 April 1951 - 5 April 1952	In the range 61 - 62
6 April 1952 - 5 April 1953	In the range 62 - 63
6 April 1953 - 5 August 1953	In the range 63 - 64
6 August 1953 - 5 December 1953	In the range 64 - 65

The State Pension Age will then increase to 66 for both men and women from December 2018 to October 2020.

Increase in State Pension Age from 65 to 66 for men and women

Date of Birth	New State Pension Age
6 December 1953 - 5 October 1954	In the range 65 - 66
After 5 October 1954	66

- the individual has less than 12 months to live and the administering authority pays a severe ill health lump sum[6]

then the individual will have met the severe ill health condition and there will be no Pension Input Amount in respect of that arrangement. The sample ill health certificates included in LGPC Bulletin 124 (March 2015), LGPC Bulletin 139 (January 2016) and LGPC Bulletin 141 (February 2016) include the relevant wording.

It should be noted that section 229(4) of the Finance Act 2004 only provides that there is no Pension Input Amount in respect of an arrangement if the member satisfies the severe ill-health condition and becomes entitled to all the benefits under the arrangement. If a member who was paying AVCs meets the severe ill-health condition and takes their main Scheme benefits (one arrangement) and their AVC benefit (another arrangement) at the same time, then there would be no Pension Input Amount in respect of either arrangement. [s229(4)]

However, if an administering authority permits the member to defer payment of the AVC benefit and the member chooses to do so, there would be no Pension Input Amount in respect of the main Scheme benefits (one arrangement) but there would be a Pension Input Amount in relation to the AVCs (another arrangement) because, whilst the person could have met the severe ill health condition in relation to the AVCs, they chose not to take immediate payment of the AVC benefit.

Similarly, if a member has two or more pensionable jobs and meets the severe ill-health condition in one but not the other(s), there would be no Pension Input Amount in respect of the benefit from the job in which the severe ill-health condition was met (one arrangement) but there would be a Pension Input Amount in respect of benefits relating to the other job(s) (i.e. the other arrangement(s)).

17. There is no Pension Input Amount if:

- a tier 3 ill health pension under the LGPS in England and Wales is increased (a BCE3) to a tier 2 pension in a Pension Input Period after that in which the BCE for the tier 3 ill health retirement [s238(7) and s238ZB(3)]

Under current legislation the State Pension Age is due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046. However, the government has announced plans to link rises in the State Pension Age above age 67 to increases in life expectancy. To find out what an individual's State Pension Age is go to https://www.gov.uk/calculate-state-pension.

[6] The provisions in the LGPS Regulations allowing commutation due to exceptional ill health only apply to pre 1 April 1998 leavers in England and Wales and pre 1 April 2015 leavers in Scotland.

occurred, or

- a suspended tier 3 ill health pension under the LGPS in England and Wales is brought back into payment in a Pension Input Period after that in which the retirement occurred, or [s238(7) and s238ZB(3)]

- an employer in England or Wales converted compensation payments into pension under the LGPS in accordance with regulations 12B or 13A of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007[7] or regulation 40A of the Local Government Pension Scheme (Administration) Regulations 2008 and the conversion occurred in a Pension Input Period after that in which the BCE for the retirement occurred. [s238(7) and s238ZB(3)]

HMRC have confirmed that under section 238(7) and 238ZB(3) of the Finance Act 2004, when a member becomes entitled to all their benefits under an arrangement, that will be the last Pension Input Period for that arrangement and, therefore, after this has ended there will be no need to test the benefits in payment against the annual allowance. This means that if a BCE3 occurs in respect of the member, then this will only need to be included in the Pension Input Amount if it occurs after the member has become entitled to their benefits but before the end of the final Pension Input Period. A BCE3 that occurs after the end of the last Pension Input Period is, therefore, not included in calculating the Pension Input Amount.

There would, however, be a Pension Input Amount if:

- the uplift from tier 3 to tier 2 occurs in the same Pension Input Period that the BCE for the tier 3 ill health benefit occurred, or

- the conversion of compensation payments into pension under the LGPS occurred in the same Pension Input Period as that in which the BCE for the retirement occurred.

This is because, although:

a) each of the two increases above would be under a statutory provision (i.e. it is an increase permitted under the rules of the LGPS - a statutory scheme set up under an enactment), and

b) section 236(8A)(b) of the Finance Act 2004 only requires a BCE3 increase to be taken into account in the Pension Input Period if the

[7] Regulations 12B and 13A of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were time limited regulations and resolutions under those regulations could not be made by employers after 30 March 2012.

increase is “otherwise than by reason of a provision contained in, or made under, any enactment”

the enactment for the purpose of s236(8A)(b) is an enactment that imposes a requirement on the scheme rules to do something. This is not the case where a scheme rule simply happens to be made under an enactment but has not been introduced because of an enactment requiring that rule to be included in the LGPS Regulations. [s236(8A)(b)]

Administering authorities must, of course, remember that there could be implications for the Lifetime Allowance (LTA) test when a BCE3 occurs – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm088630.

The test - where an annual allowance test is required for benefits in the Scheme[8]

18. Paragraphs 14 to 17 have listed those members to whom the annual allowance test does not apply. For all other members it is necessary to determine the amount by which the value of their pension saving (the Pension Input Amount) has increased over the Pension Input Period [9]. To do this it is necessary to determine the difference between the Opening Value and the Closing Value for each arrangement in the Fund. [s234(1) to (3)]

19. The total Pension Input Amount is arrived at by aggregating the Pension Input Amount in respect of each arrangement relating to the person in the Fund of which the person is a member. [s229(1)]

20. Where the Closing Value for an arrangement is less than the Opening Value for the arrangement, the Pension Input Amount for that arrangement is nil. It should be noted that if a member has two (or more) arrangements in the LGPS and the Pension Input Amount for one arrangement is a negative figure and for the other arrangement(s) it is a positive figure, the Pension Input Amount for the arrangement with the negative figure is set to nil. The negative [s234(2)]

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[8] For the purpose of the annual allowance test, the LGPS in England and Wales is a separate Scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

[9] HMRC provide a Pension Input Amount calculator for pension scheme members on their website at http://www.hmrc.gov.uk/tools/pension-allowance/index.htm. However, due to the number of caveats contained on that webpage, the calculator is of little or no practical use to members of the LGPS. Pension schemes newsletter 81 (September 2016) reported that HMRC had developed a beta version of an annual allowance calculator to help members work out how much annual allowance they have used and how much they can contribute to their pension schemes without facing an annual allowance charge.

value cannot be set off against the positive value in the other arrangement(s). For example, if the Pension Input Amount in one arrangement is £10,000 and the Pension Input Amount in a second arrangement is £45,000, the Pension Input Amount for the first arrangement is nil and for the second arrangement it is £45,000 (not £35,000); so the member will have breached the annual allowance of £40,000. **It should be noted that an AVC / SCAVC arrangement is a separate arrangement from the main scheme benefits. Also, separate memberships for separate jobs are separate arrangements.**

The Opening Value of main Scheme benefits

21. The initial Opening Value for an arrangement is [(16 x PB) + LSB]. [s234(4)]

22. PB is the annual rate of pension that would have been payable under the arrangement at the end of the Pension Input Period immediately preceding the current Pension Input Period, and [s234(4)]

    LSB is the automatic lump sum (if any) that would have been payable under the arrangement at the end of the Pension Input Period immediately preceding the current Pension Input Period. [s234(4)]

23. For the purposes of PB and LSB the annual rate of pension and the lump sum should **ignore**:

    - any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the Pension Input Period immediately preceding the current Pension Input Period in anticipation of retirement in the current Pension Input Period, [s234(4)]

    - any actuarial reduction that would have applied had the benefits been brought into payment at the end of the Pension Input Period immediately preceding the current Pension Input Period, [s234(4) and s277]

    - any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension, and

    - any pension underpin (on the grounds that, by virtue of regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, any pension underpin is only payable when benefits are actually paid).

but should **not ignore** (i.e. should take into account):

- any anti-franking addition
- any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders) [s236(8A)(a) and s236(8B)(a)]
- any actuarial increase[10] that would have applied had the benefits been brought into payment at the end of the Pension Input Period immediately preceding the current Pension Input Period and the member was, at that time, over the age at which an actuarial increase would have been applied to benefits i.e. **include** an actuarial increase on [s236(8A)(a) and s236(8B)(a)] [s234(4) and s277]

    - pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) when the member is, at the end of the Pension Input Period immediately preceding the current Pension Input Period, over the age of 65 (as actuarial increases, even for those with an NPA earlier than 65, are only payable where benefits are drawn after age 65)
    - post 31 March 2014 benefits (post 31 March 2015 benefits in Scotland) when the member is, at the end of the Pension Input Period immediately preceding the current Pension Input Period, over the 2014 Scheme (2015 Scheme in Scotland) NPA

    It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period immediately preceding the current Pension Input Period. This is true even if the factors are subsequently changed with an

[10] Paragraph 3.16 of the March 2011 HM Treasury document “Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation” says “In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount.” Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PB and LSB; there is no provision allowing actuarial increases to be ignored for the purposes of PB and LSB. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member’s benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PB and LSB but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

effective date after the end of the Pension Input Period immediately preceding the current Pension Input Period meaning that the factors used for PB and LSB will be different to those eventually used for PE and LSE.

24. When calculating PB and LSB please refer to paragraphs 83 to 102 to determine the pensionable pay to use in the calculation of a member's pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland), paragraph 103 concerning Pensions Increase due under the Pensions (Increase) Act 1971, paragraphs 104 to 107 concerning the amount of the accrued CARE pension to include in the calculation and paragraphs 108 to 109 concerning the effect a Certificate of Protection issued under the LGPS in Scotland has on the accrued CARE pension.

25. Additionally, when calculating PB and LSB for an arrangement:

If the member -

- has an added years contract,
- has an old style part-time buy-back contract,
- has made a "Preston" part-time buy-back election,
- has made an election to pay contributions for child related leave, absence with permission or absence due to a trade dispute where the absence relates to a period prior to 1 April 2014 (or 1 April 2015 in Scotland),
- has augmented membership or additional pension granted by the employer under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 or under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008,
- has an ARC contract,
- has an APC contract, or
- has additional pension granted in respect of a revoked ASBC election (England and Wales)

please refer to the section "How certain types of membership and additional pension count when calculating the Opening and Closing Values" (paragraphs 36 to 59).

And if the member -

- has aggregated membership in the current Pension Input Period with an Inter-Fund Adjustment being payable (other than cases of:

  a. cross border LGPS transfers i.e. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa, and
  b. Inter/Intra-Fund Adjustments where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in

Scotland, and the Inter/Intra-Fund CETV purchases an amount of earned pension in the member's active CARE account)

please refer to the section "Treatment of Inter-Fund Adjustments" (paragraphs 72 to 78). For cases falling within (a) please refer to paragraphs 61 to 63 and for cases falling within (b) please refer to paragraphs 61 and 62.

26. The initial Opening Value for an arrangement as calculated above (i.e. [(16 x PB) + LSB]) is then revalued by the increase in CPI over the 12 months to the September before the start of the tax year[11]. [s235(3)] One would assume that for the 2011/12 Pension Input Period, for example, in order to bring the Opening Value up to date it should be increased by the rise in the CPI over the 12 months to September 2011 but the wording of the Act provides that the rise in CPI which is to be used is that which occurs over the 12 months to the September prior to the commencement of the current Pension Input Period. So, in this example, the increase is by reference to the rise in the CPI over the 12 months to September 2010. The explanation for this may be that where someone retires in, say, August 2011 who has exceeded the annual allowance and wants the Scheme to pay the annual allowance tax bill on their behalf under the 'mandatory Scheme pays' option, that person would have to opt for this to happen before leaving. At that point in time, the CPI figure to September 2011 would not be known. The use of the CPI figure to September 2010 may therefore simply be a pragmatic solution to a difficult problem.

The relevant CPI figures to date are:

[11] Except for the Opening Value for 2015/16. It is calculated as the sum of [(16 x PB) + LSB] + 2.5%.

Pension Input Period	Opening Value to be increased by CPI over 12 month period to.	Increase
2008/09	September 2007	1.8%
2009/10	September 2008	5.2%
2010/11	September 2009	1.1%
2011/12	September 2010	3.1%
2012/13	September 2011	5.2%
2013/14	September 2012	2.2%
2014/15	September 2013	2.7%
2015/16	September 2014	1.2%
2016/17	September 2015	NIL[12]
2017/18	September 2016	1.0%
2018/19	September 2017 (provisional at date of issue)	3.0%

CPI figures for the percentage change over 12 months to each September can be found on the website of the Office for National Statistics. Note: the figure is rounded to 1 decimal place.

If CPI for the 12 months to September is a negative value, CPI should be assumed to be nil (in the same way that a negative accrual is set to nil).

27. If there was no Pension Input Amount in the Pension Input Period immediately preceding the current Pension Input Period (i.e. the current Pension Input Period is the first Pension Input Period), then the Opening Value is nil. [s234(4)]

The Closing Value of main Scheme benefits

28. The Closing Value for an arrangement is (16 x PE) + LSE [s234(5) and s233(1)]

[12] Although the September 2015 CPI was -0.1% the annual allowance revaluation is 0.0% because section 235 of the Finance Act 2004 only allows the opening balance to be uprated by an increase (not a decrease).

29. *Active members, deferred members and frozen refunds*

For an active member or an active member who became a deferred pensioner or frozen refund member during the Pension Input Period

- PE is the annual rate of pension, and
- LSE is the automatic lump sum (if any)

that would have been payable under the arrangement at the end of the current Pension Input Period based on membership to the end of the Pension Input Period (for an active member) or membership to the date of leaving (for a deferred or frozen refund member).

For the above members, when calculating PE and LSE the annual rate of pension and the lump sum should **ignore**:

- any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the current Pension Input Period in anticipation of retirement in the next Pension Input Period, [s234(5)]
- any actuarial reduction or, subject to the following, any actuarial increase that would have applied had the benefits been brought into payment at the end of the current Pension Input Period, [s234(5) and s277]
- any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension, and
- any pension underpin (on the grounds that, by virtue of regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, any pension underpin is only payable when benefits are actually paid). In essence, where a member leaving with a deferred benefit meets, at the date of ceasing active membership, all the other criteria for entitlement to an underpin[13], the member is

[13] Being:

a) in England and Wales, a member leaving at or after age 55 with a deferred benefit (or at or after 50 if the member has a protected right to draw benefits on or after that age i.e. former Learning and Skills Council for England members), and
b) in Scotland, a member leaving at or after age 60 with a deferred benefit (or at or after 55 if has a protected right to draw benefits on or after that age i.e. former NHS scheme members, Civil Servants transferred to the Scottish Environment Protection Agency, Former employees of the Scottish Legal Services Ombudsman, of the Scottish Administration’s Learning Connections Division, of the Care Commission, of

not actually credited with the pension underpin amount until the point the member draws those deferred benefits. It should be noted, however, that at the point they draw the deferred benefits, and the pension underpin is paid, the value of the deferred benefits will have increased by more than CPI (due to the addition / payment of the pension underpin) and so there will be a Pension Input Amount to be valued in the Pension Input Period when the BCE occurs. However, given the likely small size of that Pension Input Amount compared to the size of the annual allowance for that Pension Input Period and the size of the carry forward amounts from the previous three tax years it is unlikely that there will be an annual allowance charge (unless the person had been making contributions to another pension arrangement in the relevant tax year).

but should **not ignore** (i.e. should take into account):

- any anti-franking addition
- any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders) [s236(8A)(a) and s236(8B)(a)]
- any reduction to the pension and lump sum (for a deferred member) due to forfeiture or recovery due to misconduct if the forfeiture or recovery occurs in the Pension Input Period during which the person ceased to be an active member i.e. the pension and lump sum should be valued net of any such reduction, and [s236(8A)(a) and s236(8B)(a)] [s234(5); s236(8) does not apply]
- any actuarial increase[14] that would have applied had the benefits been brought into payment at the end of the current Pension

the Social Work Inspection Agency, and of Her Majesty's Inspectorate of Education, and employees formerly entitled to membership of the SDS Scheme).

[14] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE

Input Period but only if the member is over the age at which an actuarial increase would have been applied had the benefits been drawn at the end of that Pension Input Period. It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for PB and LSB will be different to those used for PE and LSE. [s234(5) and s277]

Where a member has been a deferred beneficiary throughout the whole of the Pension Input Period and at the end of that Pension Input Period is over the age at which an actuarial increase and / or GMP increments would have been applied had the benefits been drawn at the end of that Pension Input Period, any actuarial increase and GMP increments can be ignored. Neither are a Pension Input Amount because the conditions in section 234(5B) of the Finance Act 2004 are met i.e. the actuarial increase is given to any qualifying member and the rate of the increase is in accordance with the scheme rules that were in place on 14 October 2010 and GMP increments are a "relevant statutory increase" which can be ignored. However, any actuarial increase is to be included in the Closing Value if the member was an active member for part of the Pension Input Period and a deferred member the rest of the Pension Input Period, and during the part of the Pension Input Period in which they were a deferred member they attained the age at which an actuarial increase would have been applied had the benefits been drawn at the end of that Pension Input Period but decided not to draw their benefits. Any anti-franking addition would also have to be applied. Any GMP increments would be ignored (except where included as part of an anti-franking addition) as they are subsumed within (not paid in addition to) the LGPS pension. [s234(5B)]

30. *Retirees*

For an active member retiring with a BCE during the Pension Input Period (and for an member who ceases active membership in the Pension Input Period with an entitlement to a deferred benefit and who subsequently, in the same Pension Input Period, has a BCE upon becoming entitled to payment of those benefits, and who is therefore treated as a retiree when determining the Closing Value)

- PE is the annual rate of pension payable in respect of the arrangement at the end of the Pension Input Period, and

- LSE is the lump sum paid in respect of the arrangement during

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but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

the Pension Input Period

both being based on membership to the date of retirement.

For the purposes of PE the annual rate of pension for a retiree should:

- **include** the pension derived from any ill health enhancement (for those ill health retirees not exempt from the annual allowance test because they did not meet the severe ill-health condition under s229(4) of the Finance Act 2004)

- **include** any anti-franking addition

- **include** any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders) [s236(8A)(a) and s236(8B)(a)]

- **include** any pension underpin paid under regulation 4 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 or regulation 4 of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. [s236(8A)(a) and s236(8B)(a)]

- **ignore** any abatement of pension due to re-employment during the Pension Input Period by a body offering LGPS membership[15]. [s236(8A)(a) and s236(8B)(a)]

And for the purposes of PE and LSE the annual rate of pension and the lump sum for a retiree should:

- **ignore** any deduction from the pension or lump sum to pay off the balance of a 'Preston' part-time buy-back claim (see paragraphs 45 and 46) [s236(8A)(a) and s236(8B)(a)]

- **ignore** any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension

- **not ignore** (i.e. should take into account) any actuarial reduction[16], or any actuarial increase[17], applied to the pension and

[15] This seems a logical interpretation of the wording in s236(8A)(a) and s236(8B)(a) as they refer to the amount of pension to which the member became entitled at the Benefit Crystallisation Event (BCE2).
[16] Where there is a BCE2 the annual rate of pension to which the member became entitled is added back to PE and where there is a BCE6 the lump sum is added back to LSE. Thus, any actuarial reduction would be reflected in the annual rate of pension and lump sum payable to

lump sum. It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for PB and LSB will be different to those used for PE and LSE.

- **according to HMRC, ignore**[18] any reduction to the pension or increase to the lump sum as a result of an election to commute pension for an increased lump sum; [s236(8A)(a) and (c) and s236(8B)(a) and

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the member. In effect, for the purposes of PE and LSE, the annual rate of pension and the lump sum for a retiree should take account of any actuarial reduction – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340. Retirees don't have a Closing Value under s234(5) of the Act and, therefore, s277 of the Act is not applicable. The nil Closing Value is then adjusted under s236(8B)(a) and (c) of the Act which, because they do not mention 'valuation assumptions', means that any actuarial reduction is not ignored i.e. the benefits are valued after any actuarial reduction has been applied. The LGPC Secretariat nevertheless recognises that an actuarial reduction does not really represent a reduction in the value of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a longer period of time (and so it is illogical to value the benefits at their actuarially reduced rate). However, the legislation requires that the valuation is post the actuarial reduction and it is understood that HMRC have no plans at present to change from this position.

[17] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

[18] This is the view given by HMRC on their website – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053301 and https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.
These examples indicate the HMRC approach is that, where pension has been commuted into lump sum, an adjustment is required by s236(8) of the Act for the purpose of calculating the Closing Value, which would effectively disregard the commutation, and the Closing Value would thus be calculated by reference to the pre-commutation level of pension. Compare this with the contrary position that HMRC take in relation to actuarial reductions, where the benefits are valued post actuarial reduction. However, the LGPC Secretariat has obtained Counsel's opinion which backs up the LGPC Secretariat's view that benefits should be valued post commutation. S236(8A) and s236(8B) of the Act require PE and LSE to be adjusted, for

(c)]

- **not ignore** any reduction to the annual rate of the pension or the lump sum due to forfeiture or recovery due to misconduct i.e. the annual rate of pension payable at the end of the Pension Input Period and the lump sum should be net of any such reduction.

It should be noted that the timing of the completion of forms by a scheme member (which impacts on the member's BCE date) can have implications.

[s 236(8), s236(8A)(a) and (c) and s236(8B)(a) and (c)]
[s236(8), s236(8A)(a) and (c) and s236(8B)(a) and (c)]

Take, for example, a March retiree who does not complete the retirement paperwork until mid-April and so the BCE does not occur until the Pension Input Period after leaving. In such a circumstance, section 236(8A) of the Finance Act 2004 would not apply and so there will be a Pension Input Amount for the Pension Input Period in which the date of retirement occurred (i.e. the member will be treated for annual allowance purposes as not retired although the benefits would only be based on the benefits accrued at the date of leaving, revalued under any HM Treasury revaluation order applicable at the end of the Pension Input Period, and would ignore any actuarial reduction but not any actuarial increase) and there will be a Pension Input Amount for the following Pension Input Period (when section 236(8A) of the Act would apply). The value of the benefits in that following Pension Input Period would be the benefits actually drawn i.e. after any actuarial reduction or actuarial increase but, according to HMRC, ignoring any commutation. This produces a strange outcome in that the benefits will be valued in the Pension Input Period for the year of leaving and those benefits will be valued again in the Pension Input Period after leaving (even though there has been no further membership accrual). Furthermore, it can lead to a tax charge where one might not otherwise have been due. For example, take the case of a member who retired on 30 March 2012 with entitlement to

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the purposes of applying the formula in s234(5) of the Act, by reference to the actual amounts received by way of pension and lump sum. S236(8) does not produce any further adjustment because an adjustment under that section is only required to the extent that the effect of the commutation has not already been reflected in the sums received (and it clearly already has been). The Secretariat's interpretation would mean that the value of a member's benefits in the LGPS goes down if a member commutes (because the commutation rate is 12:1) whereas the value of a member's benefits in, for example, the Police or Fire schemes goes up (because their commutation rates are significantly greater than 16:1). That seems reasonable as the valuation of benefits in previous PIPs has assumed a factor of 16:1. Thus, if the member does not commute, the value of their accrued benefits will still be 16:1; but if a member commutes, the real value of their benefit in the LGPS actually does decrease (at 12:1) – so why should they pay tax on a value they haven't actually received; and if the real value of benefits increases (due to use of factors above 16:1 in schemes such as Police and Fire), shouldn't the member pay tax on the value of benefits they have actually received? Administering authorities may, however, take the view that it is safer to follow the HMRC approach, given the line that HMRC have adopted in the examples shown on their website.

an actuarially reduced benefit but who did not complete the pension application form until 12 April 2012 (so the BCE did not occur until 12 April). That member could have finished up in the position of having an unreduced Pension Input Amount for 2011/12 with a consequential annual allowance tax charge and an actuarially reduced Pension Input Amount for 2012/13; whereas if the same member had completed the forms on, say 28 March, he would have had an actuarially reduced Pension Input Amount for 2011/12 with no tax charge, and no Pension Input Amount for 2012/13.

Conversely, a member who retired on, say, 30 March 2012 on health grounds with an entitlement to a tier 2 enhanced benefit (and did not meet the severe ill- health condition – see paragraph 16) and whose benefits did not crystallise until a couple of weeks later on 12 April 2012 on completion of the pension application forms could have suffered a tax charge for the 2011/12 Pension Input Period if they had completed their pension paperwork on leaving but would not pay a tax charge because they delayed completing their paperwork and the increase in benefits for the 2012/13 Pension Input Period does not generate a tax charge.

So, in certain circumstances whether or not a member will suffer an annual allowance tax charge will depend on when they complete their pension paperwork but, according to HMRC, that is simply an effect of the legislation.

It should also be noted that a recalculation of benefits following an appeal can have differing effects depending on whether the increased level of payment is made before or after the Pension Input Period in which the member otherwise became entitled to all benefits under the scheme.

Case 1
A member leaves with a deferred benefit but, on appeal, it is determined the member should have left with an immediate ill health pension but the determination is not made until the Pension Input Period after that in which the member left (and the member does not satisfy the severe ill health condition – see paragraph 16).

Case 2
A member leaves with a tier 3 ill health pension which, on appeal, is uplifted to a tier 2 pension, or leaves with a tier 2 pension which, on appeal, is uplifted to a tier 1 pension but, in both cases, the determination to uplift is not made until the Pension Input Period after that in which they retired (and the member does not satisfy the severe ill health condition – see paragraph 16)

If the award of the increased level of payment is made after the end of the Pension Input Period in which the member otherwise became entitled to all benefits under the scheme then there is no Pension

Input Amount (it is not possible to retrospectively amend a Pension Input Amount).

Note that Case 2 would be caught by the anti-avoidance provisions in section 236A of the Act if the member and employer conspired to put the member in the lower tier to avoid an annual allowance charge but with a view to putting them into the higher tier in the subsequent Pension Input Period. Note also that Case 1 might not be not be caught by section 236A of the Act because that section only covers a "post-entitlement enhancement" which is “an increase in the annual rate of a scheme pension under the arrangement, at a time after the member has become entitled to the scheme pension” i.e. after “the person first acquires an actual (rather than a prospective) right to receive the pension”.

31. When calculating PE and LSE please refer to paragraphs 83 to 102 to determine the pensionable pay to use in the calculation of a member’s pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland), paragraph 103 concerning Pensions Increase due under the Pensions (Increase) Act 1971, paragraphs 104 to 107 concerning the amount of the accrued CARE pension to include in the calculation and paragraphs 108 to 109 concerning the effect a Certificate of Protection issued under the LGPS in Scotland has on the accrued CARE pension.

32. Additionally, when calculating PE and LSE for an arrangement:

If the member -

- has an added years contract,
- has an old style part-time buy-back contract,
- has made a “Preston” part-time buy-back election,
- has made an election to pay contributions for child related leave, absence with permission or absence due to a trade dispute where the absence relates to a period prior to 1 April 2014 (or 1 April 2015 in Scotland),
- has augmented membership or additional pension granted by the employer under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 or under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008,
- has an ARC contract,
- has an APC contract, or
- has additional pension granted in respect of a revoked ASBC election (England and Wales)

please refer to the section “How certain types of membership and additional pension count when calculating the Opening and Closing Values” (paragraphs 36 to 59).

And if the member -

- has aggregated membership in the current Pension Input Period with an Inter-Fund Adjustment being payable (other than cases of:

    a. cross border LGPS transfers i.e. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa, and
    b. Inter-Fund Adjustments where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, and the Inter-Fund CETV purchases an amount of earned pension in the member's active CARE account)

please refer to the section "Treatment of Inter-Fund Adjustments" (paragraphs 72 to 78). For cases falling within (a) please refer to paragraphs 61 to 63 and for cases falling within (b) please refer to paragraphs 61 and 62.

33. It should be noted that the Closing Value may be subject to adjustments as shown in paragraphs 61 to 71.

The Opening and Closing Value of AVCs / SCAVCs

34. An AVC / SCAVC is a separate arrangement from the main Scheme benefits. The Opening Value of an AVC / SCAVC arrangement is always nil. The Closing Value is the total of any tax relievable employee and employer contributions paid to the Defined Contribution (money purchase) arrangement during the Pension Input Period i.e. to the LGPS AVC or SCAVC arrangement. This will **not** include any AVC or SCAVC payments for life assurance, even those that had been subject to tax relief[19] (see LGPC Bulletin 47). For the purpose of determining which Pension Input Period any AVCs or [s233(1)]

[19] The reason AVC or SCAVC payments for life assurance are not included, even those that had been subject to tax relief, is because under section 233 of the Finance Act 2004 only the amount paid under a "money purchase arrangement" is to be included. A "money purchase arrangement" is defined under section 152(2) of that Act as an arrangement under which "all the benefits that may be provided to or in respect of the member under the arrangement are …… other money purchase benefits". Section 152(4) defines "money purchase benefits" as "benefits the rate or amount of which is calculated by reference to an amount available for the provision of benefits to or in respect of the member (whether the amount so available is calculated by reference to payments made under the pension scheme by the member or any other person in respect of the member or any other factor)". As the death benefit under the life assurance arrangement is not calculated by reference to an amount available for the provision of benefits (i.e. there is no sum held specifically to pay the lump sum payable on death and the amount payable is not dependant on investment returns) it is not a "money purchase benefit" and so is not a "money purchase arrangement". Indeed, the lump sum payable on death would be a Defined Benefits Lump Sum Death Benefit.

SCAVCs fall in, HMRC have confirmed that the date an employee's AVCs are "paid", where the AVCs are deducted[20] under net pay arrangements (as in the LGPS), should be taken as the date the AVCs are deducted from pay. However, where it is not possible to readily identify the date of deduction from pay, the date the AVC payment was received by the AVC provider or an estimate of the date of deduction from pay can be used. HMRC would expect the administering authority to adopt a consistent approach. Unlike an employee's AVC payments, employer contributions to a SCAVC are always deemed to have been "paid" on the date they are received by the AVC provider.

35. It should be noted that if a member pays AVCs / SCAVCs during a Pension Input Period and:

- converts their AVC / SCAVC pot to an annuity (either externally or by purchasing an in-house annuity / top-up pension) within that Pension Input Period, any AVCs / SCAVCs paid in that Pension Input Period should be included in the AVC value (and the annuity should not be included in PE), or

- converts their AVC / SCAVC pot to Scheme membership within that Pension Input Period, any AVCs / SCAVCs paid in that Pension Input Period should be included in the AVC value (but also see paragraphs 64 and 65), or

- transfers their AVC / SCAVC pot to another registered pension scheme or to an overseas scheme that is a qualifying recognised overseas pension scheme within that Pension Input Period, any AVCs / SCAVCs paid in that Pension Input Period should be included in the AVC value, or

- following receipt of a Pension Sharing Order, their AVC / SCAVC pot is reduced in a Pension Input Period by having become subject to a pension debit, the reduction to the AVC pot is to be ignored i.e. added back into the AVC value, or

- leaves in that Pension Input Period and elects in that Pension Input Period for an Inter-Fund Adjustment to be paid to another Fund including the AVC / SCAVC pot, the receiving Fund should, for the purposes of its annual allowance statement, include within the Closing Value for that Pension Input Period the AVCs / SCAVCs paid to the sending Fund's AVC / SCAVC arrangement. If, however, the member transfers their main LGPS scheme

[20] If employee AVCs are made by cheque, the date of payment is the date the cheque is received by the AVC provider.

benefits to the new Fund but not their AVCs / SCAVCs, then the sending Fund will have to produce an annual allowance pension savings statement to the member showing the amount of the AVCs / SCAVCs paid in the Pension Input Period if required to do so (see paragraph 155), or if they are asked to do so by the member see (paragraph 156)

How certain types of membership and additional pension count when calculating the Opening and Closing Values

Added years contracts

Opening Value

36. For the purpose of, respectively, PB and LSB, the annual rate of pension and the lump sum should **include** the pension and any lump sum derived from the added years purchased by the member at the end of the Pension Input Period immediately preceding the current Pension Input Period under the added years contract (i.e. the proportion of the added years contract purchased at that time[21]).

Closing Value

37. For the purpose of, respectively, PE and LSE, the annual rate of pension and the lump sum should **include** the pension and any lump sum derived from the added years purchased by the member at the end of the current Pension Input Period under the added years contract (i.e. the proportion of the added years contract purchased at that time or the whole of the added years under the contract if the member completed the contract in the Pension Input Period or retired on the grounds of permanent ill health[22]).

38. It should be noted that, for retirees in the current Pension Input

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[21] See Regulation 83 of the LGPS Regulations 1997, which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, and regulation 82 of the LGPS (Scotland) Regulations 1998 which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014.
[22] See Regulation 83 of the LGPS Regulations 1997, which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, and regulation 82 of the LGPS (Scotland) Regulations 1998 which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014.

Period, if the member is retired on the grounds of redundancy or business efficiency, the member has the right to pay off the balance of any outstanding added years contract[23].

The treatment for annual allowance purposes will depend on the timing of events.

Scenario 1
The member pays off the balance of the contract in the current Pension Input Period. In this case the whole of the added years should be included in PE and LSE.

Scenario 2
The member pays off the balance of the contract in the subsequent Pension Input Period (which could occur where, for example, the retirement is in March but the election to pay off the balance of the contract is not made until mid-April). No benefits had been paid in the current Pension Input Period because the administering authority were awaiting a decision from the member as to whether to pay-off the balance of the contract; a decision that the member did not make until mid-April). Thus, the BCE does not occur until the Pension Input Period after leaving. In such a circumstance, section 236(8A) of the Finance Act 2004 would not apply and so there will be a Pension Input Amount for the Pension Input Period of retirement (i.e. the member will be treated as not retired although the benefits would only be based on the benefits accrued at the date of leaving, excluding the balance of the contract) and there will be a Pension Input Amount for the following Pension Input Period (when section 236(8A) of the Act would apply). The value of the benefits in that following Pension Input Period would be the benefits actually drawn (i.e. including the balance of the contract but, according to HMRC, ignoring any commutation). This produces a strange outcome in that the benefits will be valued in the Pension Input Period for the year of leaving (excluding the balance of the contract bought) and those benefits will be valued again (including the balance of the contract bought) in the Pension Input Period after leaving.

Scenario 3
The member pays off the balance of the contract in the subsequent Pension Input Period (which could occur where, for example, the retirement is in March but the election to pay off the balance of the

[23] See Regulation 83 of the LGPS Regulations 1997, which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014, and regulation 82 of the LGPS (Scotland) Regulations 1998 which is a saved regulation by virtue of regulation 15(1)(c) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014.

contract is not made until mid-April). However, the administering authority had decided to pay the main scheme benefits without awaiting the decision from the member over whether to pay off the balance of the contract. The BCE for the main scheme benefits was in March. The member elected in mid-April to pay off the balance of the contract. It would appear that the benefits deriving from that additional membership would constitute a further BCE6 and / or BCE2[24]. There would thus be a Pension Input Amount for the Pension Input Period of retirement, with the value of the benefits in that Pension Input Period being the benefits actually drawn (i.e. excluding the balance of the contract and, according to HMRC, ignoring any commutation). There would then be a Pension Input Amount for the following Pension Input Period, with the value of the benefits in that Pension Input Period based purely on the additional benefits derived from paying-off the contract. This could result in a lesser annual allowance charge than would have resulted under Scenarios 1 and 2. However, Scenario 3 would be subject to the anti-avoidance measures in section 236A of the Finance Act 2004, if the main purpose, or one of the main purposes, in delaying paying off the balance of the added years' contract until the following Pension Input Period was to avoid or reduce a liability to the annual allowance charge.

So, in certain circumstances whether or not a member will suffer an annual allowance tax charge will depend on when they complete their pension paperwork but, according to HMRC, that is simply an effect of the legislation.

[s188(1)]

39. It should be noted that no direct tax relief will be given on the contributions paid to purchase the balance of the added years' contract. This is because section 188(1) of the Finance Act 2004 only allows direct tax relief on pension contributions paid by active members and, technically, the member cannot pay off the balance of the contract until after leaving. Whilst one might assume the annual allowance test is concerned with tax relievable benefit accrual, this is not the case for defined benefit accrual (but is the case for money

[24] Consideration was given to whether or not the benefits resulting from the election under Scenario 3 to pay off the balance of the contract constituted a BCE3. However, it was felt that this was unlikely to be a BCE3 because paying off the balance of the added years' contract would, in most cases, generate an additional pension **and** lump sum. BCE3 only covers cases where only the pension increases. If it were a BCE3, HMRC have confirmed that, "under section 238(7) of the Finance Act 2004, when a member becomes entitled to all their benefits under an arrangement, that will be the last Pension Input Period and, therefore, after this has ended there will be no need to test the benefits in payment against the annual allowance. This means that if a BCE3 occurs in respect of the member, then this will only need to be included in the Pension Input Amount if it occurs after the member has become entitled to their benefits but before the end of the final Pension Input Period. A BCE3 that occurs after the end of the last Pension Input Period is, therefore, not included in calculating the Pension Input Amount."

purchase benefits, so only tax relievable AVCs are counted when determining the Closing Value of AVCs / SCAVCs – see paragraph 34).

Old style part-time buy-back contracts

Opening Value

40. For the purpose of, respectively, PB and LSB, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from any part-time buy-back purchased by the member at the end of the Pension Input Period immediately preceding the current Pension Input Period under an old style part-time buy-back contract i.e. a contract taken out by those employees:

- who on 1 April 1987 (1 April 1986 in Scotland) were contracted to work for:
    - 30 or more hours per week (on average) for less than 45 weeks per year, or
    - 15 or more (in aggregate) but less than 30 hours per week for 35 or more weeks per year

  and who elected to join the Scheme and backdate membership (to as far back as 1 April 1974), or

- who on 17 August 1993 (31 December 1993 in Scotland) were contracted to work less than 15 hours per week for 35 or more weeks per year, opted to join the LGPS before 17 February 1994 (30 June 1994 in Scotland) and backdated membership to 1 January 1993

In practice, the contracts to purchase such membership should, by now, have been completed and so the full membership from the contract will be included in the calculation of benefits at the end of the Pension Input Period immediately preceding the current Pension Input Period.

Closing Value

41. For the purpose of, respectively, PE and LSE, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from any part-time buy-back purchased by the member at the end of the current Pension Input Period under an old style part-time buy-back contract.

In practice, the contracts to purchase such membership should, by now, have been completed and so the full membership from the contract will be included in the calculation of benefits at the end of the current Pension Input Period.

“Preston” part-time buy-back elections

Opening Value

42. For the purpose of, respectively, PB and LSB, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from **the whole period of membership** under a “Preston” part-time buy-back election where the buy-back election is made before the end of the Pension Input Period immediately preceding the current Pension Input Period and regardless of whether or not the member has completed payment of the part-time buy-back contributions. This is because, as soon as the election is made, the member is entitled to count all of the membership covered by the election. The contributions are, in effect, a type of arrears of contributions rather than a contract to purchase added years of membership and there is no pro-ration of membership if the member has not paid off all of the contributions by the end of the Pension Input Period immediately preceding the current Pension Input Period.

Closing Value

43. For the purpose of, respectively, PE and LSE, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from **the whole period of membership** under a “Preston” part-time buy-back election where the buy-back election is made before the end of the current Pension Input Period and regardless of whether or not the member has completed payment of the part-time buy-back contributions. This is because, as soon as the election is made, the member is entitled to count all of the membership covered by the election. The contributions are, in effect, a type of arrears of contributions rather than a contract to purchase added years of membership and there is no pro-ration of membership if the member has not paid off all of the contributions by the end of the current Pension Input Period.

44. If an active member who is still paying part-time buy-back contributions leaves in the current Pension Input Period with a deferred benefit before payment of the necessary contributions has been completed the member will have to:

   i) pay off the balance of the outstanding contract (or as much of the outstanding contract as they can afford) within 6 months of leaving, or
   ii) have any balance of the outstanding contract (plus interest) deducted from their deferred lump sum and, if necessary, their annual pension (or from a death grant if

appropriate) when it is paid.

In the latter case (i.e. (ii) above) or where, under (i) above, the member only pays off part of the outstanding balance:

- the member will be able, at any time before the deferred benefits come into payment, to pay off in a single payment the whole of the outstanding balance of the contract (including interest), and
- if, before the deferred benefits come into payment, the member opts to transfer their accrued pension rights to another pension scheme or to another Local Government Pension Fund the member would have to pay off the outstanding contributions (including interest) within 6 months of the "guarantee date" of the Cash Equivalent Transfer value or of the date the member opts for an Inter-Fund Adjustment

45. If an active member who is still paying part-time buy-back contributions leaves in the current Pension Input Period with immediate payment of benefits but before the contract is completed, the outstanding contributions are deducted from the lump sum retirement grant and, if necessary, by making deductions from the monthly pension in payment. Such deductions from the pension should be ignored when assessing PE.

46. As part of the national part-time buy-back agreement it was agreed that a member who leaves or retires **must** pay off the balance of any contributions still owing rather than being able to only count that proportion of the buy-back election for which the member had completed payments. So, the whole of the part-time buy-back membership should be included in PE and LSE (gross of any outstanding contributions, which should not be deducted from the value of PE or LSE for the annual allowance test). It is merely the timing of payment of the outstanding contributions that the member has some control over. Whilst no direct tax relief will be given on the outstanding contributions (as section 188(1) of the Finance Act 2004 only allows direct tax relief on pension contributions paid by active members), the amount of contributions deducted will be 'net' of [s188(1)] notional tax relief and so it seems logical to assume in this situation that tax relief has been given. Whilst one might assume the annual allowance test is concerned with tax relievable benefit accrual, this is not the case for defined benefit accrual (but is the case for money purchase benefits, so only tax relievable AVCs are counted when determining the Closing Value of AVCs / SCAVCs – see paragraph 34).

Elections to pay contributions for child related leave, absence with permission or absence due to a trade dispute where the

absence relates to a period prior to 1 April 2014 (or 1 April 2015 in Scotland)

Opening Value

47. For the purpose of, respectively, PB and LSB, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from **the whole period of membership** which a member elects to purchase following child related leave, absence with permission or absence due to a trade dispute where the election was made under regulation 22 of the LGPS (Administration) Regulations 2008 or regulation 19 of the LGPS (Administration) (Scotland) Regulations 2008 and was made before the end of the Pension Input Period immediately preceding the current Pension Input Period, regardless of whether or not the member has completed payment of the contributions due under that election. This is because, as soon as the election is made, the member is entitled to count all of the membership covered by the election. The contributions are, in effect, a type of arrears of contributions rather than a contract to purchase added years of membership and there is no pro-ration of membership if the member has not paid off all of the contributions by the end of the Pension Input Period immediately preceding the current Pension Input Period.

Closing Value

48. For the purpose of, respectively, PE and LSE, the annual rate of pension and the lump sum should **include** the pension and lump sum derived from **the whole period of membership** which a member had elected to purchase following child related leave, absence with permission or absence due to a trade dispute where the election was made under regulation 22 of the LGPS (Administration) Regulations 2008 or regulation 19 of the LGPS (Administration) (Scotland) Regulations 2008 and was made before the end of the current Pension Input Period, regardless of whether or not the member has completed payment of the contributions due under that election. This is because, as soon as the election is made, the member is entitled to count all of the membership covered by the election. The contributions are, in effect, a type of arrears of contributions rather than a contract to purchase added years of membership and there is no pro-ration of membership if the member has not paid off all of the contributions by the end of the current Pension Input Period.

Augmented membership or additional pension granted by the employer (England and Wales) under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007

Opening Value

49. For the purpose of PB the annual rate of pension should **include** the pension derived from any augmented membership or additional pension granted by the employer under, respectively, regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 where the payment required under regulation 40(2) of the LGPS (Administration) Regulations 2008 was made before, or the date of the agreement under regulations 40(4) or (5) of those Regulations to pay extra contributions fell before, the end of the Pension Input Period immediately preceding the current Pension Input Period[25].

In accordance with the relevant actuarial guidance[26] any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 prior to 1 April 2012 should be increased by reference to the increase in RPI between the date of the lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension Input Period[27].

Equally, in accordance with the relevant actuarial guidance[28], any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 prior to between 1 April 2012 and 31 March 2014 should be increased by reference to the Pensions (Increase) Act 1971 (i.e. currently by the increase in CPI) between the date of the lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see

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[25] It is not the date of the resolution to grant additional pension or award augmented membership that is relevant. This is because technically, by virtue of regulations 40(7), (8) and (9) of the LGPS (Administration) Regulations 2008, the additional pension can only count, and the augmented membership can only count as a period of membership, as at the date the employing authority makes a capital payment into the Fund or agrees to pay additional contributions.

[26] See paragraph A.2.10 of Annex A athttp://www.lgpsregs.org/schemeregs/actguidance.php

[27] See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.

[28] See http://www.lgpsregs.org/schemeregs/actguidance.php

http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension Input Period[29].

Closing Value

50. For the purpose of PE the annual rate of pension should **include** any augmented membership or additional pension granted by the employer under, respectively, regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 where the payment required under regulation 40(2) of the LGPS (Administration) Regulations 2008 was made before, or the date of the agreement under regulations 40(4) or (5) of those Regulations to pay extra contributions fell before, the end of the current Pension Input Period[30].

In accordance with the relevant actuarial guidance[31] any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 prior to 1 April 2012 should be increased by reference to the increase in RPI between the date of the lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period[32].

Equally, in accordance with the relevant actuarial guidance[33], any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 prior to between 1 April 2012 and 31 March 2014 should be increased by reference to the Pensions (Increase) Act 1971 (i.e.

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[29] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.
[30] It is not the date of the resolution to grant additional pension or award augmented membership that is relevant. This is because technically, by virtue of regulations 40(7), (8) and (9) of the LGPS (Administration) Regulations 2008, the additional pension can only count, and the augmented membership can only count as a period of membership, as at the date the employing authority makes a capital payment into the Fund or agrees to pay additional contributions.
[31] See paragraphA.2.10 of Annex A athttp://www.lgpsregs.org/schemeregs/actguidance.php
[32] See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.
[33] See http://www.lgpsregs.org/schemeregs/actguidance.php

currently by the increase in CPI) between the date of the lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period[34].

51. Note that, although it is now of historic interest only, augmented membership could be granted by the employer under regulation 12 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 up to 6 months after leaving in the case of redundancy or business efficiency retirements (i.e. up to 30 September 2014 at the latest). Although, in such cases, the resolution to augment membership was deemed to take effect on the date on which the member left employment[35] the membership could not be counted until the employer made payment for that membership or agreed to pay extra contributions for that membership[36]. In consequence, a member might leave in one Pension Input Period with an entitlement to an immediate payment of pension but not be granted the increase in membership until the following Pension Input Period (if the employer did not make payment for that membership, or agree to pay extra contributions for that membership, until that following Pension Input Period). This would raise the same issues as outlined in scenarios 2 and 3 in paragraph 38 (but substituting references therein to paying off the balance of a contract with references to an employer making payment for membership or agreeing to pay extra contributions for that membership).

Augmented membership or additional pension granted by the employer (Scotland) under regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008

Opening Value

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[34] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.
[35] See regulations 12(4) and (5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007.
[36] It is not the date of the resolution to grant additional pension or award augmented membership that is relevant. This is because technically, by virtue of regulations 40(7), (8) and (9) of the LGPS (Administration) Regulations 2008, the additional pension can only count, and the augmented membership can only count as a period of membership, as at the date the employing authority makes a capital payment into the Fund or agrees to pay additional contributions.

52. For the purpose of PB the annual rate of pension should **include** the pension derived from any augmented membership or additional pension granted by the employer under, respectively, regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 where the payment required under regulation 36(2) of the LGPS (Administration) (Scotland) Regulations 2008 was made before, or the date of the agreement under regulation 36(4) of those Regulations to pay extra contributions fell before, the end of the Pension Input Period immediately preceding the current Pension Input Period[37].

In accordance with the relevant actuarial guidance[38] any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 prior to 1 April 2012 should be increased by reference to the increase in RPI between the date of the lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension Input Period[39].

Equally, in accordance with the relevant actuarial guidance[40], any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 prior to between 1 April 2012 and 31 March 2015 should be increased by reference to the Pensions (Increase) Act 1971 (i.e. currently by the increase in CPI) between the date of the lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension

37 It is not the date of the resolution to grant additional pension or award augmented membership that is relevant. This is because technically, by virtue of regulations 36(6), (7) and (8) of the LGPS (Administration) (Scotland) Regulations 2008, the additional pension can only count, and the augmented membership can only count as a period of membership, as at the date the employing authority makes a capital payment into the Fund or agrees to pay additional contributions.

38 See http://www.scotlgpsregs.org/schemeregs/actguidance.php

39 See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.

40 See http://www.scotlgpsregs.org/schemeregs/actguidance.php

Input Period[41].

Closing Value

53. For the purpose of PE the annual rate of pension should **include** the pension derived from any augmented membership or additional pension granted by the employer under, respectively, regulations 12 or 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 where the payment required under regulation 36(2) of the LGPS (Administration) (Scotland) Regulations 2008 was made before, or the date of the agreement under regulation 36(4) of those Regulations to pay extra contributions fell before, the end of the current Pension Input Period[42].

In accordance with the relevant actuarial guidance[43] any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 prior to 1 April 2012 should be increased by reference to the increase in RPI between the date of the lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period[44].

Equally, in accordance with the relevant actuarial guidance[45], any additional pension granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 prior to between 1 April 2012 and 31 March 2015 should be increased by reference to the Pensions (Increase) Act

[41] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.

[42] It is not the date of the resolution to grant additional pension or award augmented membership that is relevant. This is because technically, by virtue of regulations 36(6), (7) and (8) of the LGPS (Administration) (Scotland) Regulations 2008, the additional pension can only count, and the augmented membership can only count as a period of membership, as at the date the employing authority makes a capital payment into the Fund or agrees to pay additional contributions.

[43] See http://www.scotlgpsregs.org/schemeregs/actguidance.php

[44] See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.

[45] See http://www.scotlgpsregs.org/schemeregs/actguidance.php

1971 (i.e. currently by the increase in CPI) between the date of the lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period[46].

Additional Regular Contributions (ARCs)[47]

Opening Value

54. For the purpose of PB the annual rate of pension should **include** the

[46] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.

[47] The LGPC Secretariat has taken the view that, for the purposes of the annual allowance test, it is logical to treat ARCs as a Defined Benefit and not as a Money Purchase benefit. This is based on the view that although the member is, in effect, buying an annuity, and the factors to buy that annuity can be changed over time, the member is nonetheless purchasing a defined amount of pension from the LGPS. The fact that the money paid by the member might be more than is required to provide the level of pension (leading to a surplus for the LGPS Fund) or could be less than is required (leading to a deficit for the LGPS Fund) means that a defined benefit is being bought. The amount of pension paid is not dependent upon investment returns but, rather, the benefit is defined from the outset. Following the decision of the Supreme Court in the case of *Houldsworth and another v Bridge Trustees Ltd and another* (27 July 2011) – see http://www.supremecourt.gov.uk/decided-cases/docs/UKSC_2010_0074_Judgment.pdf – the Government introduced, at section 29 of the Pensions Act 2011, an amendment to the definition of a money purchase benefit in section 181 of the Pension Schemes Act 1993. Under the amended definition, benefits cannot be regarded as money purchase benefits if it is possible for a funding deficit to arise in respect of those benefits.

pension derived from any additional pension purchased by the member at the end of the Pension Input Period immediately preceding the current Pension Input Period by the payment of Additional Regular Contributions (ARCs) under regulation 14 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 or regulation 14 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008.

In accordance with the relevant actuarial guidance[48] the additional pension for ARC elections made before 1 April 2012 should be increased by reference to the increase in RPI between the date of the first contribution/lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension Input Period[49].

Equally, in accordance with the relevant actuarial guidance[50], any additional pension for ARC elections made between 1 April 2012 and 31 March 2014 (31 March 2015 in Scotland) should be increased by reference to the Pensions (Increase) Act 1971 (i.e. currently by the increase in CPI) between the date of the first contribution/lump sum payment and the end of the Pension Input Period immediately preceding the current Pension Input Period – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period immediately preceding the current Pension Input Period[51].

Closing Value

55. For the purpose of PE the annual rate of pension should **include** the pension derived from any additional pension purchased by the

[48] See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[49] See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.

[50] See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[51] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.

member at the end of the current Pension Input Period by the payment of Additional Regular Contributions (ARCs) under regulation 14 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 or regulation 14 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008.

In accordance with the relevant actuarial guidance[52] the additional pension for ARC elections made before 1 April 2012 should be increased by reference to the increase in RPI between the date of the first contribution/lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw - but only if the member was aged 55 or over at the end of the Pension Input Period[53].

Equally, in accordance with the relevant actuarial guidance[54], any additional pension for ARC elections made between 1 April 2012 and 31 March 2014 (31 March 2015 in Scotland) should be increased by reference to the Pensions (Increase) Act 1971 (i.e. currently by the increase in CPI) between the date of the first contribution/lump sum payment and the end of the Pension Input Period (or the date of cessation of active membership if this occurred before the end of the Pension Input Period) – see http://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt - but only if the member was aged 55 or over at the end of the Pension Input Period[55].

Additional Pension Contributions (APCs)

Opening Value

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[52] See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[53] See paragraph 103 for an explanation of why RPI is not taken account of for a member under age 55. Although the relevant actuarial guidance refers to RPI, rather than to increases under the Pensions (Increase) Act 1971, this is because a reference to that Act would incorrectly produce increases by reference to CPI rather than to RPI. Nonetheless, for the sake of consistency of approach with post 31 March 2012 cases, the principles of the Act should be followed.

[54] See See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[55] See paragraph 103 for an explanation of why CPI is not taken account of for a member under age 55.

56. For the purpose of PB the annual rate of pension should **include** the pension derived from any additional pension purchased by the member and / or the employer at the end of the Pension Input Period immediately preceding the current Pension Input Period by the payment of Additional Pension Contributions (APCs) under regulation 16 of the LGPS Regulations 2013 or under regulation 16 of the LGPS (Scotland) Regulations 2014. It should also include the pension derived from any additional pension granted by the employer under regulation 31 of the LGPS Regulations 2013 or regulation 30 of the LGPS (Scotland) Regulations 2014 where the additional pension was credited to the active pension account[56] before the end of the Pension Input Period immediately preceding the current Pension Input Period. In accordance with the relevant actuarial guidance[57] the additional pension purchased / credited at the end of the Pension Input Period immediately preceding the current Pension Input Period should be increased by reference to any HM Treasury Revaluation Order that was applicable before the end of that Pension Input Period.

Closing Value

57. For the purpose of PE the annual rate of pension should **include** the pension derived from any additional pension purchased by the member and / or the employer at the end of the current Pension Input Period by the payment of Additional Pension Contributions (APCs) under regulation 16 of the LGPS Regulations 2013 or under regulation 16 of the LGPS (Scotland) Regulations 2014. It should also include the pension derived from any additional pension granted by the employer under regulation 31 of the LGPS Regulations 2013 or regulation 30 of the LGPS (Scotland) Regulations 2014 where the additional pension was credited to the active pension account[58]

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[56] By virtue of regulation 31(3) of the LGPS Regulations 2013 and regulation 30(3) of the LGPS (Scotland) Regulations 2014 additional pension awarded to an active member is credited to the member's active member pension account in the Scheme year in which the employer resolution to grant the additional pension was made and additional pension awarded to a member dismissed by reason or redundancy or business efficiency is treated as being credited to the member's active member pension account on the day before the date of termination of employment.

[57] See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[58] By virtue of regulation 31(3) of the LGPS Regulations 2013 and regulation 30(3) of the LGPS (Scotland) Regulations 2014 additional pension awarded to an active member is credited to the member's active member pension account in the Scheme year in which the employer resolution to grant the additional pension was made and additional pension awarded to a member dismissed by reason or redundancy or business efficiency is treated as being credited to the member's active member pension account on the day before the date of termination of employment.

before the end of the current Pension Input Period. In accordance with the relevant actuarial guidance[59] the additional pension purchased / credited at the end of the current Pension Input Period should be increased by reference to any HM Treasury Revaluation Order that was applicable before the end of that Pension Input Period.

Additional pension granted in respect of a revoked ASBC election (England and Wales)

Opening Value

58. For the purpose of PB the annual rate of pension should **include** the pension derived from any additional pension awarded before the end of the Pension Input Period immediately preceding the current Pension Input Period in accordance with regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007. These are cases where a member had commenced payment of ASBCs and revoked the co-habiting partner nomination before 30 September 2010 (i.e. before regulation 14A(6) was deleted by SI 2010/2090)[60].

Closing Value

59. For the purpose of PE the annual rate of pension should **include** the pension derived from any additional pension awarded before the end of the current Pension Input Period in accordance with regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007. These are cases where a member had commenced payment of ASBCs and revoked the co-habiting partner nomination before 30 September 2010 (i.e. before regulation 14A(6) was deleted by SI 2010/2090)[61].

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[59] See http://www.lgpsregs.org/schemeregs/actguidance.php and http://www.scotlgpsregs.org/schemeregs/actguidance.php

[60] It may be expected that any additional pension awarded under regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 should have been awarded in 2010/11. However, the regulation does not specify when the additional pension should be awarded and no actuarial guidance on how to calculate the additional pension has been issued. There could be cases, therefore, where additional pension is awarded under regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 in a Pension Input Period after 2010/11.

[61] It may be expected that any additional pension awarded under regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 should have been awarded in 2010/11. However, the regulation does not specify when the additional pension should be awarded and no actuarial guidance on how to calculate the additional pension has

Adjustments to the Closing Value

60. The Closing Value is subject to the adjustments shown in paragraphs 61 to 71.

Transfers out, including:
- transfers out to any non-LGPS scheme, and
- transfers out to a 'cross-border' LGPS fund [62], and
- 'within-border' Inter / Intra-Fund Adjustments where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, but the Inter / Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account[63]

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been issued. There could be cases, therefore, where additional pension is awarded under regulation 14A(6) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 in a Pension Input Period after 2010/11.

[62] e.g. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa.

[63] There are two scenarios where pre 1 April 2014 (1 April 2015 in Scotland) benefits will purchase an amount of earned pension in the member's active CARE account. These are where:

i) the member has a break in active membership of public service pension schemes of more than 5 years and aggregates their LGPS benefits. The CETV in respect of the aggregated benefits is treated as a non-Club transfer in and used to purchase an amount of earned pension in the member's active CARE account.

ii) the member left prior to 1 April 2014 (1 April 2015 in Scotland) and re-joins the Scheme on or after 1 April 2014 (1 April 2015 in Scotland) and has not had a continuous break in active membership of a public service pension scheme of more than 5 years. As presently drafted, regulation 10(5) and (where the member does not make an election under regulation 5(5) to be treated as if they had been a member on 31 March and 1 April 2014, or 31 March and 1 April 2015 in Scotland) regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 or the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 require that the CETV in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) should purchase an amount of earned pension in the member's active pension account (which appears to be an error and has been reported to DCLG and SPPA as section 20 of, and paragraph 1 of Schedule 7 to, the Public Service Pensions Act 2013 would appear to require that the transfer purchases final salary membership).

In both of the above scenarios the pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) will have ceased to be final salary benefits and will have been converted into an amount of CARE earned pension. As such, the type of benefit payable in respect of that membership will have changed and so the member is treated, for annual allowance purposes, as having joined a new arrangement. Thus, the transfer is treated, for annual allowance purposes, as if it were a transfer out to another pension scheme, rather than an Inter / Intra-Fund Adjustment.

but excluding:
- all other 'within-border' Inter / Intra-Fund Adjustments (for which, see [paragraphs 72 to 78](#))

61. Where, in a Pension Input Period:

- benefits are transferred out from the LGPS to another registered pension scheme (including a Club scheme or a 'cross-border' LGPS scheme), or to an overseas scheme that is a qualifying recognised overseas pension scheme, or
- 'within-border' LGPS benefits which include pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, are aggregated and the Inter / Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account

and there would have been a Pension Input Amount (prior to the transfer out / aggregation)[64], the value of the pension and lump sum transferred out / aggregated are added back into PE and LSE respectively. [s236(4) and 236(4A)]

For a transfer out (including to a Club scheme or to a 'cross-border' LGPS scheme) it is the date the CETV is paid (and not the date of the member's election) which determines in which Pension Input Period the transfer of benefits occurred as that is the point where the LGPS discharges its liability in respect of the transferred out benefits.

Where 'within-border' aggregation occurs in Scenario C2 (see paragraph 76) then, when determining in which Pension Input Period the membership is aggregated, it is the date the member confirms they do not wish to retain separate benefits or, in the absence of such an election, the end of the time period within which an election to retain separate benefits had to be made, that is relevant. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf. The date any Inter-Fund Adjustment is actually paid or any Intra-Fund

[64] Although sections 236(4) and 236(4A) of the Finance Act 2004 do not specify that the value of the pension and lump sum should only be added to PE and LSE if there would have been a Pension Input Amount in the Pension Input Period had there been no transfer out, it is clear that this is what the Finance Act 2004 intends given that sections 234(5B) and 234(5BB) of the Act provide that the Pension Input Amount is nil if there is a transfer out and during the Pension Input Period the benefits on which the transfer were based had not increased by more than CPI and given that, if the benefits had, prior to the transfer out, been deferred throughout the Pension Input Period sections 234(5B) and 234(5BA) of the Act provide that the Pension Input Amount would be nil.

Adjustment is processed is of no relevance.

Where ‘within-border’ aggregation occurs in Scenario D1 (see paragraph 76), then it is the date the member re-joined the LGPS that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 athttp://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Where ‘within-border’ aggregation occurs in Scenario D2 (see paragraph 76) where the member does not elect (within 12 months of re-joining the Scheme) to be treated as if he / she had been an active member on 31 March 2014 / 1 April 2014 (31 March 2015 / 1 April 2015 in Scotland) it is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Where ‘within-border’ aggregation occurs in Scenario D3 (see paragraph 76), then it is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 athttp://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

[s236(4) and 236(4A)]

[s236(5) and 236(5A)]

Note that if the member’s benefits upon which the transfer was calculated had been subject to a pension debit or annual allowance ‘Scheme pays’ offset, these must be added back into PE and LSE respectively as per the guidance in paragraphs 66 and 68 to 71.

If a member has transferred out in one Pension Input Period and then re-joins the LGPS in the subsequent Pension Input Period, the Opening Value for that subsequent Pension Input Period will exclude the transferred out benefits.

If, in a single Pension Input Period, benefits are transferred out of the LGPS and then are transferred back into the LGPS, the value of the pension and lump sum transferred out are added back into PE and LSE respectively and, subject to the proviso in paragraph 63 below concerning Club transfers, the value of the pension and lump sum derived from the transfer are subtracted from PE and LSE respectively. For subsequent Pension Input Periods, after the Pension Input Period during which the benefits are transferred in, both the Opening and Closing Values will include the value of the benefits derived from the transfer.

Transfers in, including:
- transfers in from any non-Club scheme
- transfers in from a Club scheme (including from a 'cross-border' LGPS Fund) that occurred before 28 January 2015
- transfers in from a Club scheme (including from a 'cross-border' LGPS Fund) that occurred on or after 28 January 2015 but where the transfer is not treated as a Club transfer (i.e. because there has been a break of more than 5 years between leaving the sending scheme and joining the LGPS or because the member missed the deadline in paragraph 4.1 of the Club memorandum for electing to proceed with a Club transfer), and
- 'within-border' Inter / Intra-Fund Adjustments where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, but the Inter / Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account[65]

[65] There are two scenarios where pre 1 April 2014 (1 April 2015 in Scotland) benefits will purchase an amount of earned pension in the member's active CARE account. These are where:

i) the member has a break in active membership of public service pension schemes of more than 5 years and aggregates their LGPS benefits. The CETV in respect of the aggregated benefits is treated as a non-Club transfer in and used to purchase an amount of earned pension in the member's active CARE account.
ii) the member left prior to 1 April 2014 (1 April 2015 in Scotland) and re-joins the Scheme on or after 1 April 2014 (1 April 2015 in Scotland) and has not had a continuous break in active membership of a public service pension scheme of more than 5 years. As presently drafted, regulation 10(5) and (where the member does not make an election under regulation 5(5) to be treated as if they had been a member on 31 March and 1 April 2014, or 31 March and 1 April 2015 in Scotland) regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 or the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 require that the CETV in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) should purchase an amount of earned pension in the member's active pension account (which appears to be an error and has been reported to DCLG and SPPA as section 20 of, and paragraph 1 of Schedule 7 to, the Public Service Pensions Act 2013 would appear to require that the transfer purchases final salary membership).

In both of the above scenarios the pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) will have ceased to be final salary benefits and will have been converted into an amount of CARE earned pension. As such, the type of benefit payable in respect of that membership will have changed and so the member is treated, for annual allowance purposes, as having joined a new arrangement. Thus, the transfer is treated, for annual allowance purposes, as if it were a transfer in from another pension scheme, rather than an Inter / Intra-Fund Adjustment.

but excluding:
- transfers in under the terms of the Public Sector Transfer Club, and any 'cross-border' LGPS transfers in[66] which are transferred under the terms of the Public Sector Transfer Club, where the transfer occurred on or after 28 January 2015 (for which, see paragraph 63)
- all other 'within-border' Inter / Intra-Fund Adjustments (for which, see paragraphs 72 to 78)

62. Where, in the Pension Input Period,

- benefits are transferred into the LGPS from a non-Club scheme,

- benefits are transferred into the LGPS from a Club scheme (including from a 'cross-border' LGPS Fund) where the transfer occurred before 28 January 2015,

- benefits are transferred into the LGPS from a Club scheme (including from a 'cross-border' LGPS Fund) where the transfer occurred on or after 28 January 2015 **but** the transfer is not treated as a Club transfer (e.g. because there has been a break of more than 5 years between leaving the sending scheme and joining the LGPS[67] or because the member missed the deadline in paragraph 4.1 of the Club memorandum for electing to proceed with a Club transfer), or

- benefits are transferred into the LGPS as a result of a 'within-border' Inter / Intra-Fund Adjustment where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, but the Inter / Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account [s236(5) and 236(5A)]

the value of the pension (and lump sum, if any) originally derived from the CETV are **subtracted** from PE and LSE respectively but, for

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[66] e.g. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa.

[67] If the member has had more than a 5 year break between leaving the sending scheme (A) and joining the LGPS (C), but in between time, had been an active member of another public service pension scheme (B) and there had been no break in active membership of public service pension schemes of more than 5 years between (A) and (B) and between (B) and (C), the transfer would be a **non-Club** transfer, **but** would purchase pre 1 April 2014 final salary membership in the LGPS (C) (or pre 1 April 2015 final salary membership in Scotland or Northern Ireland).

transfers in during or after 2011/12[68], any subsequent increase in the value of the pension (and lump sum, if any) derived from the CETV should be **included** in PE (see Examples 23 and 40). For example:

- a transfer is received from a non-Club Scheme on 5 August 2016. The pension derived from that transfer is revalued at one second after midnight of 31 March 2017 under the HM Treasury Revaluation Order. The Pension Input Period ends on 5 April 2017. Whilst the amount of pension originally purchased by the transfer should be **excluded** from PE for the Pension Input Period ending 5 April 2017, the amount by which the pension purchased by the transfer had subsequently been increased under the HM Treasury Revaluation Order at one second after midnight of 31 March 2017 should be **included** in PE for the Pension Input Period ending 5 April 2017.

- a transfer is received on 5 August 2016 from a public service pension scheme that participates in the public sector transfer club but the transfer is treated as a non-Club transfer in because there was a break of more than 5 years between leaving the sending scheme and joining the LGPS. However, the person had been a member of another public service pension scheme in the intervening period and had not had a break in active membership of public service pension schemes of more than 5 years. Thus the non-Club transfer in would purchase a period of pre-14 (pre-15 in Scotland) final salary membership. The person receives a pay award on 1 December 2016. The Pension Input Period ends of 5 April 2017. Whilst the original amount of pension derived from the membership purchased by the transfer should be **excluded** from PE for the Pension Input Period ending 5 April 2017, the amount by which the pension derived from the membership purchased by the transfer had subsequently been increased due to the increase in pay should be **included** in PE for the Pension Input Period ending 5 April 2017.

For a transfer in (other than as a result of a ‘within-border’ Inter / Intra-Fund Adjustment where the member has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, but the Inter / Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member’s active CARE account) it is the date the CETV is received (and not the date of the member’s election or their start date in the LGPS) which determines in which

[68] Note that prior to 2011/12 section 236(3) of the Finance Act 2004 required that the service credit be subtracted from PE (and, where appropriate) LSE (rather than the value of the benefits initially purchased by the transfer).

Pension Input Period the transfer of benefits occurred as that is the date the transfer took place. [s236(5) and 236(5A)] [s236(4) and 236(4A)]

Where 'within-border' aggregation occurs in Scenario C2 (see paragraph 76) then, when determining in which Pension Input Period the membership is aggregated, it is the date the member confirms they do not wish to retain separate benefits or, in the absence of such an election, the end of the time period within which an election to retain separate benefits had to be made, that is relevant. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Where 'within-border' aggregation occurs in Scenario D1 (see paragraph 76), then it is the date the member re-joined the LGPS that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Where 'within-border' aggregation occurs in Scenario D2 (see paragraph 76) where the member does not elect (within 12 months of re-joining the Scheme) to be treated as if he / she had been an active member on 31 March 2014 / 1 April 2014 (31 March 2015 / 1 April 2015 in Scotland) it is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf).The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Where 'within-border' aggregation occurs in Scenario D3 (see paragraph 76), then it is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf).
The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

For subsequent Pension Input Periods, after the Pension Input Period during which the benefits are transferred in, both the Opening and Closing Values will include the value of the benefits derived from the

CETV.

If, in a single Pension Input Period, benefits are transferred into the LGPS and then are transferred out, the value of the pension (and lump sum, if any) derived from the transfer in are subtracted from PE and LSE respectively and only the value of the pension and lump sum derived from the pure LGPS membership which has been transferred out is added back into PE and LSE respectively.

Public Sector Club transfers in which occur on or after 28 January 2015 (i.e. transfers in under the terms of the Public Sector Transfer Club, and any 'cross-border' LGPS transfers in which are transferred under the terms of the Public Sector Transfer Club, where the transfer occurred on or after 28 January 2015)

63. Where:

- benefits are transferred into the LGPS from a Club scheme (including from a 'cross-border' LGPS Fund) and the transfer occurred before 28 January 2015, or

- benefits are transferred into the LGPS from a Club scheme (including from a 'cross-border' LGPS Fund) and the transfer occurred on or after 28 January 2015 **but** the transfer is not treated as a Club transfer under the terms of the Public Sector Transfer Club (e.g. because there has been a break of more than 5 years between leaving the sending scheme and joining the LGPS or because the member missed the deadline in paragraph 4.1 of the Club memorandum for electing to proceed with a Club transfer)

the transfer is to be dealt with in accordance with paragraph 62.

However, where:

- benefits are transferred into the LGPS from a Club scheme (including from a 'cross-border' LGPS Fund) and the transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has **not** been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum for electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015

the transfer is to be dealt with, for annual allowance calculation purposes, in accordance with the updated guidance issued by the

Government Actuary's Department (see Annex 5) for inclusion in the Cabinet Office Public Sector Transfer Club memorandum of guidance.

The rationale for this is that HMRC recognised that, unlike non-Club transfers in, the benefits bought in the LGPS by a Club transfer might not be actuarially equivalent to the amount of transfer value received. In other words, the transfer value received often does not cover the cost of the value of the benefits granted in the LGPS. This can occur if, for example, the Club transfer purchases any final salary membership and the member's pay in the LGPS is, in real terms, greater than that used by the sending Club scheme to calculate the final salary benefits in that scheme (as increased by Pensions Increase). Also, transferred CARE benefits maintain the in-service revaluation rate used by the transferring scheme (provided there has not been a break of more than 5 years between leaving the sending scheme and joining the receiving scheme). The benefits granted in excess of what the transfer value received would fund clearly have a value but, prior to 28 January 2015, the Finance Act 2004 included no provisions that enabled that value to be included in the Closing Value for the Pension Input Period in which the transfer was received. The position was changed by the Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015 [SI 2015/80] which inserted section 236(5D) into the Finance Act 2004 to provide that, for Club transfers occurring on or after 28 January 2015, an amount will have to be included in the Closing Value for the Pension Input Period in which the transfer was received. The approach to working out this amount, as agreed with HMRC, is that any difference between the amount of pension in the sending scheme and that granted in the receiving scheme which is due to differences in the benefits packages of the two schemes should be removed when calculating the Pension Input Amount but any increase in the member's pension which results from a salary increase or any in-service revaluation (for the CARE pension) should be included in the Pension Input Amount (as should any increase which results from the application of the HM Treasury Revaluation Order at one second after midnight of 31 March following receipt of the transfer).

Conversion of in-house AVC pot to Scheme membership in England or Wales

64. Members who commenced an AVC contract before 13 November 2001 who:

- become entitled to an ill health pension, where the ill health criteria under regulation 27 of the LGPS Regulations 1997 would have been met, or

- elect to cease payment of AVCs before ceasing to be an active member and who are aged 50 or over

retain the right to convert their accrued AVC pot into Scheme membership[69]. The election to convert has to be made whilst still an active member or within 30 days of ceasing to be an active member (or such longer period as the employer may allow)[70].

The transfer in of the AVC pot generates a service credit that provides pension only type membership (i.e. there is no automatic lump sum attached to the service credit)[71].

Unlike an Inter-Fund Adjustment, the conversion of the accrued AVC pot into Scheme membership is clearly a transfer from one type of arrangement in the LGPS (i.e. a money purchase arrangement) into a different type of arrangement in the LGPS (i.e. a defined benefit arrangement[72]). It is therefore treated as a transfer in for the purpose of the annual allowance test. [s236(5) and 236(5A)]

Thus, where the conversion of the AVC pot to membership occurs in the Pension Input Period, the value of the pension derived from the service credit is subtracted from PE (but any subsequent increase in the value of the pension derived from the service credit due to a pay increase should be **included** in PE – as per the explanation in paragraph 62). It is the date the AVC transfer is received (and not the date of the member's election) or, for a leaver, the date of leaving (and not the date of the member's election or the date the AVC transfer is received) which determines in which Pension Input Period the conversion of the AVC pot into membership occurred as that is the point from which the LGPS accepted the liability in respect of the pension liability deriving from the service credit. This tallies with paragraph 10 of the GAD guidance at http://www.lgpsregs.org/schemeregs/actguidance.php which says "The relevant date (which determines age, rate of LGPS pensionable pay and the yield) for the final transfer credit calculations [s236(5) and 236(5A)]

[69] The right under former regulation 66(5) of the LGPS Regulations 1997 (before its deletion by SI 2001/3401) was retained by regulation 66(8) of the LGPS Regulations 1997 which is a saved provision by virtue of regulation 2 and Schedule 1 of the LGPS (Transitional Provisions) Regulations 2008 and regulation 15(1)(b) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
[70] Former regulation 66(9) of the LGPS Regulations 1997 (before its deletion by SI 2001/3401).
[71] Former regulation 66(8) of the LGPS Regulations 1997 (before its deletion by SI 2001/3401).
[72] The HMRC guidance at https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm023100 makes it clear that where a member is provided with both defined benefits and money purchase benefits within a Scheme, these are treated as two separate arrangements for the purpose of the tax legislation.

should be the date the AVC fund is received. If the AVC fund is received after the member has left service then the relevant date should be the date of exit but the yield is that applicable to the month in which the AVC fund is received".

Any AVCs paid in the Pension Input Period should be included in the AVC value.

For subsequent Pension Input Periods (if any) after the Pension Input Period during which the AVC pot is converted to membership, both the Opening and Closing Values for an active member will include the value of the benefits derived from the service credit.

Conversion of in-house AVC pot to Scheme membership in Scotland

65. Members who commenced an AVC contract before 30 June 2005 who:

- become entitled to an ill health pension, where the ill health criteria under regulation 26 of the LGPS (Scotland) Regulations 1998 would have been met, or
- elect to cease payment of AVCs before ceasing to be an active member and who are aged 50 or over

retain the right to convert their accrued AVC pot into Scheme membership[73]. The election to convert has to be made whilst still an active member or within 30 days of ceasing to be an active member (or such longer period as the employer may allow)[74].

The transfer in of the AVC pot generates a service credit that provides pension only type membership (i.e. there is no automatic lump sum attached to the service credit[75], although a member can commute pension derived from the service credit for a lump sum[76]).

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[73] The right under former regulation 65(5) of the LGPS (Scotland) Regulations 1998 (before its deletion by SSI 2005/293) was retained by regulation 65(8) of the LGPS (Scotland) Regulations 1998 which is a saved provision by virtue of regulation 2 and Schedule 1 of the LGPS (Transitional Provisions) (Scotland) Regulations 2008 and regulation 15(1)(b) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014.
[74] Former regulation 65(9) of the LGPS (Scotland) Regulations 1998 (before its deletion by SSI 2005/293).
[75] Former regulation 65(5) of the LGPS (Scotland) Regulations 1998 (before its deletion by SSI 2005/293).
[76] Regulations 65(6) and (8A) of the LGPS (Scotland) Regulations 1998.

Unlike an Inter-Fund Adjustment, the conversion of the accrued AVC pot into Scheme membership is clearly a transfer from one type of arrangement in the LGPS (i.e. a money purchase arrangement) into a different type of arrangement in the LGPS (i.e. a defined benefit arrangement[77]). It is therefore treated as a transfer in for the purpose of the annual allowance test.

Thus, where the conversion of the AVC pot to membership occurs in the Pension Input Period, the value of the pension derived from the service credit (before, **according to HMRC**, any commutation the member might elect for) is subtracted from PE (but any subsequent increase in the value of the pension derived from the service credit due to a pay increase should be **included** in PE – as per the explanation in paragraph 62). It is the date the AVC transfer is received (and not the date of the member's election) or, for a leaver, the date of leaving (and not the date of the member's election or the date the AVC transfer is received) which determines in which Pension Input Period the conversion of the AVC pot into membership occurred as that is the point from which the LGPS accepted the liability in respect of the pension liability deriving from the service credit. This tallies with paragraph 10 of the GAD guidance at http://www.scotlgpsregs.org/schemeregs/actguidance.phpwhich says "The relevant date (which determines age, rate of LGPS pensionable pay and the yield) for the final transfer credit calculations should be the date the AVC fund is received. If the AVC fund is received after the member has left service then the relevant date should be the date of exit but the yield is that applicable to the month in which the AVC fund is received". [s236(5) and 236(5A)]

Any AVCs paid in the Pension Input Period should be included in the AVC value.

For subsequent Pension Input Periods (if any) after the Pension Input Period during which the AVC pot is converted to membership, both the Opening and Closing Values an active member will include the value of the benefits derived from the service credit.

Pension Debits

66. Where, following receipt of a Pension Sharing Order, a member's pension benefits are reduced in a Pension Input Period by having [s236(2)]

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[77] The HMRC guidance at https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm023100 makes it clear that where a member is provided with both defined benefits and money purchase benefits within a Scheme, these are treated as two separate arrangements for the purpose of the tax legislation.

become subject to a pension debit, the reduction to the pension and, where appropriate, the lump sum are to be added back into PE and LSE respectively.

For Pension Input Periods subsequent to the one in which a member's pension benefits are reduced by having become subject to a pension debit, both the Opening and Closing Values are net of the pension debit i.e. the pension debit is applied in full (see Examples 19 and 41 in Annex 3 and the explanatory notes at and in those examples).

The general rules set out above are, however, subject to the following clarifications which were obtained from HMRC.

Case 1

A Pension Sharing Order is received for an active member in mid-April but with an effective date (the Transfer Day) two months earlier (February) and is implemented in August when all the relevant documentation has been received. Under the relevant actuarial guidance for the LGPS[78] the pension debit is to be applied from the Transfer Day (i.e. effective date of the Order, being February).

In a case such as this where the Transfer Day falls within one Pension Input Period (PIP 1) and the implementation date falls within the next Pension Input Period (PIP 2), the reduction to the pension and, where appropriate, to any automatic lump sum are to be added back into PE and LSE respectively at the end of PIP 2 (i.e. the Pension Input Period in which the implementation date occurred). This is because the actual reduction to the member's rights as a consequence of having become subject to the pension debit occurs during PIP 2 rather than in PIP 1. This is true even though the debit has retrospective effect to the previous Pension Input Period.

If the debit is implemented in the Pension Input Period after that in which the member ceases to be an active member (and the member is a deferred member and / or pensioner member throughout the whole of that later Pension Input Period and has no active membership in that later Pension Input Period, then the Pension Input Amount is nil (see paragraph 14).

Case 2

A Pension Sharing Order is received in August for an active member, with an effective date (the Transfer Day) of July. It is implemented on or before the date the pension debit member retires in October of the same Pension Input Period. The member does not satisfy the severe

[78] See the pension debit guidance at http://www.lgpsregs.org/index.php/dclg-publications/dclg-stat-guidance and http://www.lgpsregs.org/index.php/scotland/stat-guidance

ill health condition[79] and draws all of their accrued benefits on retirement.

In such a case the reduction to the pension and, where appropriate, to any automatic lump sum on account of the pension debit are initially added back into PE and LSE respectively. The member is then to be treated as a retiring member as per paragraph 30. In essence, the member is treated as if the pension debit had not occurred and their "non-debited" pension benefits are valued for the purposes of PE and LSE in the normal way for a retiree – see paragraph 30.

Case 3

A Pension Sharing Order is received in August for an active member, with an effective date (the Transfer Day) of July. It is implemented in November of the same Pension Input Period and, for that Pension Input Period, the reduction to the pension and, where appropriate, the lump sum are to be added back into PE and LSE respectively.

For subsequent Pension Input Periods during which the member is an active member, both the Opening and Closing Values are net of the pension debit, which is applied in full (i.e. assuming no actuarial reduction for early payment). However, in the Pension Input Period in which the active member retires and draws immediate benefits (without satisfying the severe ill-health condition) the member's pension and automatic lump sum (if any) are calculated after applying the pension debit in accordance with the relevant actuarial guidance and it is those benefits that are valued for the purposes of PE and LSE in the normal way for a retiree – see paragraph 30.

Pension Credits

67. Where, following receipt of a Pension Sharing Order, a Pension Credit is awarded in the Fund[80] during a Pension Input Period, the Pension Credit will constitute an arrangement for the Pension Credit member.

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[79] If the same member had, instead, retired on ill health grounds and satisfied the severe ill health condition or had died, then there would have been no Pension Input Amount – it would have been nil – see paragraph 16.

[80] Although the legislation refers to pension credits from the same or another Registered Pension Scheme, the LGPS Funds cannot accept a pension credit from another Registered Pension Scheme - see regulation 83(2)(a) of the LGPS (Administration) Regulations 2008, regulation 78(2) of the LGPS (Administration) (Scotland) Regulations 2008, regulation 100(2)(a) of the LGPS Regulations 2013 and regulation 98(2)(a) of the LGPS (Scotland) Regulations 2014. Thus, in practice, the only pension credits that can be awarded in the LGPS are in respect of the divorce of an LGPS member.

The Pension Credit member will not be subject to the annual allowance test in relation to the Pension Credit arrangement because in the year the Pension Credit is awarded it effectively has a value of nil as its value is deducted from the PE and LSE amounts under the Pension Credit arrangement (the debit being added back into the Pension Debit member's benefits) and in subsequent years the Pension Credit member only has a deferred or actual pension which simply goes up in line with CPI. [s236(2)] [s236(3)] [s234(5B)] [s238(7)]

Adjustment of benefits on account of the Scheme paying the annual allowance tax charge on behalf of the member

68. If, during the Pension Input Period, the member's benefits are adjusted on account of the member electing for the Scheme to pay his / her tax charge (on either a 'mandatory Scheme pays' or 'voluntary Scheme pays' basis[81]) then, if not otherwise reflected in PE or LSE, the adjustment is to be added back to PE[82]. [s236(8) and s236(8C)]

69. However, there are two exceptions to this rule in respect of 'mandatory Scheme pays' elections. The first exception, which is an historical exception to reflect the position prior to 28 January 2015, was that the adjustment was not to be added back to PE if:

- the adjustment to the member's entitlement to benefits was in respect of a liability to the annual allowance charge that arose before 28 January 2015, and
- the member's benefit rights were reduced in a Pension Input Period, and [s236(8C)]
- the adjustment related to an amount of annual allowance charge that the administering authority had been required to pay for a particular tax year - 'tax year 1', and
- in tax year 1 the member became entitled to all of their benefits in the Scheme (or a BCE 5, 5A or 5B occurred upon attaining age 75), and [s236(8D) and regs 7 and 16(f) of SI 2015/80]
- the member's notice requiring the administering authority to pay the amount of annual allowance charge for tax year 1 had been given to the administering authority before the member became

[81] HMRC confirmed to the LGPC Secretariat on 16 February 2017 that section 236(8) of the Finance Act 2004 can be relied upon to add back any 'voluntary Scheme pays' adjustment to PE.
[82] There is nothing to add back into LSE as, under the relevant actuarial guidance, the reduction is made to the member's pension, not to any lump sum.

entitled to all of their benefits in the Scheme (or before the BCE 5, 5A or 5B occurred) and, in either case, the notice had been given before 28 January 2015.

Where this exception applies it should be noted that if, in the same Pension Input Period, an adjustment was made for an amount of annual allowance charge relating to a tax year before tax year 1, only the adjustment relating to the charge for tax year 1 was not added back. The adjustment relating to the charge for the earlier tax year (or tax years) had to be added back in to PE[83].

70. The second exception in respect of 'mandatory Scheme pays' elections, which is the only current exception, is that if the adjustment to benefits takes place after the member becomes actually entitled to all their benefits under the Scheme or after a BCE 5, 5A or 5B occurs, the amount of the reduction is not added back to PE or LSE. The LGPC Secretariat cannot, however, envisage a case where this would apply within the LGPS. [s236(8D)]

71. The general rules set out in paragraphs 68 to 70 are, however, subject to the following clarifications:

Case 1
An active member coming up to retirement in October 2016 makes a 'Scheme pays' election in September 2016 (i.e. for a liability that arose in 2016/17 and is thus a liability that arose after 27 January 2015). The member's benefits are adjusted upon retirement in October 2016 on account of the 'Scheme pays' election in accordance with the relevant actuarial guidance. The member does not satisfy the severe ill health condition[84] and draws all of their accrued benefits on retirement.

In such a case the adjustment to the pension on account of the 'Scheme pays' election is initially added back into PE. The member is then to be treated as a retiring member as per paragraph 30. In essence, the member is treated as if the 'Scheme pays' election had not occurred and their "non-adjusted" pension benefits are valued for the purposes of PE and LSE in the normal way for a retiree – see paragraph 30.

Case 2
A 'Scheme pays' election is implemented for an active member. In the Pension Input Period in which the member's benefits are first

[83] There is nothing to add back into LSE as, under the relevant actuarial guidance, the reduction is made to the member's pension, not to any lump sum.
[84] If the same member had, instead, retired on ill health grounds and satisfied the severe ill health condition or had died, then there would have been no Pension Input Amount – it would have been nil – see paragraph 16.

reduced on account of the member electing for the Scheme to pay his / her tax charge the reduction to the pension on account of the 'Scheme pays' election is added back into PE. For subsequent Pension Input Periods during which the member is an active member, both the Opening and Closing Values are net of the 'Scheme pays' adjustment, which is applied in full (i.e. assuming no actuarial reduction for early payment). However, in the Pension Input Period in which the active member retires and draws immediate benefits (without satisfying the severe ill-health condition) the member's pension is calculated after applying the 'Scheme pays' offset in accordance with the relevant actuarial guidance and it is those benefits that are valued for the purposes of PE and LSE in the normal way for a retiree – see paragraph 30.

Effect of the member's 'Scheme pays' election

Whereas paragraph 2.3 of the earlier GAD guidance on "Annual allowances charges: Calculation of scheme pays offset" dated 1 April 2014 used to say that the Relevant Date (otherwise known as the implementation date) for 'Scheme pays' would be 31 March, paragraph 2.3 of the current guidance on "Annual allowances charges: Calculation of scheme pays offset (Elections on or after 1 April 2014)" dated 12 April 2016 says that the Relevant Date (otherwise known as the implementation date) shall be the date coincident with the end of the Pension Input Period *in which the annual allowance was exceeded resulting in an annual allowance charge* i.e. the Relevant Date will be:

- 31 March 2015 for 'Scheme pays' elections made in respect of an annual allowance charge accrued due to the level of the Pension Input Amount in the 2014/15 Pension Input Period,
- 5 April 2016 for 'Scheme pays' elections made in respect of an annual allowance charge accrued due to the level of the Pension Input Amount the 2015/16 Pension Input Period, and
- 5 April 2017 for 'Scheme pays' elections made in respect of an annual allowance charge accrued due to the level of the Pension Input Amount the 2016/17 Pension Input Period

and so on.

Whilst the words above in *italics* are not expressly stated in paragraph 2.3. of the current guidance on "Annual allowances charges: Calculation of scheme pays offset (Elections on or after 1 April 2014)" dated 12 April 2016, example 1 in section 3.1 of the earlier GAD guidance dated 1 April 2014 clearly showed an example where the tax year the annual allowance charge was incurred was 2014/15 and the Relevant Date was 1 April 2015.

The move from a 31 March to a 5 April Relevant Date makes sense because, from 2015/16 onwards, the Pension Input Period ends on 5

April rather than 31 March. One might initially think that this shift from 31 March to 5 April could, where an active member elects for 'Scheme pays', result in the value of the member's benefits at 5 April and the value of the Pension Offset at 5 April (on account of the 'Scheme pays' offset) becoming out of synchronisation because:

a) the member's benefits will have been increased at one second after midnight of 31 March in accordance with the HM Treasury revaluation order, but
b) the amount of the 'Scheme pays' adjustment (i.e. the amount of the Pension Offset, being an offset that increases, or decreases, by HM Treasury revaluation orders rather than increases by Pensions Increase Review Orders[85]) and which has to be added back into PE for annual allowance purposes on 5 April would be the initial amount of the pension adjustment and not the amount as increased by the HM Treasury revaluation order (because the guidance only says that the amount at the Relevant Date is the Pension Offset).

However, that is not the case. This can be shown in the example below.

Pension Input Period (PIP) = 2015/16
- PIP end date 05/04/16
- administering authority had to provide a pension savings statement by 6/10/16
- member had to complete self-assessment tax return by 31/10/16 if completing a paper return
- member had to complete self-assessment tax return by 31/1/17 if completing an on-line return
- member had to pay annual allowance charge by 31/1/17 if paying the charge him/herself
- if member had confirmed on his / her self-assessment tax return that he / she would be utilising the 'mandatory Scheme pays' option, he / she did not have to inform the administering authority about this until 31/7/17
- the administering authority would have to remit the 'mandatory Scheme pays' annual allowance charge to HMRC by no later than 14/2/18

In the above case, the Relevant Date would be 5/4/16.

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[85] DCLG confirmed on 11 February 2016, in relation to 'Scheme pays' offset made against a CARE pension, that "*In so far as the scheme pays offset is revalued at all, it is revalued by the Treasury Order and not by the Pensions Increase Act provisions. In fact it is not, strictly, the offset which is revalued at all - rather it is the balance in the member's account which has to be revalued by the revaluation adjustment after the scheme pays election adjustment has been applied to the balance in it*".

The member's Closing Value for annual allowance purposes for 31/3/15 was £70,071.80
The Opening Value for 2015/16 would be £70,071.80 + 2.5% = £71,823.60
Closing value at 5/4/16 =
Earned pension 1/4/14 to 31/3/15: £69,400.00 / 49 = £1,416.33 plus 1.2% 2015 HM Treasury Revaluation order = £1,433.33 plus -0.1% 2016 HM Treasury Revaluation order = £1,431.90
Earned pension 1/4/15 to 31/3/16: £75,995.50 / 49 = £1,550.93 plus -0.1% 2016 HM Treasury Revaluation order = £1,549.38
Earned pension 1/4/16 to 5/4/16: (£76,445.40 / 12 x 5/30) / 49 = £21.67
Final salary pension of 5/60 x [(£75,995.50 / 12 x 11 25/30) + (£76,445.40 / 12 x 5/30)] = £6,333.48
Closing Value: (£1,431.90 + £1,549.38 + £21.67 + £6,333.48) x 16 = £149,382.88

Pension Input Amount as initially calculated: £149,382.88 - £71,823.60 = £77,559.28
Of this amount, the following relates to the period 1 April 2015 to 8 July 2015
99/371 x £77,559.28 = £20,696.41
And the following relates to the period 9 July 2015 to 5 April 2016
272/371 x £77,559.28 = £56,862.87

Annual allowance for period 1 April 2015 to 8 July 2015 is £80,000.00

The member has no available carry forward from previous years.

The PIA for the mini pre-alignment Pension Input Period of 1 April 2015 to 8 July 2015 was £20,696.41 so the member has not exceeded the annual allowance for the period 1 April 2015 to 8 July 2015 and there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance). The member can carry forward any unused balance into the mini post-alignment Pension Input Period of 9 July 2015 to 5 April 2016, subject to a maximum of £40,000 (i.e. £80,000 - £20,696.41 = £59,303.59 but with a maximum carry forward of £40,000).

The annual allowance for the mini post-alignment Pension Input Period of 9 July 2015 to 5 April 2016 is £nil.

The member's Pension Input Amount for the period 9 July 2015 to 5 April 2016 was £56,862.87 so there is an annual allowance charge on the amount in excess of the £40,000 of annual allowance that was carried forward from the mini pre-alignment Pension Input Period i.e. £16,862.87.

Member (man) is aged 40 at Relevant Date and has an NPA of 67
Member elects for 'mandatory Scheme pays' to meet tax bill on Pension Input Amount in excess of the annual allowance i.e.
£16,862.87 x 40% = £6,745.15
Pension offset = £6,745.15 / (8.76 x 88%) = £874.99
Pension therefore has to be reduced by £874.99 p.a. on 5/4/16
But Pension offset of £874.99 has to be added back into PE in 2015/16 so the 2015/16 Pension Input Amount is: £149,382.88 - £71,823.60 = £77,559.28

The member's CARE account at 5/4/16 before the member makes the 'mandatory Scheme pays' election would look like this:

Period	Earned pension during period	Scheme pays	2015 Revaluation	2016 Revaluation	**Total**
1/4/14 to 31/3/15	£1,416.33		1.2% = £17.00	-0.1% = £1.43	**£1,431.90**
1/4/15 to 31/3/16	£1,550.93		-	-0.1% = £1.55	**£1,549.38**
1/4/16 to 5/4/16	£21.67		-	-	**£21.67**
Offsets					
Total	**£2,988.93**		**£17.00**	**-£2.98**	**£3,002.95**

The member's CARE account at 5/4/16 after the member has made the 'mandatory Scheme pays' election would look like this:

Period	Earned pension during period	Scheme pays	2015 Revaluation	2016 Revaluation	**Total**
1/4/14 to 31/3/15	£1,416.33		1.2% = £17.00	-0.1% = £1.43	**£1,431.90**
1/4/15 to 31/3/16	£1,550.93		-	-0.1% = £1.55	**£1,549.38**
1/4/16 to 5/4/16	£21.67		-	-	**£21.67**
Offsets		-£874.99			**-£874.99**
Total	**£2,988.93**	**-£874.99**	**£17.00**	**-£2.98**	**£2,127.96**

The value of the member's benefits at 5 April 2016 and the value of the Pension Offset at 5 April 2016 has not become out of synchronisation. That is because the Pension Offset is based on the amount by which the member's benefits at 5 April 2016 (which included the 2016 HM Treasury revaluation order) exceeded the annual allowance and so the Pension Offset already includes its share of the 2016 HM Treasury revaluation. [s235(3)]

The calculation for the following year would be as shown below.

Pension Input Period (PIP) = 2016/17

- PIP end date 05/04/17
- administering authority had to provide a pension savings statement by 6/10/17
- member had to complete self-assessment tax return by 31/10/17 if completing a paper return
- member had to complete self-assessment tax return by 31/1/18 if completing an on-line return
- member had to pay annual allowance charge by 31/1/18 if paying the charge him/herself
- if member had confirmed on his / her self-assessment tax return that he / she would be utilising the 'mandatory Scheme pays' option, he / she did not have to inform the administering authority about this until 31/7/18
- the administering authority would have to remit the 'mandatory Scheme pays' annual allowance charge to HMRC by no later than 14/2/19

In the above case, the Relevant Date would be 5/4/17.

Taking the figures from 2015/16 above, the member's Closing Value for annual allowance purposes for 5/4/16 was £149,382.88
However, as the 'Scheme pays' offset now has to be fully taken into account the Opening Value for 2016/17 would be £149,382.88 – (£874.99 x 16) = £135,383.04
As CPI was negative the Opening Value is not revalued and remains at £135,383.04

Closing value at 5/4/17 =
Earned pension 1/4/14 to 31/3/15: £69,400.00 / 49 = £1,416.33 plus 1.2% 2015 HM Treasury Revaluation order = £1,433.33 plus -0.1% 2016 HM Treasury Revaluation order = £1,431.90 plus 1.0% 2017 HM Treasury Revaluation order = £1,446.22
Earned pension 1/4/15 to 31/3/16: £75,995.50 / 49 = £1,550.93 plus -0.1% 2016 HM Treasury Revaluation order = £1,549.38 plus 1.0% 2017 HM Treasury Revaluation order = £1,564.87
Earned pension 1/4/16 to 31/3/17: £76,445.40 / 49 = £1,560.11 plus 1.0% 2017 HM Treasury Revaluation order = £1,575.71
Earned pension 1/4/17 to 5/4/17: (£77,200.00 / 12 x 5/30) / 49 = £21.88
Final salary pension of 5/60 x [(£76,445.40 / 12 x 11 25/30) + (£77,200.00 / 12 x 5/30)] = £6,371.32
Scheme pays offset: £874.99 plus 1.0% 2017 HM Treasury Revaluation order = £883.74

Closing Value: (£1,446.22 + £1,564.87 + £1,575.71 +£21.88 + £6,371.32 - £883.74) x 16 = £161,540.16

Pension Input Amount: £161,540.16 - £135,383.04 = £26,157.12
This is within the annual allowance of £40,000 for 2016/17 and so no annual allowance charge is due (assuming the member has not

contributed to any other pension arrangements during 2016/17).

The member's CARE account at 31/3/17 (before the 2017 HM Treasury revaluation order is applied) would look like this:

Period	Earned pension during period	Scheme pays	2015 Revaluation	2016 Revaluation	**Total**
1/4/14 to 31/3/15	£1,416.33		1.2% = £17.00	-0.1% = £1.43	**£1,431.90**
1/4/15 to 31/3/16	£1,550.93		-	-0.1% = £1.55	**£1,549.38**
1/4/16 to 31/3/17	£1560.11		-	-	**£1560.11**
Offset		-£874.99			**-£874.99**
Total	**£4527.37**	**-£874.99**	**£17.00**	**-£2.98**	**£3,666.40**

The member's CARE account at 5/4/17 (after the 2017 HM Treasury revaluation order is applied at one second after midnight of 31 March 2017) would look like this:

Period	Earned pension during period	Scheme pays	2015 Reval'n	2016 Reval'n	2017 Reval'n	**Total**
1/4/14 to 31/3/15	£1,416.33		1.2% = £17.00	-0.1% = £1.43	1.0% = £14.32	**£1,446.22**
1/4/15 to 31/3/16	£1,550.93		-	-0.1% = £1.55	1.0% = £15.49	**£1,564.87**
1/4/16 to 31/3/17	£1,560.11		-	-	1.0% = £15.60	**£1,575.71**
1/4/17 to 5/4/17	£21.88				-	**£21.88**
Offsets		-£874.99			1.0% = -£8.75	**-£883.74**
Total	**£4,549.25**	**-£874.99**	**£17.00**	**-£2.98**	**£36.66**	**3,724.94**

So the above example proves that the initial 'Scheme pays' offset at the end of 2015/16 (i.e. on 5 April 2016) had included the 2016 HM Treasury Revaluation Order and the 'Scheme pays' offset at the end of 2016/17 (i.e. on 5 April 2017) includes the 2017 HM Treasury Revaluation Order.

There are other implications of the member making a ‘Scheme pays’ election. In the above example, the member’s CARE pension will (assuming the member does not make a ‘Scheme pays’ election until July 2017) already have been revalued by HM Treasury revaluation orders up to, and including, the 2017 revaluation order. The ‘Scheme pays’ adjustment (in the form of a Pension Offset, being an offset that increases, or decreases, by HM Treasury revaluation orders rather than increases by Pensions Increase Review Orders) would have to be retrospectively applied by the administering authority for Scheme year ending 31 March 2017. This type of retrospective “Pension Offset” would not create a problem for annual allowance Pension Savings Statements because:

- the Pension Savings Statement produced by 6 October 2016 correctly took no account of the Pension Offset (because the ‘Scheme pays’ adjustment has to be added back in for 2015/16)
- by the time the Pension Savings Statement for 2016/17 has to be produced (i.e. by 6 October 2017) the member will already have given notice by 31 July 2017 of the ‘mandatory Scheme pays’ election for 2015/16 which has to be taken account of in the 2016/17 Pension Savings Statement

However, if the administering authority has already issued the Annual Benefits Statement for Scheme year ending 31 March 2017 before the retrospective “Pension Offset” is applied to the member’s active pension account, that “Pension Offset” will not be specifically covered in that Annual Benefit Statement. This might cause some issues depending on what general informal had been included with the Annual Benefit Statement concerning ‘Scheme pays’ adjustments.

The ABS template issued by the LGPC Secretariat (see http://www.lgpsregs.org/resources/guidesetc.php) suggest that one way of dealing with ‘Scheme pays’ adjustments is to include some appropriate wording explaining that if a member has at any time breached the annual allowance and elects for the Scheme to pay the annual allowance tax charge, the figures on the Annual Benefit Statement do not take account of the reduction to benefits to meet the tax charge and that the amount of the reduction will be calculated when the member’s benefits are drawn.

Treatment of Inter / Intra-Fund Adjustments other than:
- ‘cross-border’ LGPS transfers[86] (for which see paragraphs 61 to 63), and
- ‘within-border’ Inter / Intra-Fund Adjustments where the member

[86] e.g. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa.

has pre 1 April 2014 membership, or pre 1 April 2015 membership in Scotland, and the Inter/ Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account[87] (for which, see paragraphs 61 and 62)

72. Inter / Intra-Fund Adjustments (with the exception of:

- 'cross-border' LGPS transfers i.e. a transfer from an LGPS Fund in England or Wales to an LGPS Fund in Scotland, or vice versa, and
- 'within-border' Inter / Intra-Fund Adjustments where the member has pre 1 April 2014 membership in England or Wales, or pre 1 April 2015 membership in Scotland, and the Inter/ Intra-Fund CETV in respect of that membership purchases an amount of earned pension in the member's active CARE account)

are not treated in the same way as other transfers in / out and the methodology set out in paragraphs 73 to 78 below applies instead.

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[87] There are two scenarios where pre 1 April 2014 (1 April 2015 in Scotland) benefits will purchase an amount of earned pension in the member's active CARE account. These are where:

i) the member has a break in active membership of public service pension schemes of more than 5 years and aggregates their LGPS benefits. The CETV in respect of the aggregated benefits is treated as a non-Club transfer in and used to purchase an amount of earned pension in the member's active CARE account.

ii) the member left prior to 1 April 2014 (1 April 2015 in Scotland) and re-joins the Scheme on or after 1 April 2014 (1 April 2015 in Scotland) and has not had a continuous break in active membership of a public service pension scheme of more than 5 years. As presently drafted, regulation 10(5) and (where the member does not make an election under regulation 5(5) to be treated as if they had been a member on 31 March and 1 April 2014, or 31 March and 1 April 2015 in Scotland) regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 or the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 require that the CETV in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) should purchase an amount of earned pension in the member's active pension account (which appears to be an error and has been reported to DCLG and SPPA as section 20 of, and paragraph 1 of Schedule 7 to, the Public Service Pensions Act 2013 would appear to require that the transfer purchases final salary membership).

In both of the above scenarios the pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) will have ceased to be final salary benefits and will have been converted into an amount of CARE earned pension. As such, the type of benefit payable in respect of that membership will have changed and so the member is treated, for annual allowance purposes, as having joined a new arrangement. Thus, the transfer is treated, for annual allowance purposes, as if it were a transfer in from another pension scheme, rather than an Inter / Intra-Fund Adjustment.

This methodology has been agreed with HMRC.

Both:

a) ‘cross border’ LGPS transfers, and

b) ‘within-border’ Inter / Intra-Fund Adjustments where the member has pre 1 April 2014 membership in England or Wales, or pre 1 April 2015 membership in Scotland, and the Inter/ Intra-Fund CETV purchases an amount of earned pension in the member’s active CARE account

have to be treated for annual allowance purposes in accordance with paragraphs 61 to 63).

73. Section 229(1) of the Finance Act 2004 says that the total Pension Input Amount in a Pension Input Period is arrived at by aggregating the Pension Input Amount in respect of each arrangement relating to the person under a Registered Pension Scheme of which the person is a member during the Pension Input Period. As the LGPS in England and Wales is, for the purposes of the Finance Act 2004, a single Scheme (with administering authorities being sub-scheme administrators) all the arrangements in the Scheme in England and Wales have to be aggregated for the purposes of determining the Opening and Closing Values. Similarly, as the LGPS in Scotland is, for the purposes of the Finance Act 2004, a single Scheme (with administering authorities being treated under the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569] as sub-scheme administrators) all the arrangements in the Scheme in Scotland have to be aggregated for the purposes of determining the Opening and Closing Values. [s229(1)] [SI 2006/569]

74. Section 234(1) of the Finance Act 2004 specifies that, for each arrangement, the Pension Input Amount is the increase in the value of the member’s rights under the arrangement during the Pension Input Period. To calculate this we have to calculate the Opening Value (in the LGPS at the end of the Pension Input Period <u>immediately preceding</u> the current Pension Input Period which is then revalued by the increase in CPI over the 12 months to the September before the start of the tax year) and the Closing Value (in the LGPS at the end of the current Pension Input Period). It should be noted that whereas each LGPS Fund is treated as a separate sub-scheme for the purposes of producing the pension savings statement (see paragraph 162), for the purposes of sections 229(1) and 234(1) of the Finance Act 2004 the LGPS in England and Wales is treated as a single Registered Pension Scheme, as is the LGPS in Scotland. This is because, for the purpose of those sections of the Act, the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569] do not apply as those sections of the Act are not covered by regulation 3 and Schedule 3 of those Regulations. So, if a member re-joined the LGPS in August 2011, had a deferred benefit in [s234(1)] [s234(4)] [s235(3)] [s234(5)]

the LGPS as at 31 March 2011 and aggregated membership in October 2011 we must still value that deferred benefit for the Opening Value because, upon aggregation, the benefits have become a single arrangement and section 234(4) of the Finance Act 2004 requires us to calculate the Opening Value for the arrangement. This is consistent with the approach the LGPC Secretariat agreed with HMRC when considering whether or not Enhanced Protection would be lost if a member aggregated membership i.e. that upon aggregation there would only be a single arrangement and so Enhanced Protection would not be lost – see the item in LGPC Bulletin 76. Section 234(5B) of the Finance Act 2004 is not relevant as it says the Pension Input Amount is only nil in respect of the deferred benefit if the member has been a deferred member in respect of the arrangement **throughout the whole of the Pension Input Period**; but, in the example above, the member has not been a deferred member in respect of the arrangement **throughout the whole of the Pension Input Period** and so section 234(5B) of the Finance Act 2004 is not relevant. Clearly, treating members who aggregate in the manner suggested above, and not as transfers in / out (other than in the exceptional cases mentioned in paragraphs 61 and 62), ensures that there is a consistency of approach in the treatment of members who, within a Pension Input Period, obtain a promotion with the same employer within a Fund, with a different employer within a Fund (an Intra-Fund Adjustment) or with a different employer in a different Fund (an Inter-Fund Adjustment). Inter / Intra-Fund Adjustments are not transfers in the normal sense. There is no service credit / pension credit calculation per se and the Inter / Intra-Fund Adjustment is merely a method of moving monies between LGPS Funds (i.e. what are, in effect, sub-Funds of a single Scheme) or within LGPS Funds.

[s234(4)]

[s234(5B)]

75. For members who re-joined the LGPS before 1 April 2014 (1 April 2015 in Scotland) it is important to note that when determining in which Pension Input Period the membership is aggregated it was the date of the second[88] of the member's elections to aggregate that was relevant, not the date the Inter-Fund Adjustment was paid. The rationale for this is that the member is entitled to count the membership from the date of election. For example, if the member died on the day following the election, a Fund would still calculate the benefits due in respect of that member on all his / her membership, despite the fact that the payment of the Inter-Fund Adjustment might not yet have been made. The transfer of funds within "the Scheme" was, in effect, merely an accounting exercise.

[88] Members were required to make an election to both the sending and receiving Funds – see regulation 16(4)(c) and (d) of the LGPS (Administration) Regulations 2008 and regulation 13(8)(b) and (c) of the LGPS (Administration) (Scotland) Regulations 2008.

76. For members who re-join the LGPS on or after 1 April 2014 (1 April 2015 in Scotland) the position is different. When designing the 2014 Scheme (2015 Scheme in Scotland) the view was taken that, looking forward to a situation where people might only have benefits in the 2014 Scheme (or 2015 Scheme in Scotland), it would make far more sense to move to a position where benefits were automatically aggregated unless the member made an election within 12 months of re-joining the Scheme (or such longer period as the Scheme employer might allow) to retain separate benefits. Thus, automatic aggregation would be the norm because, in a pure CARE environment, there would be little or no real benefit in retaining separate benefits. The LGPS 2014 (LGPS 2015 in Scotland) therefore moved to a position where, in most cases, automatic aggregation became the norm unless a member entitled to deferred benefits makes an election to retain separate benefits within 12 months of re-joining the Scheme, or of ceasing a concurrent employment to which the deferred benefit relates (or such longer period as the employer might allow).

This produced the following outcome:

Scenario A – post-14 only

A1: Active member who has a **deferred refund** from an earlier period of membership or from a concurrent employment that has ceased and which is based on post 31 March 2014 membership only (31 March 2015 in Scotland).

Concurrent employment:

Automatically aggregated with the ongoing active pension account or, if there is more than one, with whichever one the member chooses.

Previous employment:

Automatically aggregated with the new active pension account. (Note that the gap between employments cannot be more than 5 years as a deferred refund cannot be held for longer).

A2: Active member who has a **deferred benefit** from an earlier period of membership or from a concurrent employment which has ceased and which is based on post 31 March 2014 membership only (31 March 2015 in Scotland).

Concurrent employment:

Automatically aggregated with the ongoing active pension account or, if there is more than one, with whichever one the member chooses **unless** the member elects within 12 months of the date the concurrent employment ceased (or such longer period as the employer in relation to the ongoing employment allows) to retain separate benefits*.

Previous employment:

Automatically aggregated with the new active pension account **unless** the member elects within 12 months of the date the member re-joined the Scheme (or such longer period as the employer in relation to the new employment allows) to retain separate benefits*.

* In Scotland, the right to elect to retain separate benefits does not apply if the reason the employment ceased was because the member was TUPE transferred to another employer participating in the LGPS (or the transfer was treated as if it were a relevant transfer within the meaning of regulations 2(1) and (3) of the TUPE Regulations, notwithstanding regulation 3(5) of those Regulations).

Scenario B – mix of pre and post-14 (pre and post-15 in Scotland) without a 5 year break

B1: Active member who has a **deferred refund** from an earlier period of membership, or from the cessation of a concurrent employment, which is based on pre 1 April 2014 **and** post 31 March 2014 membership (pre 1 April 2015 **and** post 31 March 2015 membership in Scotland) **and** the member was an active member on both 31 March 2014 and 1 April 2014 (31 March 2015 and 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred refund, the member **has not** had a continuous break in active membership of a public service pension scheme of more than 5 years.

Concurrent employment:

Automatically aggregated with the ongoing active pension account or, if there is more than one, with whichever one the member chooses, **and** the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the concurrent employment that has ceased will entitle the member to a final salary benefit (the membership will be attached to the same ongoing active pension account).

Previous employment:

Automatically aggregated with the new active pension account and the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the deferred refund will entitle the member to a final salary benefit (the membership will be attached to the new active pension account).

B2: Active member who has a **deferred benefit** from an earlier period of membership or from the cessation of a concurrent employment which is based on pre 1 April 2014 **and** post 31 March 2014 membership (pre 1 April 2015 **and** post 31 March 2015 membership in Scotland) **and** the member was an active member on both 31 March 2014 and 1 April 2014 (31 March 2015 and 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred benefit, the member **has not** had a continuous break in active membership of a public service pension scheme of more than 5 years.

Concurrent employment:

Automatically aggregated with the ongoing active pension account or, if there is more than one, with whichever one the member chooses, **and** the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the concurrent employment that has ceased will entitle the member to a final salary benefit (the membership will be attached to the same ongoing active pension account) **unless** the member elects within 12 months of the date the concurrent employment ceased (or such longer period as the employer in relation to the ongoing employment allows) to retain separate benefits*.

Previous employment:

Automatically aggregated with the new active pension account **and** the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the deferred benefit will entitle the member to a final salary benefit (the membership will be attached to the new active pension account) **unless** the member elects within 12 months of the date the member re-joined the Scheme (or such longer period as the employer in relation to the new employment allows) to retain separate benefits*.

If not aggregated, the deferred benefit for the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) would **not** retain an **ongoing** final salary link.

* In Scotland, the right to elect to retain separate benefits does not apply if the reason the employment ceased was because the member was TUPE transferred to another employer participating in

the LGPS (or the transfer was treated as if it were a relevant transfer within the meaning of regulations 2(1) and (3) of the TUPE Regulations, notwithstanding regulation 3(5) of those Regulations).

Scenario C – mix of pre and post-14 (pre and post-15 in Scotland) with a 5 year break

C1: Active member who has a **deferred refund** from an earlier period of membership which is based on pre 1 April 2014 **and** post 31 March 2014 membership (pre 1 April 2015 **and** post 31 March 2015 membership in Scotland) **and** the member was an active member on both 31 March 2014 and 1 April 2014 (31 March 2015 and 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred refund, the member **has** had a continuous break in active membership of a public service pension scheme of more than 5 years.

The member is only entitled to a refund of contributions, which should already have been paid.

C2: Active member who has a **deferred benefit** from an earlier period of membership which is based on pre 1 April 2014 **and** post 31 March 2014 membership (pre 1 April 2015 **and** post 31 March 2015 membership in Scotland) **and** the member was an active member on both 31 March 2014 and 1 April 2014 (31 March 2015 and 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred benefit, the member **has** had a continuous break in active membership of a public service pension scheme of more than 5 years.

Automatically aggregated with the new active pension account **and** the transfer value in respect of pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the deferred benefit will purchase an amount of earned pension in the member's active pension account **unless** the member elects within 12 months of the date the member re-joined the Scheme (or such longer period as the employer in relation to the new employment allows) to retain separate benefits.

Scenario D – pre-14 only (pre-15 in Scotland)

D1: Member left prior to 1 April 2014 (prior to 1 April 2015 in Scotland) with a **deferred refund** and re-joins the Scheme on or after 1 April 2014 (on or after 1 April 2015 in Scotland).

The transfer value in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) is to be used to purchase an amount of earned pension in the member's active pension account.[89]

D2: Member left prior to 1 April 2014 (prior to 1 April 2015 in Scotland) with a **deferred benefit** and re-joins the Scheme on or after 1 April 2014 (on or after 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred benefit, the member **has not** had a continuous break in active membership of a public service pension scheme of more than 5 years.

The member can make an election to the administering authority in which the member holds the active pension account within 12 months of re-joining the Scheme to be treated as if he / she had been an active member on 31 March 2014 and 1 April 2014 (on 31 March 2015 and 1 April 2015 in Scotland).

Where the member does so:

The pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) from the deferred benefit will entitle the member to a final salary benefit (the membership will be attached to the new active pension account).

Where the member does not:

The member may elect (or, in Scotland, may elect within 12 months or re-joining or such longer period as the employer may allow) for the transfer value in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) to be used to purchase an amount of earned pension in the member's new active pension account[90], **else** the pre 1 April 2014 membership (pre 1 April 2015

[89] It is not clear why, where a member left prior to 1 April 2014 (1 April 2015 in Scotland) with a deferred refund and re-joins the Scheme on or after 1 April 2014 (1 April 2015 in Scotland) and has not had a continuous break in active membership of a public service pension scheme of more than 5 years, regulation 10(5) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 requires that the transfer value in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) should purchase an amount of earned pension in the member's active pension account (rather than final salary membership in accordance with section 20 of, and paragraph 1 of Schedule 7 to, the Public Service Pensions Act 2013). Clarification has been sought from DCLG and SPPA. See Bulletin 150 (October 2016) for further information.
[90] It is not clear why, if the member **does not** elect to be treated as if he / she had been an active member on 31 March 2014 and 1 April 2014 (on 31 March 2015 and 1 April 2015 in Scotland) and elects to aggregate, regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 requires that the transfer value in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) should purchase an

membership in Scotland) will remain as a deferred benefit which would **not** retain an **ongoing** final salary.

D3: Member left prior to 1 April 2014 (prior to 1 April 2015 in Scotland) with a **deferred benefit and** re-joins the Scheme on or after 1 April 2014 (on or after 1 April 2015 in Scotland) **and**, since becoming entitled to the deferred benefit, the member **has had** a continuous break in active membership of a public service pension scheme of more than 5 years.

The member may elect (or, in Scotland, may elect within 12 months or re-joining or such longer period as the employer may allow) for the transfer value in respect of the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) to be used to purchase an amount of earned pension in the member's new active pension account, **else** the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) will remain as a deferred benefit.

Scenario E –re-joiners

E: Any member to whom scenarios A to D applied upon first re-joining the Scheme after 31 March 2014 and who left again post 1 April 2014 and subsequently re-joins again (or, in Scotland, to whom scenarios A to D applied upon first re-joining the Scheme after 31 March 2015 and who left again post 1 April 2015 and subsequently re-joins again).

If, when scenario C2, D1, D2 or D3 was first applied, the pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) was aggregated and purchased an amount of earned pension in the active account then, upon re-joining the Scheme again at some later date, scenario A will apply to the member in respect of that membership as that membership is to be treated for the purposes of this aggregation paper as if it had all been post 31 March 2014 membership (post 31 March 2015 membership in Scotland).

In any other case, scenarios A, B1, B2, C1, C2, D2 or D3 will apply, as appropriate.

Note: the above assumes that under D2 the member will still have the option to elect within 12 months of re-joining to be treated as if he/she had been a member on 31 March 2014 and 1 April 2014 (on 31

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amount of earned pension in the member's active pension account (rather than final salary membership in accordance with section 20 of, and paragraph 1 of Schedule 7 to, the Public Service Pensions Act 2013). Clarification has been sought from DCLG and SPPA. See Bulletin 150 (October 2016) for further information.

March 2015 and 1 April 2015 in Scotland). Unfortunately, regulation 5(5) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 merely refers to a member being able to make such an election within 12 months of becoming a member of the 2014 Scheme (2015 Scheme in Scotland) - it does not clarify whether or not this means 12 months of **first** becoming a member of the 2014 Scheme (2015 Scheme in Scotland). The above assumes it is not limited in that way.

Note that, in England and Wales, where a member opts out of the LGPS in an employment (other than a concurrent employment) **on or after 11 April 2015** with an entitlement to a deferred benefit the member, by virtue of the amendment made by SI 2015/755 to regulation 22(8) of the LGPS Regulations 2013, **does not** have the right to aggregate benefits upon re-joining the scheme.

77. Given the various possible permutations, how should the various scenarios outlined above be treated for annual allowance purposes?

Cases to be treated as Inter-Fund / Intra-Fund Adjustments

In Scenarios A1 and B1 regulations 22(5) and (6) of the LGPS Regulations 2013 and regulations 22(5) and (6) of the LGPS (Scotland) Regulations 2014 say that the member's benefits must be automatically aggregated. Thus, when determining in which Pension Input Period the membership is aggregated it is the day after the member ceased the concurrent employment or the date the member re-joined the Scheme that is relevant. The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

In Scenarios A2 and B2 regulations 22(7) and (8) of the LGPS Regulations 2013 and regulations 22(6A) and (6B) of the LGPS (Scotland) Regulations 2014 say that the member's benefits must be automatically aggregated unless the member makes an election to retain separate benefits within 12 months of the cessation of a concurrent employment or of re-joining the Scheme (or such longer period as the employer may allow). It is important to note that the regulations do not specify **when** the aggregation must occur. One can argue, therefore, that aggregation cannot occur until the member confirms that they do not wish to retain separate benefits or the time period allowed for making such an election has elapsed. Thus, when determining in which Pension Input Period the membership is aggregated it is the date the member confirms they do not wish to retain separate benefits or, in the absence of such an election, the end of the time period within which an election to retain separate benefits had to be made, that is relevant. The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

In Scenario D2, where the member elects (within 12 months of re-joining the Scheme) to be treated as if he / she had been an active member on 31 March 2014 / 1 April 2014 (31 March 2015 / 1 April 2015 in Scotland) it is the date of the election that determines in which Pension Input Period the membership is aggregated. The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

Cases to be treated as if they were CETV transfers in (for which please see paragraphs 61 and 62).

In Scenario C2, regulations 22(7) and (8) of the LGPS Regulations 2013 and regulations 22(6A) and (6B) of the LGPS (Scotland) Regulations 2014 say that the member's benefits must be automatically aggregated unless the member makes an election to retain separate benefits within 12 months of the cessation of a concurrent employment or of re-joining the Scheme (or such longer period as the employer may allow). It is important to note that the regulations do not specify **when** the aggregation must occur. One can argue, therefore, that aggregation cannot occur until the member confirms that they do not wish to retain separate benefits or the time period allowed for making such an election has elapsed. Thus, when determining in which Pension Input Period the membership is aggregated it is the date the member confirms they do not wish to retain separate benefits or, in the absence of such an election, the end of the time period within which an election to retain separate benefits had to be made, that is relevant. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance. However, as the member's pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) is used to purchase an amount of CARE earned pension, the case should be treated as if it were a CETV in (see paragraph 62).

In Scenario D1 the member's benefits must be automatically aggregated. However, as the member's pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) is used to purchase an amount of CARE earned pension, the case should be treated as if it were a CETV in (see paragraph 62). It is the date the member re-joined the LGPS that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

In Scenario D2, where the member does not elect (within 12 months of re-joining the Scheme) to be treated as if he / she had been an active member on 31 March 2014 / 1 April 2014 (31 March 2015 / 1 April 2015 in Scotland) it is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

In Scenario D3, if the member aggregates benefits then, as the member's pre 1 April 2014 membership (pre 1 April 2015 membership in Scotland) is used to purchase an amount of CARE earned pension, the case should be treated as if it were a CETV in (see paragraph 62). It is the date the member elects to aggregate his / her benefits to purchase an amount of CARE earned pension that determines in which Pension Input Period the membership is aggregated. This ties in with the relevant date used to calculate the CETV (see the GAD letter dated 13 March 2015 at http://lgpslibrary.org/assets/actgui/ew/Inter20150313.pdf). The date any Inter-Fund Adjustment is actually paid or any Intra-Fund Adjustment is processed is of no relevance.

78. When administering authorities pay an Inter-Fund Adjustment then, to enable the receiving administering authority to calculate the Pension Input Amount for the Pension Input Period in which the member aggregated membership, the sending administering authority should provide the receiving administering authority with details of:

- the Closing Value for the Pension Input Period that immediately preceded the one in which the member aggregated membership (see paragraph 77 above), and

- the amount of any Scheme AVCs/SCAVCs paid by and / or in respect of the member in the Pension Input Period in which the member aggregated membership and transferred their AVC/SCAVC pot to the new Fund's AVC/SCAVC arrangement. See paragraph 35 if the member transfers their main LGPS benefits but leaves their AVC/SCAVC pot behind with the former Fund as an 'orphaned' AVC/SCAVC pot.

Treatment of concurrent employments

79. If a member has two (or more) concurrent employments that are all active during the Pension Input Period, then the Pension Input Amount will be aggregate of the Pension Input Amounts for each of the separate employments in the Pension Input Period – see Example 3. If the member ceases one concurrent employment in the Pension Input Period and retains a separate deferred benefit in respect of that employment, the Pension Input Amount will be the

aggregate of the Pension Input Amount for the deferred benefit and the Pension Input Amount(s) for each of the ongoing active memberships in the Pension Input Period. If the member ceases one concurrent employment in the Pension Input Period and, in the same Pension Input Period, the membership in respect of that employment is aggregated with an ongoing employment, the Pension Input Amount will be calculated based on the Opening Value of the two jobs and the Closing Value of the aggregated membership in the ongoing employment – see [Example 4](). If the aggregation occurs in a Pension Input Period after that in which the employment ceased, the calculation will be performed in a similar way, but treating the employment that has ceased as if it were a deferred benefit at the end of the Pension Input Period in which the employment ceased – see [Example 5]()).

Treatment of returning officers, acting returning officers, counting officers and regional counting officers

80. Where:

- a returning officer at local government elections, or elections for the National Assembly for Wales, or elections for the Scottish Parliament, receives pensionable fees, or

- an acting returning officer (including as a regional or local returning officer at a European Parliamentary election) receives pensionable fees

the LGPS benefits for that separate post should be calculated in accordance with the LGPS Regulations and valued for the purposes of the annual allowance test in the same way as any other LGPS benefit - see paragraphs 99 to 102 for information on the pay to use in calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland).

81. The value of these benefits should then be aggregated for the purposes of the annual allowance test with the value of the member's other benefits in the Fund from his or her substantive post (e.g. as the Chief Executive).

Treatment of Compensatory Added Years (CAY)

82. HMRC have confirmed that provided the payment of CAY benefits awarded from 2011/12 onwards are not paid via the Pension Fund (regardless of the fact that the Fund would be reimbursed by the employer subsequently) the award will not count towards the annual

allowance. Administering authorities in Scotland will need to consider this point and, if they have not already done so, make arrangements for any new awards of CAY benefits from 2011/12 onwards to be paid otherwise than from the Pension Fund. The matter is not an issue in England or Wales as those to whom CAY was awarded must have retired from the arrangement in respect of which they were awarded CAY prior to 1 April 2007 and so will not have a Pension Input Amount.

What pensionable pay should be used in calculating the Opening and Closing value of pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)?

83. Section 234(4) of the Finance Act 2004 clearly states that the Opening Value of an individual's rights under an arrangement is to be calculated by reference to the annual rate of pension and the lump sum which would have been payable if the individual had become entitled to them at the end of the Pension Input Period immediately preceding the current Pension Input Period. Similarly, section 234(5) states that, for an active member and for a member becoming a deferred member during the Pension Input Period, the Closing Value of an individual's rights under an arrangement is to be calculated by reference to the annual rate of pension and the lump sum which would have been payable if the individual had become entitled to them at the end of the Pension Input Period. However, for a retiree in the Pension Input Period, the pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) included in the Closing Value of an individual's rights under an arrangement are calculated by reference to the member's final pensionable pay (other than in the case of a Councillor member), as determined in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014) or the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014).

[s234(4)]

[s234(5)]

84. This creates a number of potential issues for the final salary LGPS i.e.

- how accurate should the final pay calculation be for calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)?

- in order to calculate pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) how should final pay be assessed where

  i. regulation 8(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies or regulation 9(2) of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 applies (use of best of the last 3 years pensionable pay), or

ii. regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies (use of average of 3 consecutive years pensionable pay ending on a 31 March in the last 13 years), or

iii. regulation 43 of the LGPS (Administration) (Scotland) Regulations 2008 or regulation 23 of the LGPS Regulations 1997 applies (Certificates of Protection of Pension Benefits), or

iv. regulation 11 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies (final pay: fees) or regulation 11 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 applies (final pay: fees)?

- when assessing final pay to calculate pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) how should retrospective pay increases be dealt with?

- when assessing final pay to calculate pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) how should retrospective pay increases be dealt with where the payment is made in a Pension Input Period after the one in which the member ceased to be an active member?

How accurate should the final pay calculation be for the purposes of calculating the Opening and Closing value of pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)?

85. To accurately perform the annual allowance test for active members, administering authorities would need to request a final pay calculation for every active Scheme member in order to calculate the pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland).

86. In practice, administering authorities are supplied with final pay calculations in order to produce Annual Benefit Statements (and for Fund valuation data). These are based on membership to 31 March. From 2015/16 the Pension Input Periods end on 5 April and so the final pay calculation supplied for Annual Benefits Statement (and Fund valuation) purposes is not the same as the final pay calculation

needed for the annual allowance calculation. Technically, therefore, from 2015/16 onwards administering authorities should obtain two separate final pay calculations; one for the purposes of the Annual Benefits Statement and Fund valuations (year ending 31 March) and one for the purposes of the annual allowance calculation (period ending 5 April). If, from 2015/16 onwards, an administering authority decides to only obtain a single final pay figure for the Scheme year (ending 31 March) this might suffice in most cases for an annual allowance estimate. However, administering authorities should obtain an accurate final pay calculation for active Scheme members:

- where the increase in the value of a member's benefits in the Fund in the Pension Input Period appears to have exceeded the annual allowance or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to exceed the 'alternative' annual allowance.

- where the increase in the value of a member's benefits in the Fund in the Pension Input Period, whilst below the annual allowance, appears to be reasonably close to the annual allowance figure or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to be reasonably close to the 'alternative' annual allowance

- where a member requests an accurate calculation because, for example, they have other pension benefits in the LGPS or elsewhere that could take them over the annual allowance or, where the member has flexibly accessed money purchase benefits, over the money purchase annual allowance (MPAA) or over the 'alternative' annual allowance.

87. If the Annual Benefit Statement is to be used as the mechanism to provide an estimate of the increase in the value of an active member's benefits in the Fund in the Pension Input Period, it means that the Annual Benefits Statement for members covered by the first two bullet points above will have to be "pulled" until such time as an accurate final pay calculation is obtained. An accurate Annual Benefits Statement and formal pension savings statement can then be issued but must be produced in time to meet the relevant deadline for issuing an Annual Benefit Statement and for issuing a pension savings statement – see paragraphs 155 to 158 and 224. For all other active members, the Pension Input Amount shown on the Annual Benefits Statement (where the administering authority chooses to notify a Pension Input Amount to all active members and uses the Annual Benefits Statement as the vehicle to do so) should contain a statement to the effect that:

- the Pension Input Amount shown on the Annual Benefits

Statement does not constitute a formal annual allowance statement[91],

- the figure is merely an indication of the Pension Input Amount in the Pension Input Period, and

- if the member wishes to obtain a formal annual allowance statement they should make a written request to the administering authority asking for such a statement to be issued.

Note: Where the aggregate of an individual's Pension Input Amount in respect of all their arrangements in the Fund does not exceed the annual allowance the member does not have to be given a pension savings statement automatically. Administering authorities might, therefore, decide not to include a Pension Input Amount for these members on Annual Benefit Statements but to simply include some generic information about the annual allowance and tell the member that they can, if they wish, make a written request for a formal annual allowance pension savings statement to be issued (e.g. if they have other pension rights and believe the increase in their pension rights, in aggregate, might have exceeded the annual allowance or, where the member has flexibly accessed money purchase benefits, their money purchase inputs have exceeded the money purchase annual allowance (MPAA) and their other inputs might have exceeded the 'alternative' annual allowance). Conversely, administering authorities might take the view that, to avoid the possibility of a flood of individual requests, it might be better to include an estimated Pension Input Amount on all active member Annual Benefits Statements (other than those to whom the annual allowance does not apply – see paragraphs 14 to 17 – and, of course, those for whom the Annual Benefits Statement has been "pulled"). This would also mean that members who have benefits in two Funds, where the estimated Pension Input Amount in each is, individually, less than the annual allowance but is greater than the annual allowance in aggregate would be alerted to the need to request an accurate, formal annual allowance pension savings statement.

88. For an active member becoming a deferred member or a pensioner

[91] The rationale for this is that if a member has to be issued with a formal statement in a subsequent year (because they have exceeded the annual allowance in that year or because they ask for a formal statement to be issued) this has to take account of any carry forward. The carry forward amounts would need to be calculated on accurate data. If the member were to query why the carry forward amounts differ from what the member had expected based on the annual allowance figures shown on the Annual Benefits Statement it can be explained that the figures on the Annual Benefits Statement were not a formal statement, only an estimate, and the formal statement given to the member is based on the correct, accurate, data).

member in the Pension Input Period, the pensionable pay for the Closing Value will, of course, be an accurate pay calculation.

Best of last 3 years pay when calculating the Opening and Closing value of pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)

89. Under regulation 8(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014) and regulation 9(2) of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014), pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) are calculated on the member's final year's pay or one of the previous 2 years' pay if a previous year's pay is (excluding inflation) actually higher than the final year's pay.

90. The member has no choice as to which year is used as the regulation requires that the best one of the last 3 year's pay **is** used.

91. Thus, the member's pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) should, for the purposes of the Opening Value, be calculated based on the best one of the last 3 year's final pensionable pay at the end of the Pension Input Period immediately preceding the current Pension Input Period and the Closing Value for an active member should be calculated based on the best one of the last 3 year's final pensionable pay at the end of the current Pension Input Period. See paragraph 103 concerning Pensions Increase due under the Pensions (Increase) Act 1971.

92. In practice, for an active Scheme member, administering authorities might only wish to perform an accurate calculation (i.e. use a previous year's pay rather than the final year's pay) in the circumstances set out in the bullet points in paragraph 86. For an active member becoming a deferred member or a pensioner member in the Pension Input Period, the pensionable pay for the Closing Value will, of course, be an accurate pay calculation.

Average of 3 consecutive years' pay in the last 13 years, etc when calculating the Opening and Closing value of pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)

93. In the circumstances set out in:

- regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014) a member of the LGPS in England or Wales can elect to have their pre 1 April 2014 benefits based on the average of 3 consecutive years' pensionable pay ending on a 31 March within the last 13 years (uprated by inflation),

and in the circumstances set out in:

- regulation 23 of the LGPS Regulations 1997 (as protected by regulation 2 of, and Schedule 1 to, the LGPS (Transitional Provisions) Regulations 2008 and saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014), a member of the LGPS in England or Wales who was issued with a Certificate of Protection in respect of a reduction or restriction in pay that occurred prior to 1 April 2008 can elect to have their pre 1 April 2014 benefits based on the best one of the last 5 years pensionable pay (uprated by inflation) or the average of 3 consecutive years' pensionable pay in the last 13 years (uprated by inflation)

and in the circumstances set out in:

- regulation 43 of the LGPS (Administration) (Scotland) Regulations 2008 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014) and regulation 93 of the LGPS (Scotland) Regulations 2014, a member of the LGPS in Scotland who has been issued with a Certificate of Protection in respect of a reduction or restriction in pay can elect to have their pre 1 April 2015 benefits based on the best one of the last 5 years pensionable pay (uprated by inflation) of which the first day can be no earlier than 3 years prior to the reduction or restriction in pay, or the average of 3 consecutive years' pensionable pay in the last 13 years (uprated by inflation) of which the first day can be no earlier than 3 years prior to the reduction or restriction in pay.

94. Thus, for the purposes of the annual allowance test, an active member to whom regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014) should, technically, be provided with the option to make an election specifying which 3 consecutive years pay, ending with a 31 March, should be used when calculating their pre 1 April 2014 benefits for the purposes of the Closing Value. However, that regulation requires that the member must provide a written election to the administering authority to have his / her benefits calculated in accordance with the regulation no later than 1

month before the date of cessation of active membership (which, for the purposes of an active member's annual allowance test is deemed to have occurred at the end of the Pension Input Period).

95. Similarly, an active member to whom a Certificate of Protection has been issued in England, Wales or Scotland must make an election specifying which one of the last 5 years or 3 consecutive years pay, ending with the date of cessation of membership, should be used when calculating their pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) for the purposes of the Closing Value. For the purposes of an active member's annual allowance test the date of cessation of membership would be deemed to have occurred at the end of the Pension Input Period. The written election to the administering authority to have benefits calculated in accordance with the relevant regulation would have to be given by the member within 1 month after being notified of his / her entitlement to a benefit (which, for the purposes of an active member's annual allowance test would, for practical reasons, be deemed to mean within 1 month of the end of the Pension Input Period).

96. Of course, the pensionable pay period that a member might elect to use for calculating the Closing Value at the end of one Pension Input Period might be different to the pensionable pay period that a member might have elected to use for calculating the Closing Value at the end of the previous Pension Input Period (and a "switched on" Scheme member might like to do so in order to avoid an annual allowance charge).

97. It could be that the protection under:

- regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014), or

- the certificate under regulation 23 of the LGPS Regulations 1997 (as protected by regulation 2 of, and Schedule 1 to, the LGPS (Transitional Provisions) Regulations 2008 and saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014), or

- the certificate under regulation 43 of the LGPS (Administration) (Scotland) Regulations 2008 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014) or under regulation 93 of the LGPS (Scotland) Regulations 2014

never takes effect in the calculation of a member's actual retirement or deferred benefits because, for example, the member continues as an active member for more than 10 years from the date of reduction or restriction in pay. On the basis that any possible effect of the above regulations is technically notional until the member ceases active membership, and given the timing criteria set out in paragraphs 94 and 95 and the issue mentioned in paragraph 96, it would seem that the only practical solution when calculating the value of an active member's pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) for the purposes of the annual allowance Pension Input Amount is for administering authorities to ignore the provisions of regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007, regulation 43 of the LGPS (Administration) (Scotland) Regulations 2008, regulation 93 of the LGPS (Scotland) Regulations 2014 and regulation 23 of the LGPS Regulations 1997.

98. For an active member becoming a deferred member or a pensioner member in the Pension Input Period, the pensionable pay used for calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) included in the Closing Value will, of course, be an accurate pay calculation (and see paragraph 103 concerning Pensions Increase due under the Pensions (Increase) Act 1971). It is recognised that this might result in a significant increase in the final pay used to calculate benefits compared to the pay figure used to calculate benefits in previous Pension Input Periods (because, if the suggestion in paragraph 97 is followed, the best pay figure might not have been used in those previous calculations) but one would anticipate that if this results in an annual allowance charge there will be enough carry forward of unused allowance from the previous 3 tax years[92] to cancel out the charge.

Fees – variable time employees - when calculating the Opening and Closing value of pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland)

99. Under regulation 11 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014) and regulation 11 of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (as saved by regulations 3(1) and (6) of the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014), where the final pay of a variable-time employee consists of or includes fees, his / her final pay for calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) is determined as:

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[92] Or, technically, 4 tax years if one of the 3 tax years is 2015/16, because that tax year is split into 2 mini-tax years.

- the average of all such fees for three consecutive years (or the employee's period of membership, if less) ending with the date the final pay period ends (or, if the employer agrees, the average of all such fees in any three consecutive years ending

  i. in England and Wales, on 31 March, or
  ii. in Scotland, on the anniversary of the date on which the member left the employment which, for an active member, would be deemed to have occurred on the last day of the Pension Input Period,

  and falling within the period of ten years ending with the last day he / she was an active member); plus

- any other pensionable pay (other than fees) for the final pay period

100. The member has no choice as to which pensionable pay figure is used (unless the employer gives agreement, as mentioned in the paragraph above, for the employee to use a different 3 year averaging period from the standard 3 year averaging period).

101. Thus, for the purposes of the annual allowance test, the pensionable pay used for calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) included in the Opening Value should be calculated based on the pensionable pay, as calculated in paragraph 99 and ending in the Pension Input Period immediately preceding the current Pension Input Period, and, for an active member, the pensionable pay used for calculating pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) included in the Closing Value should be calculated based on the pensionable pay, as calculated in paragraph 99 and ending in the current Pension Input Period but assuming, in both cases, that the employer would not have agreed to the member using a different 3 year averaging period from the standard 3 year averaging period.

102. In practice, for an active Scheme member, administering authorities might only wish to perform an accurate calculation in the circumstances set out in paragraph 86. For an active member becoming a deferred member or a pensioner member in the Pension Input Period, the pensionable pay for the Closing Value will, of course, be an accurate pay calculation. See paragraph 103 concerning Pensions Increase due under the Pensions (Increase) Act 1971.

Pensions Increase due under the Pensions (Increase) Act 1971

103. Under section 59 of the Social Security Pensions Act 1975 as

amended, and as modified by section 59A of that Act, the Treasury (in whom the functions conferred by those provisions are now vested) are required to provide by order for the increase in the rates of public service pensions i.e. by issuing an annual Pensions Increase (Review) Order. Under section 59(7) of the 1975 Act, section 59 of that Act has effect as if it were contained in the Pensions (Increase) Act 1971.

Sections 7(3) and (4) of the Pensions (Increase) Act 1971 say:

7 Administrative provisions
(3) Subject to the provisions of this Act, any provision made by or under any enactment shall, in so far as it relates to the apportionment of the cost of a pension between two or more authorities or funds, or to the manner in which a pension is to be paid or borne, or to the proof of title to sums payable on account of a pension, or in so far as it prohibits or restricts the assignment or charging of a pension or its application towards the payment of debts, have effect in relation to any increase of the pension under this Act as it has effect in relation to the pension:
Provided that this subsection, in so far as it relates to the apportionment of the cost of an increase under this Act, shall have effect subject to any agreement between the authorities concerned.

(4) Except as provided by subsection (3) above or by Schedule 3 to this Act, an increase of a pension under this Act shall not be treated as part of the pension for the purposes of any provision made by or under any enactment; and in calculating the rate of a derivative pension, any increase under this Act of the principal pension shall be disregarded.

and paragraph 1(1) of Schedule 3 to the Pensions (Increase) Act 1971 says:

Where a pension to which this paragraph applies is increased under this Act, the cost of the increase shall be defrayed by the pension authority.

In other words, any Pensions Increase that is payable is, by virtue of section 7(4) of the Act, not treated as part of the pension but, when the pension is paid, the Pensions Increase is, by virtue of paragraph 1(1) of Schedule 3 and section 7(3) to the Act, to be paid out of the Pension Fund to the same person as receives the pension.

Based on the wording of the Pensions (Increase) Act 1971 it is difficult to conclude that Pensions Increase should be taken into account when undertaking the annual allowance calculations (for example, in cases where the final pay element of a member's benefits is based on an earlier years' pay due to the use of the best one of the last 3 years' pay, or where a Certificate of Protection of

Pension Benefits applies, or where regulation 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 applies). However, given that the Pensions Increase payments are made from the Pension Fund it would seem logical, despite the wording of the Pensions (Increase) Act 1971, for Pensions Increase to be taken into account if the member is 55 or over or has met one of the other qualifying conditions for payment of Pensions Increase under the Pensions (Increase) Act 1971 (e.g. has retired on account of physical or mental infirmity from the office or employment in respect of which, or on retirement from which, the pension is payable).

But what if the member is under 55 and has not met one of the other qualifying conditions? Sections 234(4) and (5) of the Finance Act 2004 require that the Opening Value and the Closing Value are calculated on the valuation assumptions. Although section 277 of the Finance Act 2004 provides that it is to be assumed that a person has reached a certain age to avoid a reduction in benefits it does not provide that it is to be assumed they have attained an age that entitles them to an increase in benefits (i.e. to get Pensions Increase).

Thus, Pensions Increase can only be taken into account where the member has attained age 55 or has met one of the other qualifying conditions under the Pensions (Increase) Act 1971. For those who have not met a qualifying condition (e.g. they are under age 55) the Pensions Increase is only ‘notional’ until they meet a qualifying condition and, until then, does not appear to meet the definition of the word “entitled” in section 165(3) of the Finance Act 2004.
This does have the rather unfortunate effect that, by excluding Pensions Increase from the Opening Value, an active member who attains age 55 during the Pension Input Period could see a significant increase in the value of benefits in that Pension Input Period (if, for example, the Closing Value for one Pension Input Period was based on an earlier year’s pay excluding Pensions Increase but the member then attains age 55 during the next Pension Input Period and the Closing Value for that Pension Input Period is based on an earlier year’s pay including Pensions Increase

Similarly, when, for example, a protected member of the LGPS in Scotland draws benefits upon redundancy at, say, age 50 and subsequently attains age 55, the increase in benefits at that age will constitute a further BCE2 / BCE6, necessitating a further annual allowance test for the Pension Input Period during which the Pensions Increase is paid.

Note that although Pensions Increase on a deferred benefit is only ‘notional’ until the deferred benefit is brought into payment the actual cumulative Pensions Increase applied at the point of payment does not itself constitute a Pension Input Amount in the Pension Input Period in which the deferred benefit is paid (see the item on

‘Cumulative Increases’ at PTM053910).

How accurate should the calculation of the CARE benefit be for the purposes of the annual allowance calculation for active members?

104. When calculating the Closing Value for an active member, PE is the annual rate of pension that would have been payable under the arrangement at the end of the current Pension Input Period based on membership to the end of the Pension Input Period. If the member had, for example, left on 5 April (the end of the Pension Input Periods for 2016/16 onwards) then the CARE benefit would have been calculated based on the pay payable to that date and the benefits accrued to that date. Thus, for example, the pay for the period 1 – 5 April for an active member paid an annual salary would be known and so the CARE benefit for annual allowance purposes should:

- for 2015/16, be based on the pay for the period 1 April 2015 to 5 April 2016, with the CARE pension accrued to 31 March 2016 being revalued by the 2016 HM Treasury revaluation order (a negative revaluation for active and deferred members but a nil revaluation for pensioner members) and the CARE pension accrued between 1 April 2016 and 5 April 2016 not being subject to revaluation, and

- for 2016/17 and subsequent Pension Input Periods, be based on the pay for the period 6 April to 5 April, with the CARE pension accrued to the 31 March immediately prior to the end of the Pension Input Period being revalued by the HM Treasury revaluation order and the CARE pension accrued between 1 April and 5 April not being subject to revaluation.

105. In practice, administering authorities are supplied with pay information in order to calculate CARE benefits and produce Annual Benefit Statements for active members (and for Fund valuation data). The pay information is based on payroll year end data (usually to 31 March). From 2015/16 the Pension Input Periods end on 5 April and so the pay information supplied to calculate CARE benefits for Annual Benefit Statements for active members (and for Fund valuation purposes) is not the same as the pay calculation needed to calculate CARE benefits for the annual allowance calculation. Technically, therefore, from 2015/16 onwards administering authorities should obtain two separate pay figures; one for the purposes of the Annual Benefit Statements and Fund valuations (year ending 31 March) and one for the purposes of the annual allowance calculation (period ending 5 April). If, from 2015/16 onwards, an administering authority decides to only obtain a single pay figure for the Scheme year (ending 31 March) this might suffice in most cases for an annual allowance estimate. However, administering authorities should obtain

an accurate pay figure for active Scheme members:

- where the increase in the value of a member's benefits in the Fund in the Pension Input Period appears to have exceeded the annual allowance or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to exceed the 'alternative' annual allowance.

- where the increase in the value of a member's benefits in the Fund in the Pension Input Period, whilst below the annual allowance, appears to be reasonably close to the annual allowance figure or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to be reasonably close to the 'alternative' annual allowance

- where a member requests an accurate calculation because, for example, they have other pension benefits in the LGPS or elsewhere that could take them over the annual allowance or, where the member has flexibly accessed money purchase benefits, over the money purchase annual allowance (MPAA) or over the 'alternative' annual allowance.

106. If the Annual Benefit Statement is to be used as the mechanism to provide an estimate of the increase in the value of an active member's benefits in the Fund in the Pension Input Period, it means that the Annual Benefits Statement for members covered by the first two bullet points above will have to be "pulled" until such time as an accurate pay calculation is obtained. An accurate Annual Benefits Statement and formal pension savings statement can then be issued but must be produced in time to meet the relevant deadline for issuing an Annual Benefit Statement and for issuing a pension savings statement – see paragraphs 155 to 158 and 224. For all other active members, the Pension Input Amount shown on the Annual Benefits Statement (where the administering authority chooses to issue a Pension Input Amount to all active members and uses the Annual Benefits Statement as the vehicle to do so) should contain a statement to the effect that:

  - the Pension Input Amount shown on the Annual Benefits Statement does not constitute a formal annual allowance statement[93],

[93] The rationale for this is that if a member has to be issued with a formal statement in a subsequent year (because they have exceeded the annual allowance in that year or because they ask for a formal statement to be issued) this has to take account of any carry forward. The carry forward amounts would need to be calculated on accurate data. If the member were

- the figure is merely an indication of the Pension Input Amount in the Pension Input Period, and

- if the member wishes to obtain a formal annual allowance statement they should make a written request to the administering authority asking for such a statement to be issued.

Note: Where the aggregate of an individual's Pension Input Amount in respect of all their arrangements in the Fund does not exceed the annual allowance the member does not have to be given a pension savings statement automatically. Administering authorities might, therefore, decide not to include a Pension Input Amount for these members on Annual Benefit Statements but to simply include some generic information about the annual allowance and tell the member that they can, if they wish, make a written request for a formal annual allowance pension savings statement to be issued (e.g. if they have other pension rights and believe the increase in their pension rights, in aggregate, might have exceeded the annual allowance or, where the member has flexibly accessed money purchase benefits, their money purchase inputs have exceeded the money purchase annual allowance (MPAA) and their other inputs might have exceeded the 'alternative' annual allowance). Conversely, administering authorities might take the view that, to avoid the possibility of a flood of individual requests, it might be better to include an estimated Pension Input Amount on all active member Annual Benefits Statements (other than those to whom the annual allowance does not apply – see paragraphs 14 to 17 – and, of course, those for whom the Annual Benefits Statement has been "pulled"). This would also mean that members who have benefits in two Funds, where the estimated Pension Input Amount in each is, individually, less than the annual allowance but is greater than the annual allowance in aggregate would be alerted to the need to request an accurate, formal annual allowance pension savings statement.

107. For an active member becoming a deferred member or a pensioner member in the Pension Input Period, the pay to calculate the CARE benefits included in the Closing Value will, of course, be an accurate pay figure.

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to query why the carry forward amounts differ from what the member had expected based on the annual allowance figures shown on the Annual Benefits Statement it can be explained that the figures on the Annual Benefits Statement were not a formal statement, only an estimate, and the formal statement given to the member is based on the correct, accurate, data).

Application of Certificate of Protection in Scotland to calculation of CARE benefits

108. When calculating the Closing Value for an active member, PE is the annual rate of pension that would have been payable under the arrangement at the end of the current Pension Input Period based on membership to the end of the Pension Input Period. If an active member has been issued with a Certificate of Protection that is still in force at the end of the Pension Input Period, the CARE benefit to be included in the calculation of PE should be calculated in accordance with the version of the Certificate of Protection guidance held in Appendix 2 at http://www.lgpsregs.org/index.php/scotland/scot-hr-payroll-guides/lgps2015-hr-guide?showall=&start=14 which was applicable at the end of the relevant Pension Input Period.

109. Where an active member became a deferred member or a pensioner member in the Pension Input Period and had a Certificate of Protection applied to the calculation of their benefits, the CARE benefits included in the Closing Value will, of course, have been calculated in accordance with the version of the Certificate of Protection guidance that was applicable at the date of leaving.

Retrospective pay increases

110. Backdated pay increases can be paid in one Pension Input Period that may have effect from a date falling within a previous Pension Input Period (e.g. a late pay award, a retrospective regrading, a backdated equal pay award, a performance related pay / bonus payment, a timesheet for March is not submitted / processed until late April etc., etc.).

111. For the purposes of section 234(5) of the Finance Act 2004, the value of a member's benefits to be included in the Closing Value should be calculated on the member's benefits **as they were known on the last day of the Pension Input Period**. The Closing Value, as increased by CPI, then becomes the Opening Value for the new Pension Input Period. Backdated pay increases can occur whilst a member is still an active member or after the member has ceased to be an active member. Examples of the various permutations are given below. Although the examples refer to a backdated pay award, the same principle applies to any back payment and to, for example, performance related bonus schemes where performance is assessed over a year to, say, 31 March but the assessment is not undertaken until, say, May with any payment being made in, say, June.

Example 1 – ongoing active member of the LGPS – back pay paid in one Pension Input Period that relates, at least in part, to a

previous Pension Input Period

Member's annual pay award date is 1 January
Pay from 1 January 2016 : £20,000
Pay from 1 January 2017 : £21,000 but the pay award was not agreed and paid until June 2017
Pay from 1 January 2018: £22,000

Pension Input Period ending 5 April 2017:
The Closing Value of the member's benefits at 5 April 2017 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £20,000 (for the period 6 April 2016 to 5 April 2017), and

- the member's CARE pension as revalued at 5 April 2017 under the HM Treasury Revaluation Order (i.e. including the revaluation applied at one second after midnight of 31 March 2017).

Note that although a pay increase to £21,000, effective from 1 January 2017, was subsequently agreed it was not in place on 5 April 2017 and so cannot be taken into account in the Closing Value of the final salary or CARE benefits at 5 April 2017.

Pension Input Period ending 5 April 2018:
The Closing Value at 5 April 2017 is then increased by CPI to become the Opening Value for the Pension Input Period beginning 6 April 2017. The Pension Input Amount for the previous Pension Input Period does not change despite the backdated salary increase.

The Closing Value of the member's benefits at 5 April 2018 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £21,263.89 (i.e. £21,000 for the period 6 April 2017 to 31 December 2017 and £22,000 for the period from 1 January 2018 to 5 April 2018), and

- the member's CARE pension as revalued at 5 April 2018 under the HM Treasury Revaluation Order (including **all** of the CARE pension derived from the total amount of pay arrears paid in June 2017)

The difference between the Opening Value at 6 April 2017 and the Closing Value at 5 April 2018 is the Pension Input Amount for the Pension Input Period ending 5 April 2018.

Example 2 – deferred member of the LGPS receives a backdated payment in Pension Input Period after leaving

Member's annual pay award date is 1 January
Pay from 1 January 2016 : £20,000
Pay from 1 January 2017 : £21,000 but the pay award was not agreed and paid until June 2017
Ceased active membership 31 January 2017

Pension Input Period ending 5 April 2017:
The Closing Value of the member's benefits at 5 April 2017 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £20,000 (for the period 1 February 2016 to 31 January 2017), and

- the member's CARE pension as revalued at 5 April 2017 under the HM Treasury Revaluation Order (i.e. including the revaluation applied at one second after midnight of 31 March 2017).

Note that although a pay increase to £21,000, effective from 1 January 2017, was subsequently agreed it was not in place on 5 April 2017 and so cannot be taken into account in the Closing Value of the final salary or CARE benefits for the Pension Input Period ending 5 April 2017.

As the deferred member received a further pensionable payment in the subsequent Pension Input Period it means that the member's deferred benefits have increased during that subsequent Pension Input Period by more than CPI. Thus, there is a Pension Input Amount to be valued.

Pension Input Period ending 5 April 2018
The Closing Value at 5 April 2017 is increased by CPI to become the Opening Value for the Pension Input Period beginning 6 April 2017. The Pension Input Amount for the previous Pension Input Period does not change despite the backdated salary increase.

The Closing Value of the member's benefits at 5 April 2018 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £20,083.33 (i.e. £20,000 for the period 1 February 2016 to 31 December January 2016 and £21,000 for the period from 1 January 2017 to 31 January 2017), and

- the member's CARE pension as revalued at 5 April 2018 under the HM Treasury Revaluation Order (including **all** of the CARE pension derived from the total amount of pay arrears paid in June 2017) – note that, as per regulation 23(10) of the LGPS Regulations 2013 and the LGPS (Scotland) Regulations 2014, the additional pension derived from the arrears of pay is to be retrospectively credited to the active pension account in 2016/17 and the total CARE pension revalued by the last HM Treasury Revaluation Order i.e. the one applied at one second after midnight of 31 March **2017**, and

- the amount by which the deferred benefit was increased on 10 April 2017 under the Pensions Increase (Review) Order 2017 **but only if the member is aged 55 or over** at the end of the 2017/18 Pension Input Period (because if the benefit had become payable at that time and the member was under 55, the Pensions Increase could not have physically been paid and so does not appear to meet the definition of "entitled to" in section 165(3) of the Finance Act 2004).

The difference between the Opening Value at 6 April 2017 and the Closing Value at 5 April 2018 is the Pension Input Amount for the Pension Input Period ending 5 April 2018. Note, however, that if the member is under 55 and the Pension Input Amount so calculated is less than the amount by which the original deferred benefit (ignoring the increase in pay) would have been increased by under the Pensions Increase (Review) Order 2017 if the member was aged 55 or over, the Pension Input Amount is nil. This is because no Pensions Increase has actually been applied to the deferred benefit and, under the annual allowance provisions, deferred benefits are allowed to increase by CPI without generating a Pension Input Amount. Thus, if the increase in the deferred benefit (due to the pay increase) is less than CPI the Pension Input Amount is nil. [s234(5B)]

Example 3 – pensioner member of the LGPS with a BCE in one Pension Input Period receives a backdated payment in a subsequent Pension Input Period

Member's annual pay award date is 1 January
Pay from 1 January 2016 : £20,000
Pay from 1 January 2017 : £21,000 but the pay award was not agreed and paid until June 2017
Ceased active membership 31 January 2017 and all paperwork for BCE was completed in the 2016/17 Pension Input Period

As a BCE has already occurred (in the Pension Input Period in which the retirement occurred) there will be a new BCE2 / BCE6 after the retrospective pay is paid and, therefore, a new Pension Input Amount. This is calculated as the difference between the Opening Value (i.e. the Closing Value of the previous Pension Input Period increased by CPI) and the Closing Value for the Pension Input Period in which the second BCE occurs.

Pension Input Period ending 5 April 2017:
The Closing Value of the member's benefits at 5 April 2017 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £20,000 (for the period 1 February 2016 to 31 January 2017), and

- the member's CARE pension as revalued at 5 April 2017 under the HM Treasury Revaluation Order (i.e. including the revaluation applied at one second after midnight of 31 March 2017).

Note that although a pay increase to £21,000, effective from 1 January 2017, was subsequently agreed it was not in place on 5 April 2017 and so cannot be taken into account in the Closing Value of the final salary or CARE benefits for the Pension Input Period ending 5 April 2017.

As the pensioner member received a further pensionable payment in the subsequent Pension Input Period it means that the member's pension benefits have increased during that subsequent Pension Input Period by more than CPI. Thus, there is a Pension Input Amount to be valued.

Pension Input Period ending 5 April 2018
The Closing Value at 5 April 2017 is increased by CPI to become the Opening Value for the Pension Input Period beginning 6 April 2017. The Pension Input Amount for the previous Pension Input Period does not change despite the backdated salary increase.

The Closing Value of the member's benefits at 5 April 2018 will be calculated on the aggregate of:

- the member's pre 1 April 2014 final salary benefits (1 April 2015 in Scotland) based on a final pay figure of £20,083.33 (i.e. £20,000 for the period 1 February 2016 to 31 December January 2016 and £21,000 for the period from 1 January 2017 to 31 January 2017), and

- the member's CARE pension as revalued at 5 April 2018 under the HM Treasury Revaluation Order (including **all** of the CARE pension derived from the total amount of pay arrears paid in June 2017) – note that, as per regulation 23(10) of the LGPS Regulations 2013 and the LGPS (Scotland) Regulations 2014, the additional pension derived from the arrears of pay is to be retrospectively credited to the active pension account in 2016/17 and the total CARE pension revalued by the last HM Treasury Revaluation Order i.e. the one applied at one second after midnight of 31 March **2017**, and

- the amount by which the pension was increased on 10 April 2017 under the Pensions Increase (Review) Order 2017.

The difference between the Opening Value at 6 April 2017 and the Closing Value at 5 April 2018 is the Pension Input Amount for the Pension Input Period ending 5 April 2018.

Note that if the member wishes to make a 'Scheme Pays' election in respect of any annual allowance tax charge resulting from the new BCE2 / BCE6 it should be a new election (i.e. any former election relating to the previous BCE2 / BCE6 cannot be relied upon).

Example 4 – pensioner member of the LGPS retires in one Pension Input Period but does not have a BCE until the subsequent Pension Input Period and receives a backdated payment in that subsequent Pension Input Period

The member is treated as described in the example of such a case outlined in paragraph 30. However, when calculating the Closing Value for the Pension Input Period in which the retirement occurred and the Opening Value of the subsequent Pension Input Period the backdated payment is ignored; but it is not ignored when calculating the Closing Value for the Pension Input Period in which the BCE occurred.

Assessing whether there is a tax charge

112. If the aggregate Pension Input Amounts from all pension schemes exceeds the annual allowance there may be a tax charge on the amount in excess of the annual allowance. [s227(1) and s228(1)]

113. From 6 April 2015 the amount of the annual allowance depends on the individual's circumstances.

Tax year 2015/16 only

For tax year 2015/16 only, the amount of the annual allowance depends on:

- how the transitional £80,000 annual allowance applies to the individual, and
- whether or not the individual has flexibly accessed a money

purchase arrangement.

Tax year 2016/17 onwards

From tax year 2016/17 the amount of the annual allowance depends on whether:

- the individual has flexibly accessed a money purchase arrangement,
- the tapered annual allowance applies because the individual's "adjusted income" is over £150,000.

The various permutations are set out below:

i) For individuals who **have not** flexibly accessed a money purchase arrangement and the tapered annual allowance **does not** apply to them, the annual allowance is £40,000.

ii) For individuals who **have** flexibly accessed a money purchase arrangement and the tapered annual allowance **does not** apply to them, then:

  - the annual allowance of £40,000, or
  - a money purchase annual allowance (which was £10,000 for the tax years 2015/16 and 206/17 but reduced to £4,000 from the tax year 2017/18) for money-purchase inputs and the alternative annual allowance for other inputs (i.e. defined benefits)

  applies to them.

  The 'alternative' annual allowance is found by subtracting the money purchase annual allowance from the amount of the annual allowance for the tax year. For example, for tax year 2016/17 the alternative annual allowance was £30,000 (£40,000 less £10,000), for tax year 2017/18 the alternative annual allowance is £36,000 (£40,000 less £4,000).

  Where flexible access **has** occurred and 'money-purchase inputs' exceed the value of the money purchase annual allowance for that tax year, the alternative annual allowance will apply, unless applying the money purchase annual allowance results in a greater amount being chargeable to the annual allowance charge.

iii) For individuals who **have not** flexibly accessed a money purchase arrangement and the tapered annual allowance **applies** to them:

  - the annual allowance of £40,000 is reduced by £1 for every £2 of "adjusted income" above £150,000, but

- subject to a minimum reduced annual allowance of £10,000.

iv) For individuals who **have** flexibly accessed a money purchase arrangement and the tapered annual allowance **applies** to them, then:

- the annual allowance, being the reduced annual allowance after the £1 reduction for every £2 of "adjusted income" over £150,000 has been applied, subject to a minimum reduced annual allowance of £10,000, or
- a money purchase annual allowance for 'money-purchase inputs' and the alternative annual allowance for 'other inputs'(i.e. defined benefits)

applies to them.

The 'alternative' annual allowance is found by subtracting the money purchase annual allowance from the amount of the reduced annual allowance for the tax year. If the minimum reduced annual allowance of £10,000 applies, the 'alternative' annual allowance is nil.

Where flexible access **has** occurred and 'money purchase inputs' exceed the money purchase annual allowance the reduced annual allowance will apply unless applying the money purchase annual allowance results in a greater amount being chargeable to the annual allowance charge.

Money purchase annual allowance (MPAA) if member has flexibly accessed a money purchase arrangement

114. From tax year 2015/16 onwards, individuals who flexibly access a money purchase arrangement will have to test their total Pension Input Amounts against:

- the annual allowance of £40,000[94], and
- the money purchase annual allowance (MPAA).

However, special transitional rules apply for tax year 2015/16 only – see paragraphs 119 to 126.

115. "Flexible access" means one of the following 'trigger events' - the [s227G]

[94] 2015/16 figure.

member taking payment of income withdrawal from the member's flexi-access drawdown fund or payment of a short-term annuity purchased with funds from the member's flexi-access drawdown fund (other than in respect of a pension credit); taking an uncrystallised funds pension lump sum (UFPLS); becoming entitled to a lifetime annuity after 5 April 2015 that can reduce in amount; taking a scheme pension after 5 April 2015 from a defined contribution scheme with fewer than 12 pensioner members where the scheme pension is not payable under an annuity contract which was treated as having become a registered pension scheme; or taking a stand-alone lump sum from a money purchase arrangement if the member has primary but not enhanced protection and has a protected tax-free lump sum right which is greater than £375,000. In addition, any person who had a valid notification for flexible drawdown before 6 April 2015 will be deemed to have flexibly accessed their pension rights at the start of 6 April 2015.

116. **The following applies from 2016/17 onwards**[95] (as there are special transitional rules that apply for tax year 2015/16 – see paragraphs 119 to 126).

If a member has any benefits in a money purchase (defined contribution) pension arrangement which they have flexibly accessed on or after 6 April 2015 then:

a) in the tax year in which they first flexibly access money purchase benefits: [s227ZA, 227B, 227C, 227F]

- if their contributions to a money purchase scheme after first flexibly accessing money purchase benefits do not exceed the MPAA, their pension savings will be tested against the annual allowance figure of £40,000 (or a lesser amount when the tapered annual allowance also applies to the individual for the tax year concerned i.e. tax year 2016/17 or a later tax year – see paragraphs 127 to 135), or

- if their contributions to a money purchase scheme after first flexibly accessing money purchase benefits do exceed the MPAA –

    - the money purchase contributions they paid[96] after flexibly accessing their money purchase benefits will be

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[95] The money purchase annual allowance (MPAA) was reduced from £10,000 to £4,000 from April 2017 i.e. for 2017/18 onwards by virtue of the Finance (No.2) Act 2017).

[96] For money purchase arrangements which are cash balance arrangements, the amount paid is calculated on a time apportionment basis - if the Pension Input Period is 365 days and the trigger event occurred on day 265 of the Pension Input Period, the proportion of the Pension

measured against a money purchase annual allowance, and

- the money purchase contributions they paid[97] before flexibly accessing their money purchase benefits will, together with value of their defined benefit savings for the year, be measured against an 'alternative' annual allowance figure of the annual allowance less the MPAA for example for tax year 2016/17 this figure was £30,000 (or, when the tapered annual allowance also applies to the individual for the tax year concerned, a lesser figure which is found by subtracting the MPAA from the amount of the reduced annual allowance for the tax year following the reduction due to the taper, but if the minimum reduced annual allowance of £10,000 applies, the 'alternative' annual allowance is nil). Note that any unused annual allowance that can be carried forward from the previous tax years is added to the 'alternative' annual allowance (i.e. for tax year 2016/17 added to the £30,000 amount or lesser tapered amount),

but, if the annual allowance calculation (i.e. assessing the total of both their pre and post flexible access money purchase contributions and the increase in value of their defined benefits against the annual allowance of £40,000 or a lesser amount when the tapered annual allowance also applies to the individual for the tax year concerned i.e. tax year 2016/17 or a later tax year – see paragraphs 127 to 135) would produce a higher annual allowance tax charge, then the tax charged will be that higher figure.

b) in subsequent tax years:

- if their contributions to a money purchase scheme do not exceed the MPAA in the year, their pension savings will be tested against the £40,000 annual allowance figure (or a lesser amount when the tapered annual allowance also applies to the individual for the tax year concerned i.e. tax year 2016/17 or a later tax year – see paragraphs 127 to 135), or

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Input Amount that is tested against the money purchase annual allowance is 100/365 times the Pension Input Amount.

[97] For money purchase arrangements which are cash balance arrangements, the amount paid is calculated on a time apportionment basis - if the Pension Input Period is 365 days and the trigger event occurred on day 265 of the Pension Input Period, the proportion of the Pension Input Amount that is tested against the money purchase annual allowance is 100/365 times the Pension Input Amount.

- if their contributions to a money purchase scheme do exceed the MPAA in the year, their annual allowance charge will be based on any money purchase savings for the year in excess of the money purchase annual allowance, plus the value of any defined benefit savings in excess of the 'alternative' annual allowance figure (or, when the tapered annual allowance also applies to the individual for the tax year concerned, a lesser figure which is found by subtracting the MPAA from the amount of the reduced annual allowance for the tax year following the reduction due to the taper, but if the minimum reduced annual allowance of £10,000 applies, the 'alternative' annual allowance is nil). It will not be possible to carry forward any unused money purchase (defined contribution) annual allowance to later tax years

but, if the annual allowance calculation (i.e. assessing the total of both their pre and post flexible access money purchase contributions and the increase in value of their defined benefits against the annual allowance of £40,000 or a lesser amount when the tapered annual allowance also applies to the individual for the tax year concerned i.e. tax year 2016/17 or a later tax year – see paragraphs 127 to 135) would produce a higher annual allowance tax charge, then the tax charged will be that higher figure.

The responsibility for the above assessment rests with the scheme member.

117. Whilst the administering authority should be made aware if a member has flexibly accessed benefits (see paragraph 118) they will not, of course, know:

- whether, in the tax year in which the member first flexibly accesses money purchase benefits, the member's contributions to **all** money purchase schemes they have been a member of (after first flexibly accessing money purchase benefits) have exceeded the MPAA, nor

- whether, in subsequent tax years, the member's contributions to all money purchase schemes they have been a member of have exceeded the MPAA.

In recognition of this, the administering authority is only required to automatically provide a pension savings statement (see paragraph 155) if:

[Reg 14A(1)(b) and (9) of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

- the Pension Input Amount in the Fund exceeds the annual allowance, or

- they have reason to believe that the member has flexibly accessed benefits and the money purchase benefits paid in the Fund (i.e. AVCs) in the Pension Input Period exceeds the MPAA.

This is no different to the situation where a member has not flexibly accessed benefits and the Pension Input Amount in the Fund does not exceed the annual allowance (£40,000). As far as the administering authority is aware there is no annual allowance tax charge and the administering authority is not required to automatically provide a pension savings statement (see paragraph 155) even though the member might have pension savings in other pension schemes that result in their total Pension Input Amount exceeding the annual allowance (£40,000). If the member does, it is the individual's responsibility to work out their total Pension Input Amounts and the tax charges, if any, that are applicable.

118. To ensure that members know when they are subject to the MPAA and to ensure the administering authority is made aware that a member has flexibly accessed benefits, a number of new reporting requirements have been introduced.

Where a person first flexibly accesses their pension savings on or after 6 April 2015, the scheme administrator of the scheme from which the flexible benefits are drawn must provide the person with a statement confirming the date the first payment occurred and setting out what they must do. The scheme administrator is required to do this within 31 days of the flexible access occurring. If the person (or another scheme administrator) has already informed the scheme administrator that they have flexibly accessed benefits from another scheme then the scheme administrator does not need to provide the person with a statement.

[Reg 14ZA of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

The person then needs to notify any other pension scheme that they are an active member of, or that they become an active member of, that they have flexibly accessed their pension savings, but excluding any DB only schemes[98]. They must do so within 91 days of receiving the statement or within 91 days of becoming an active member, whichever is the later. The notification can be made by passing a copy of the statement to the administrator of the scheme in which they are, or have become, an active member or by giving notice that they have received such a statement and confirming either the date they first flexibly drew benefits or, if applicable, that the date they first flexibly drew benefits was more than 2 years before the date they

[Reg 14ZB of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

98 Note that the LGPS is not a DB only scheme because it also contains a DC element i.e. the AVC provision within the scheme is a DC arrangement and so the member must provide the above notification to any LGPS Fund in which they are a member.

became an active member.

Note that if a person had accessed benefits under flexible drawdown arrangements before 6 April 2015 the person must notify any other pension scheme that they are any active member of on 6 April 2015, or that they become an active member of, that they are to be treated as having first flexible accessed pension rights from 6 April 2015. They must do so within 91 days of 6 April 2015 or within 91 days of becoming an active member, whichever is the later.

[Reg 14ZD of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

Similarly, if a person had a drawdown pension fund in respect of an arrangement in place before 6 April 2015 and the person notifies the scheme administrator of that drawdown pension fund that they wish the fund to become a flexi-access drawdown fund, the person must notify any other pension scheme that they are an active member of when they first flexi-access that drawdown fund, or that they become an active member of after they first flexi-access that drawdown fund, of the date of conversion and of the date they first flexi-accessed that drawdown fund (or, if applicable, that the date they first flexi-accessed that drawdown fund was more than 2 years before becoming an active member). They must do so within 91 days of the date they first flexi-accessed that drawdown fund or within 91 days of becoming an active member, whichever is the later.

[Reg 14ZE of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

When making a transfer, if the transferring scheme has been notified by a person that they have flexibly accessed rights elsewhere or the member has flexibly accessed their rights in the transferring scheme, the scheme administrator of the transferring scheme will be required to notify the receiving scheme that they have reason to believe that the person has flexibly accessed benefits and the date they believe the first flexible access occurred. This notification must be made within 31 days of the transfer, or if later, within 31 days from the date the transferring scheme administrator became aware that the member had flexibly accessed their pension rights. It should be noted that where this occurs, the scheme member does not have to provide any of the declarations in the preceding three paragraphs.

[Regs 14ZC, 14ZB(5), 14ZD(7) and 14ZE(5) of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

Where a scheme receives a transfer for a member who has already flexibly accessed their rights there is no requirement for the scheme administrator for that scheme to provide the member with a flexible access statement.

When a member uses funds from a flexi-access drawdown fund to buy an annuity or scheme pension from an insurance company, the scheme administrator will be required to inform the insurance company providing that scheme pension or lifetime annuity. This extends the information that must already be provided to insurance companies where payments are made from drawdown funds, to include flexibly accessed funds.

Annual allowance calculation 2015/16

119. On 8 July 2015 it was announced that all Pension Input Periods will match the tax year (i.e. run from 6 April to 5 April) with effect from 6 April 2016 (i.e. for the 2016/17 Pension Input Period onwards) and so the Pension Input Period for 2015/16 will end on 5 April 2016.

120. To cater for the transition to this new Pension Input Period from the 'old' Pension Input Period of, in the case of the LGPS, 1 April to 31 March, the tax year 2015/16 is split into two 'mini' tax years: [s228C(1) and (2)]

- the 'pre-alignment tax year' which begins on 6 April 2015 and ends on 8 July 2015, and

- the 'post-alignment tax year' which begins on 9 July 2015 and ends on 5 April 2016.

121. This means that for 2015/16 the LGPS will have a 'pre-alignment' Pension Input Period of 99 days from 1 April 2015 to 8 July 2015 and a 'post-alignment' Pension Input Period of 272 days (including 29 February 2016). [s238, 238ZA and 238ZB]

122. For a member who **was** an active member of a registered pension scheme at some time during the pre-alignment tax year and who **is not** subject to the money purchase annual allowance (MPAA) in the pre-alignment tax year (i.e. because they have not flexibly accessed money purchase benefits in the pre-alignment tax year or, if they have, their money purchase contributions after first flexibly accessing money purchase benefits are less than £20,000) the annual allowance for the pre-alignment tax year is £80,000. [s228C]

Available unused annual allowance from 2012/13, 2013/14, 2014/15 can be carried forward and added to the £80,000 annual allowance.

The member's annual allowance for the post-alignment tax year is nil.

However, the following unused annual allowance can be carried forward to the post-alignment tax year:

- unused annual allowance from the pre-alignment tax year but subject to a maximum of £40,000, plus

- unused annual allowance from 2012/13, 2013/14, 2014/15.

123. For a member who **was** an active member of a registered pension scheme at some time during the pre-alignment tax year and who **is** subject to the money purchase annual allowance (MPAA) in the pre-alignment tax year (i.e. because they have flexibly accessed money [s228C]

purchase benefits in the pre-alignment tax year and their money purchase contributions after first flexibly accessing money purchase benefits are more than £20,000) the MPAA for the pre-alignment tax year is £20,000.

The ‘alternative’ annual allowance for the pre-alignment tax year is £60,000.

Available unused annual allowance from 2012/13, 2013/14, 2014/15 can be carried forward and added to the £60,000 ‘alternative’ annual allowance.

Depending on the individual’s circumstances, the member’s money purchase annual allowance (MPAA) for the post-alignment tax year is one of the following:

- £10,000,
- £20,000 less £X (an amount less than £10,000 but not nil), or
- nil.

The money purchase annual allowance for the post-alignment tax year is £10,000 for an individual where:

- the money purchase annual allowance did not apply at all for the pre-alignment tax year, or
- it did apply but did not have practical application[99] and the individual’s money purchase input amounts for the pre-alignment tax year did not exceed £10,000.

The money purchase annual allowance for the post-alignment tax year is £20,000 less £X for an individual where:

- the money purchase annual allowance applied for the pre-alignment tax year, but
- it did not have practical application because the individual’s money purchase input amounts for the pre-alignment tax year were £X, i.e. the money purchase input amounts were more than £10,000 but less than £20,000.

The money purchase annual allowance for the post-alignment tax

[99] The money purchase annual allowance having practical application for this purpose means:
• the money purchase annual allowance applies to the individual for the pre-alignment tax year because a trigger event occurs during that ‘mini’ tax year, and
• the individual’s chargeable amount for the pre-alignment tax year is the alternative chargeable amount i.e. the tax charge is based on the Pension Input Amount using the money purchase annual allowance (MPAA) and the ‘alternative’ annual allowance rather than the annual allowance.

year is nil for an individual where:

- the money purchase annual allowance applied for the pre-alignment tax year, and
- the individual's 'money purchase input amounts' for the pre-alignment tax year are £20,000 or more, and either

    - the money purchase annual allowance did not have practical application because the individual's chargeable amount for the pre-alignment tax year was the 'normal' chargeable amount, not the alternative chargeable amount i.e. the tax charge is based on the Pension Input Amount using the annual allowance rather than the money purchase annual allowance (MPAA) and the 'alternative' annual allowance, or
    - the money purchase annual allowance did have practical application[100] because the individual's chargeable amount for the pre-alignment tax year was the alternative chargeable amount i.e. the tax charge is based on the Pension Input Amount using the money purchase annual allowance (MPAA) and the 'alternative' annual allowance rather than the annual allowance.

The 'alternative' annual allowance for the post-alignment tax year is nil (regardless of whether the individual's money purchase annual allowance is £10,000, £20,000 less £X or nil).

However, the following available unused annual allowance can be carried forward to the post-alignment tax year and added to the 'nil alternative annual allowance':

- 'unused allowance' from the pre-alignment tax year but subject to a maximum amount, plus
- available unused annual allowance from 2012/13, 2013/14, 2014/15.

The 'unused allowance' for this purpose is either:

- unused annual allowance subject to a maximum of £40,000,

[100] The money purchase annual allowance having practical application for this purpose means:
• the money purchase annual allowance applies to the individual for the pre-alignment tax year because a trigger event occurs during that 'mini' tax year, and
• the individual's chargeable amount for the pre-alignment tax year is the alternative chargeable amount i.e. the tax charge is based on the Pension Input Amount using the money purchase annual allowance (MPAA) and the 'alternative' annual allowance rather than the annual allowance.

if the money purchase annual allowance did not have practical application for the pre-alignment tax year, or

- unused alternative annual allowance subject to a maximum of £30,000, if the money purchase annual allowance had practical application[101] for the pre-alignment tax year.

It should be noted that the individual will also have to test all Pension Input Amounts for the pre-alignment tax year against the annual allowance of £80,000 for the pre-alignment tax year. This to determine whether the tax charge calculated on the basis of the 'normal' annual allowance calculations for the pre-alignment tax year would be greater than the tax charge applicable based on the money purchase annual allowance (MPAA) and the 'alternative' annual allowance calculations for the pre-alignment tax year. If it is, the higher tax charge is payable.

The same principle applies to the post-alignment tax year i.e. the individual will have to test all Pension Input Amounts for the post-alignment tax year against the annual allowance for the post-alignment tax year. This to determine whether the tax charge calculated on the basis of the 'normal' annual allowance calculations for the post-alignment tax year would be greater than the tax charge applicable based on the money purchase annual allowance (MPAA) and the 'alternative' annual allowance calculations for the post-alignment tax year. If it is, the higher tax charge is payable.

124. For a member who **was not** an active member of a registered pension scheme at any time during the pre-alignment tax year and who **is not** subject to the money purchase annual allowance (MPAA) (i.e. because they have not flexibly accessed money purchase benefits or, if they have, their money purchase contributions after first flexibly accessing money purchase benefits are less than £10,000) the annual allowance for the post-alignment tax year is £40,000.

Available unused annual allowance from 2012/13, 2013/14, 2014/15 can be carried forward and added to the £40,000 annual allowance.

125. For a member who **was not** an active member of a registered pension scheme at any time during the pre-alignment tax year and

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[101] The money purchase annual allowance having practical application for this purpose means:
• the money purchase annual allowance applies to the individual for the pre-alignment tax year because a trigger event occurs during that 'mini' tax year, and
• the individual's chargeable amount for the pre-alignment tax year is the alternative chargeable amount i.e. the tax charge is based on the Pension Input Amount using the money purchase annual allowance (MPAA) and the 'alternative' annual allowance rather than the annual allowance.

who **is** subject to the money purchase annual allowance (MPAA) (i.e. because they have flexibly accessed money purchase benefits and their money purchase contributions after first flexibly accessing money purchase benefits are more than £10,000) the MPAA for the post-alignment tax year is £10,000 and the 'alternative' annual allowance for the post-alignment tax year is £30,000.

Available unused annual allowance from 2012/13, 2013/14, 2014/15 can be carried forward and added to the £30,000 'alternative' annual allowance.

It should be noted that the individual will have to test all Pension Input Amounts for the post-alignment tax year against the annual allowance for the post-alignment tax year. This to determine whether the tax charge calculated on the basis of the 'normal' annual allowance calculations for the post-alignment tax year would be greater than the tax charge applicable based on the money purchase annual allowance (MPAA) and the 'alternative' annual allowance calculations for the post-alignment tax year. If it is, the higher tax charge is payable.

126. Any Pension Input Amount for the pre-alignment tax year is tested against the annual allowance (i.e. the 'standard' annual allowance or, if applicable, the money purchase annual allowance and 'alternative' annual allowance) for that 'mini' tax year. Similarly, any Pension Input Amount for the post-alignment tax year is tested against the allowances for that 'mini' tax year.

Essentially, there is no change to the way the Pension Input Amount is calculated for an arrangement except that for defined benefit arrangements:

- to reflect the longer period of time over which the Pension Input Amount might be calculated, the Opening Value of the Pension Input Amount is uprated by 2.5%, and [s237ZA(4)]
- for testing against the pre and post-alignment tax year annual allowances, the Pension Input Amount for the Pension Input Period is apportioned between the pre and post-alignment tax years as follows **if the member was not a deferred member on 31 March 2016:** [s237ZA(5)]

    - If person joined LGPS on or before 1 April 2015 and is **not** a **deferred** member on 31 March 2016:

Pension Input Amount x 99 (number of days between 1 April 2015 and 8 July 2015) / 371[102] = Pension Input Amount for the pre-alignment tax year

Pension Input Amount x 272 (number of days between 9 July 2015 and 5 April 2016) / 371[103]= Pension Input Amount for the post-alignment tax year

- If person joined LGPS after 1 April 2015 and before 9 July 2015 and is **not** a **deferred** member on 31 March 2016:

  Pension Input Amount x (number of days between joining LGPS and 8 July 2015 / number of days between joining LGPS and 5 April 2016[104]) = Pension Input Amount for the pre-alignment tax year

  Pension Input Amount x 272 (number of days between 9 July 2015 and 5 April 2016) / number of days between joining LGPS and 5 April 2016[105]) = Pension Input Amount for the post-alignment tax year

- If person joined LGPS after 8 July 2015 and is **not** a **deferred** member on 31 March 2016:

  The whole Pension Input Amount is attributed to the post-alignment tax year (and none is attributed to the pre-alignment tax year)

- for testing against the pre and post-alignment tax year annual allowances, the Pension Input Amount for the Pension Input Period is apportioned between the pre and post-alignment tax years as follows **if the member was a deferred member before 1 April 2016[106]:**

  - If person became a **deferred** member on or after 1 April 2015 and before 9 July 2015: [s237ZA(12)]

    The whole Pension Input Amount is attributed to the pre-

[102] Includes 1 day for 29 February 2016.
[103] Includes 1 day for 29 February 2016.
[104] Remember to include 1 day for 29 February 2016.
[105] Remember to include 1 day for 29 February 2016.
[106] For members who became deferred members between 1 April 2015 and 31 March 2016, s237ZA of the Finance Act 2004 provides that the post-alignment period is to be treated as having ended on 31 March 2016 (i.e. the last day of what would have been the normal Pension Input Period in the LGPS prior to the move to align with the tax year ending 5 April 2016). There is a nil Pension Input Amount for the period 1 April 2016 to 5 April 2016.

alignment tax year (and none is attributed to the post-alignment tax year)

- If person joined the LGPS after 8 July 2015 and became a **deferred** member before 1 April 2016 [s237ZA(14)]

  The whole Pension Input Amount is attributed to the post-alignment tax year (and none is attributed to the pre-alignment tax year)

- If person joined LGPS on or before 1 April 2015 and became a **deferred** member on or after 9 July 2015 but before 1 April 2016 [s237ZA(13)}

  Pension Input Amount x 99 (number of days between 1 April 2015 and 8 July 2015) / 366[107] = Pension Input Amount for the pre-alignment tax year

  Pension Input Amount x 267 (number of days between 9 July 2015 and 31 March 2016) / 366[108]= Pension Input Amount for the post-alignment tax year

- If person joined LGPS after 1 April 2015 and before 9 July 2015 and became a **deferred** member on or after 9 July 2015 but before 1 April 2016

  Pension Input Amount x (number of days between joining LGPS and 8 July 2015 / number of days between joining LGPS and 31 March 2016[109]) = Pension Input Amount for the pre-alignment tax year

  Pension Input Amount x 267 (number of days between 9 July 2015 and 31 March 2016) / number of days between joining LGPS and 31 March 2016[110]) = Pension Input Amount for the post-alignment tax year

Any money purchase amounts (i.e. AVCs) are simply allocated to the pre or post-alignment tax year in which they were made (e.g. AVCs deducted from pay on, say, 20 April, 20 May and 20 June 2015 would be allocated to the Pension Input Amount for the pre-alignment tax year and those deducted from pay on 20 July 2015 through to 20 March 2016 would be allocated to the Pension Input Amount for the

[107] Includes 1 day for 29 February 2016.
[108] Includes 1 day for 29 February 2016.
[109] Remember to include 1 day for 29 February 2016.
[110] Remember to include 1 day for 29 February 2016.

post-alignment tax year.

Tapered annual allowance for 2016/17 onwards

127. For tax year 2016/17 and subsequent tax years the annual allowance is reduced on a tapered basis (a 'reduced annual allowance') for individuals: [s228ZA(3)]

- whose 'adjusted income' for the tax year is more than £150,000, **and**

- whose 'threshold income' for the same tax year is more than £110,000.

An individual with 'threshold income' of £110,000 or less for a tax year is **not** subject to the tapered annual allowance, even if their 'adjusted income' for that tax year exceeds £150,000.

128. Where the taper applies, the annual allowance is reduced by £1 for every £2 of 'adjusted income' above £150,000. However, this is subject to a minimum reduced annual allowance of £10,000. Thus, where an individual has an 'adjusted income' of, or above, £210,000 and the reduction would otherwise take their tapered annual allowance below £10,000 for the tax year, their reduced annual allowance for that year is set at £10,000. [s228ZA(1) and (3)]

129. Where the amount of the reduction is not a multiple of £1 it is rounded down to the nearest multiple of £1. [s228ZA(2)]

130. 'Adjusted income' is: [s228ZA(4)]

- the individual's taxable income[111] after deduction of employee pension contributions[112] and other elements on which relief is

[111] Taxable income include income from, for example, earnings from employment, earnings from self-employment/partnerships, most pensions income (State, occupational and personal pensions), interest on most savings, income from shares (dividend income), rental income, and income received by an individual from a trust.
[112] i.e. pension contributions deducted from pay under net pay arrangements, and pension contributions that would normally have been deducted under net pay arrangements but could not be for some reason (e.g. there was not enough pay from which to collect the contributions), and pension contributions for which the individual has claimed tax relief direct from HMRC.

given[113] but before any personal tax allowance or blind person's allowance is taken off, **plus**

- employee pension contributions[114], **plus**

- the value of any employer pension contributions for the tax year, which is calculated by taking the individual's total Pension Input Amounts for the Pension Input Period – 6 April to 5 April - and deducting the total of any member contributions paid during the tax year)[115], **less**

- the amount of any lump sum death benefits mentioned in section 636A(4ZA) of the Income Tax (Earnings and Pensions) Act 2003 accruing to the individual in the tax year (see PTM073000) i.e. such a lump sum death benefit received by the individual in respect of the death of a pension scheme member who died when aged over 75 or, other than an annuity protection lump sum death benefit or a pension protection lump sum death benefit, where the member died prior to age 75 but the payment was not made before the relevant 2 year

[113] That is relief under the following sections / Parts of the Income Tax Act 2007: section 72 (early trade losses relief), Chapter 6 of Part 4 (share loss relief), Chapter 3 of Part 8 (gifts of shares, securities and real property to charities etc), sections 457 and 458 or section 266(7) of the Income and Corporation Taxes Act 1988 (payments to trade unions or police organisations), section 64 (trade loss relief against general income), section 83 (carry-forward trade loss relief), section 89 (terminal trade loss relief), section 96 (post-cessation trade relief), section 118 (carry-forward property loss relief), section 120 (property loss relief against general income), section 125 (post-cessation property relief), section 128 (employment loss relief against general income), section 152 (loss relief against miscellaneous income), Chapter 1 of Part 8 (interest payments), Chapter 4 of Part 8 (annual payments), section 574 (manufactured dividends on UK shares: payments by non-companies), section 579 (manufactured interest on UK securities: payments not otherwise deductible), Part 2 of CAA 2001 (plant and machinery allowances), in a case where the allowance is to be given effect under section 258 of that Act (special leasing of plant and machinery), Part 8 of CAA 2001 (patent allowances) in a case where the allowance is to be given effect under section 479 of that Act (persons having qualifying non-trade expenditure), section 555 of the Income Tax (Earnings and Pensions) Act 2003 (deduction for liabilities related to former employment), section 446 of ITTOIA 2005 (strips of government securities: relief for losses), section 454(4) of ITTOIA 2005 (listed securities held since 26 March 2003: relief for losses: persons other than trustees), and section 600 of ITTOIA 2005 (relief for patent expenses).
[114] i.e. pension contributions deducted from pay under net pay arrangements, and pension contributions that would normally have been deducted under net pay arrangements but could not be for some reason (e.g. there was not enough pay from which to collect the contributions), and pension contributions for which the individual has claimed tax relief direct from HMRC, and pension contributions where non domiciled individuals make contributions to overseas pension schemes upon which they have claimed relief under Chapter 2 of Part 5 of the Income Tax (Earnings and Pensions) Act 2003 for the tax year.
[115] For money purchase schemes to which an employer contributes, the employer contributions will, in effect, be the actual employer contributions paid in the tax year for that arrangement.

period[116] for making an authorised payment. This applies to those lump sums that, prior to 6 April 2016 would have been subject to the special lump sum death benefit charge (45%) but which, from 6 April 2016, will instead be taxed at the recipient's marginal rate of tax.

It should be noted that employee contributions should, technically, include employee contributions due on pay for the period 6 April to 5 April in order to coincide with, and be consistent with, the same period over which the employer contributions are determined (i.e. the employer contributions are derived from by taking the individual's total Pension Input Amounts for the tax year – 6 April to 5 April - and deducting the total of any member contributions paid during the tax year).

131. 'Threshold income' is: [s228ZA(5) to (8)]

- the individual's taxable income after deduction of employee pension contributions and other elements on which relief is given but before any personal tax allowance or blind person's allowance is taken off (i.e. as in the first bullet point in the paragraph above), **plus**

- the amount of any reduction of employment income for pension provision as a result of any 'relevant salary sacrifice arrangement', or 'relevant flexible remuneration arrangement', made on or after 9 July 2015[117], **less**

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[116] i.e. within 2 years of either the day on which the scheme administrator first knew of the death or of the day on which that scheme administrator could first reasonably have been expected to have known of it.
[117] A relevant salary sacrifice arrangement is where:
• an individual gives up employment income in exchange for pension contributions by an employer, and
• the salary sacrifice arrangement was made on or after 9 July 2015 (whether before or after the start of the employment concerned).

A relevant flexible remuneration arrangement is where:
• an individual and their employer agree that pension contributions will be made by the employer rather than the individual receive some employment income, and
• the flexible remuneration arrangement was made on or after 9 July 2015 (whether before or after the start of the employment concerned).

For the purpose of a relevant salary sacrifice or relevant flexible remuneration arrangement, 'a pension contribution by an employer' means an individual's employer or some other person
• paying contributions (or additional contributions) to a pension scheme in respect of the individual or otherwise
• to secure increased benefits under a pension scheme to which the individual, a dependant of the individual, or any person connected with the individual has an actual or prospective entitlement

- the amount (before any deduction under section 192(1) of the Finance Act 2004) of any pension contribution paid in the year in respect of which the individual is entitled to be given relief under section 192 of the Finance Act 2004 (relief at source, see PTM044220), **less**

- the amount of any lump sum death benefits mentioned in section 636A(4ZA) of the Income Tax (Earnings and Pensions) Act 2003 accruing to the individual in the tax year (see PTM073000) i.e. such a lump sum death benefit received by the individual in respect of the death of a pension scheme member who died when aged over 75 or, other than an annuity protection lump sum death benefit or a pension protection lump sum death benefit, where the member died prior to age 75 but the payment was not made before the relevant 2 year period[118] for making an authorised payment. This applies to those lump sums that, prior to 6 April 2016 would have been subject to the special lump sum death benefit charge (45%) but which, from 6 April 2016, will instead be taxed at the recipient's marginal rate of tax.

132. There are anti-avoidance rules to prevent arrangements being entered into to reduce an individual's 'adjusted income' or 'threshold income' in order to avoid or reduce the effects of the taper, where the reduction in income will be redressed in a later tax year. Such arrangements are deemed to be ineffective and the taper applied as if the arrangement had not been made. For the purpose of this anti-avoidance rule 'arrangements' includes any agreement, understanding, 'scheme', transaction or series of transactions (whether or not legally enforceable). Note that at PTM057100 there is a clarification which says "Note - the terms 'arrangements' and 'scheme' are used here in the sense of avoidance devices rather than pension schemes or pension arrangements. This clarification would appear to mean that it would not be an anti-avoidance arrangement if a person makes greater employee pension contributions, thereby reducing their 'threshold income' to below £110,000 and thus avoiding the annual allowance taper (but, of course, increasing pension contributions would itself result in an increase in the Pension Input Amount which could lead to the individual breaching the un-tapered annual allowance and, depending on the level of carry forward, could lead to an annual allowance tax charge). [s228ZB]

[118] i.e. within 2 years of either the day on which the scheme administrator first knew of the death or of the day on which that scheme administrator could first reasonably have been expected to have known of it.

133. For individuals who have flexibly accessed a money purchase arrangement and the tapered annual allowance applies to them

- a money purchase annual allowance applies for 'money-purchase inputs', and
- the 'alternative' annual allowance applies for 'other inputs'.

The 'alternative' annual allowance is found by subtracting £10,000 from the amount of the reduced annual allowance for the tax year (i.e. following the reduction due to the taper). If the minimum reduced annual allowance of £10,000 applies, the 'alternative' annual allowance is nil.

134. If the member has, from all sources of income, 'adjusted income' for the tax year of more than £150,000 and their 'threshold income' for the same tax year is more than £110,000, it is the individual's responsibility to work out their tapered annual allowance and the tax charges, if any, applicable.

This is no different to the situation where a member who is not a high earner has a Pension Input Amount in the Fund of less than the annual allowance (£40,000). As far as the administering authority is aware there is no annual allowance tax charge and the administering authority is not required to automatically provide a pension savings statement (see paragraph 155). However, the member might have pension savings in another pension scheme and the Pension Input Amount in that scheme might also be less than the annual allowance (£40,000). The total Pension Input Amounts from both schemes might, nonetheless, exceed the annual allowance (£40,000) and, if they do, it is the individual's responsibility to work out their total Pension Input Amounts and the tax charges, if any, that are applicable.

135. The tapered annual allowance applying for a tax year does not alter the 'mandatory Scheme pays' conditions. In particular, it remains a requirement that the individual's total amount of pension savings in the pension scheme for the tax year has to exceed the annual allowance amount in section 228 Finance Act 2004.

For tax year 2016/17, for example, that means that means that where the individual's tax charge under the Scheme (not the Fund) exceeds £2,000 (see paragraph 179) the individual's total Pension Input Amount in the Fund has to exceed £40,000 (and not simply exceed the individual's reduced annual allowance) in order for the 'mandatory Scheme pays' option to be available.

Carry Forward

136. Where individuals exceed the annual allowance in a given tax year, unused allowance from up to three previous tax years[119] will be available to offset against the excess pensions savings, provided the individual was a member of a Registered Pension Scheme in those years. [s228A]

137. There is no requirement for the individual to have actually paid any contributions to a Registered Pension Scheme in those 3 years; merely that they were a member of a scheme (i.e. an active, deferred, pensioner or pension credit member). [s 228A(4) and s151]

138. Carry-forward is available against an assumed annual allowance of £50,000 for the tax years 2008/09, 2009/10 and 2010/11. The calculation of the Opening and Closing Values for those years are calculated in the same way as for tax year 2011/12. [paragraph 30 of Sch 17 to the Finance Act 2011]

139. From tax year 2015/16 onwards, certain individuals might be subject to the money purchase annual allowance instead of the 'standard' annual allowance. Tax year 2015/16 itself is split into two 'mini' tax years for annual allowance purposes. It is still possible to carry forward from a previous tax year when the money purchase annual allowance applies but the amount that can be carried forward is calculated by reference to the 'alternative' annual allowance that applied for that previous tax year.

140. From tax year 2016/17 onwards, certain individuals might be subject to the tapered annual allowance (they could also be subject to both the tapered annual allowance and money purchase annual allowance). When this occurs in a previous tax year, the amount that can be carried forward is calculated by reference to the individual's reduced annual allowance (or, if the money purchase annual allowance applied as well, the individual's reduced 'alternative' annual allowance).

141. It is best, therefore, to break the carry forward provisions down into the position applying:

- up to and including tax year 2014/15,
- for tax year 2015/16,
- for tax years 2016/17 to 2018/19
- for tax years from 2019/20 onwards.

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[119] Or, technically, 4 tax years if one of the 3 tax years is 2015/16, because that tax year is split into 2 mini-tax years.

Position up to and including tax year 2014/15

[s228A(6) and (7)]

142. Where the 'current' tax year was 2011/12, 2012/13, 2013/14 or 2014/15 individuals could carry forward any annual allowance they had not used in the previous three tax years. There is a strict order in which available annual allowance must be used-up. The annual allowance for the 'current' tax year should be used first. The unused annual allowance from earlier years is then used, beginning with available annual allowance from the earliest of the three previous tax years first. If one of the previous three years has an input amount of more than the annual allowance then that excess is treated as using up any amount of available annual allowance from the preceding year(s) first and this will reduce the available annual allowance to be carried forward to the 'current' year. However, the position is different for 2008/09, 2009/10 and 2010/11. If one of the previous three years that has a total input amount of more than £50,000 is 2009/10 and / or 2010/11 then that excess is not treated as using up any amount of available annual allowance from the preceding year(s).

Position for tax year 2015/16

143. Where the 'current' tax year is 2015/16 special rules apply because the tax year is split into two mini-tax years (the pre-alignment tax year running from 6 April 2015 to 8 July 2015 and the post-alignment tax year running from 9 July 2015 to 6 April 2016).

Pre-alignment tax year

Individuals can carry forward to the pre-alignment tax year any annual allowance they have not used in the previous three tax years (i.e. from any of 2012/13, 2013/14 and 2014/15). There is a strict order in which available annual allowance must be used-up. The annual allowance for the pre-alignment tax year is used first. The unused annual allowance from the previous three tax years is then used, beginning with available unused annual allowance from the earliest tax year first.

Post-alignment tax year

Individuals can carry forward to the post-alignment tax year any annual allowance they have not used in the previous four tax years (i.e. from any of 2012/13, 2013/14, 2014/15 and the pre-alignment tax year).

Note - a different method of calculation applies if the money purchase annual allowance applied for the pre-alignment tax year (see paragraph 146).

If the individual was a member of a registered pension scheme at any time during the pre-alignment tax year then there is a nil annual allowance for the post-alignment tax year.

The unused annual allowance from the pre-alignment tax year is used first. [s228C(8)(c)]

If the amount of any unused annual allowance from the pre-alignment tax year exceeds £40,000, the maximum unused amount that can be carried forward is limited to £40,000 from the pre-alignment tax year.

Then the unused annual allowance from the three years before the pre-alignment tax year is used, beginning with available unused annual allowance from the earliest tax year first.

If the individual was **not** a member of a registered pension scheme at any time during the pre-alignment tax year then the annual allowance for the post-alignment tax year is £40,000. Typically this will mean there is no unused annual allowance to carry forward from the pre-alignment tax year and possibly none of the previous three tax years before that.

Position for tax years 2016/17 to 2018/19

144. Individuals can carry forward any annual allowance that they have not used in the previous four tax years to the current tax year, as follows:

- For tax year 2016/17 - from the post-alignment tax year, the pre-alignment tax year, 2014/15, 2013/14.

- For tax year 2017/18 – from 2016/17, the post-alignment tax year, the pre-alignment tax year, 2014/15.

- For tax year 2018/19 - from 2017/18, 2016/17, the post-alignment tax year, the pre-alignment tax year.

If the individual was a member of registered pension scheme at any time during the pre-alignment tax year then no unused annual allowance can be carried forward from the post-alignment tax year. This is because the individual has a nil annual allowance for that ‘mini’ tax year in this case.

There is a strict order in which available annual allowance must be used-up. The annual allowance for the current tax year is used first. The unused annual allowance from the previous four tax years is then used, beginning with available unused annual allowance from the earliest tax year first (i.e. any available unused annual allowance from the pre-alignment tax year does not take precedence over the other previous tax years.)

Note - a different method of calculation applies if the money purchase annual allowance applied for an earlier tax year (see paragraph 146).

Position for tax years 2019/20 onwards

145. Where the 'current' tax year is 2019/20 or later, individuals can carry forward any annual allowance they have not used in the previous three tax years. There is a strict order in which available annual allowance must be used-up. The annual allowance for the 'current' tax year should be used first. The unused annual allowance from earlier years is then used, beginning with available annual allowance from the earliest of the three previous tax years first.

Note - a different method of calculation applies if the money purchase annual allowance applied for an earlier tax year (see paragraph 146).

When the money purchase annual allowance applies for a previous tax year

146. When the money purchase annual allowance applies for a previous tax year (i.e. when the individual had an annual allowance charge by reference to the application of the money purchase annual allowance), the maximum amount of unused allowance that can be carried forward from that tax year is calculated by reference to the 'alternative' annual allowance for the tax year concerned.

There will be unused allowance to carry forward if the 'other inputs' (i.e. non money purchase inputs) for that previous tax year were less than the 'alternative' annual allowance for the same tax year. If so the unused allowance is the difference between the 'other inputs' and the 'alternative' annual allowance.

For example, if the individual's 'other inputs' for the tax year are £25,000 and the 'alternative' annual allowance for the tax year is £30,000 then the unused allowance for the tax year is £5,000 (£30,000 less £25,000).

Note - tax year 2015/16 is split into two 'mini' tax years for annual allowance purposes (the pre and post-alignment tax years) and the amount of alternative annual allowance for either, or both, of the 'mini' tax years depends on the circumstances of the individual (PTM058030 has more details).

Note - if the previous tax year is 2016-17 (or a later tax year) and the tapered annual allowance applied as well for that year, the 'other inputs' are tested against the individual's reduced alternative annual allowance.

Individuals who are subject to the money purchase annual allowance for tax year 2015/16 (as split into two 'mini' tax years), or later tax years, might still be liable to an annual allowance charge that must be included in their Self-Assessment tax return despite their total pension input amount not exceeding their available annual allowance. This would be the case where the only amount subject to the annual allowance charge is in respect of a 'money-purchase' input in excess of the money purchase annual allowance.

Note - when the money purchase annual allowance applies for a current tax year, any unused annual allowance from a previous tax year cannot be added to it. Thus, unused annual allowance cannot be used to offset a 'money-purchase input' that exceeds the money purchase annual allowance when the money purchase annual allowance applies. Any unused annual allowance can only be added to the 'alternative' annual allowance.

147. All of the above may best be explained by the examples below.

Example – employee 1 – not subject to the money purchase annual allowance (MPAA) or the tapered annual allowance.

Employee 1 – 2011/12 Pensions Input Period:

Year	Value of benefit accrual	AA	
2008/09	£30,000	£50,000	Unused AA to carry forward from 2008/09 = £20,000
2009/10	£90,000	£50,000	£40,000 excess does not use up £20,000 unused AA from 2008/09
2010/11	£30,000	£50,000	Unused AA to carry forward from 2010/11 = £20,000
2011/12	£95,000	£50,000	£50,000 AA for 2011/12 + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 leaves £5,000 subject to tax charge. There is thus no unused AA to carry forward to 2012/13

Employee 1 – 2012/13 Pensions Input Period:

Year	Value of benefit accrual	AA	
2008/09	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to

			carry forward from 2011/12
2009/10	£90,000	£50,000	£40,000 excess, no carry forward
2010/11	£30,000	£50,000	Unused AA to carry forward from 2010/11 = £20,000
2011/12	£95,000	£50,000	£50,000 AA for 2011/12 + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no residual unused AA to carry forward to 2012/13
2012/13	£35,000	£50,000	Unused AA to carry forward from 2012/13 = £15,000

Employee 1 – 2013/14 Pensions Input Period:

Year	**Value of benefit accrual**	**AA**	
2008/09	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12
2009/10	£90,000	£50,000	£40,000 excess drops out of reckoning and did not use up £20,000 unused AA from 2008/09
2010/11	£30,000	£50,000	Unused AA to carry forward from 2010/11 = £20,000
2011/12	£95,000	£50,000	£50,000 AA for 2011/12 + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no residual unused AA to carry forward to 2012/13
2012/13	£35,000	£50,000	Unused AA to carry forward from 2012/13 = £15,000
2013/14	£60,000	£50,000	£50,000 AA from 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 is used up so £5,000 residual unused AA from 2012/13 to carry

			forward to 2014/15

Employee 1 - 2014/15 Pensions Input Period:

Year	Value of benefit accrual	AA	
2008/09	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12
2009/10	£90,000	£50,000	£40,000 excess has dropped out of reckoning and did not use up £20,000 unused AA from 2008/09
2010/11	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12, 2012/13 or 2013/14
2011/12	£95,000	£50,000	£50,000 AA from 2011/12 + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no residual unused AA to carry forward to 2012/13
2012/13	£35,000	£50,000	Unused AA to carry forward from 2012/13 = £15,000
2013/14	£60,000	£50,000	£50,000 AA from 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there is £5,000 of residual unused AA from 2012/13 to carry forward to 2014/15
2014/15	£30,000	£40,000	Unused AA to carry forward = £10,000 from 2014/15 + £5,000 residual AA from 2012/13

Employee 1 - 2015/16 Pensions Input Period:

Year	Value of benefit accrual	AA	
2009/10	£90,000	£50,000	£40,000 excess has dropped out of reckoning
2010/11	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12, 2012/13 or 2013/14
2011/12	£95,000	£50,000	£50,000 AA + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no unused AA carried forward to 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2012/13, 2013/14 or 2014/15
2012/13	£35,000	£50,000	Unused AA to carry forward from 2012/13 = £15,000
2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there is £5,000 of residual unused AA from 2012/13 to carry forward to 2014/15
2014/15	£30,000	£40,000	Unused AA to carry forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA to carry forward = £55,000 i.e. £40,000* from the 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignme	£30,000	£0	Unused AA to carry forward = £20,000. The £30,000 excess over the AA of £0 is covered by

nt mini-tax year)			the unused AA allowance from the pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment tax year plus £10,000 unused AA from 2014/15 to carry forward to 2016/17.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.

Employee 1 - 2016/17 Pensions Input Period:

Year	Value of benefit accrual	AA	
2010/11	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12, 2012/13 or 2013/14
2011/12	£95,000	£50,000	£50,000 AA + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no unused AA carried forward to 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2012/13, 2013/14 or 2014/15
2012/13	£35,000	£50,000	Unused AA of £15,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2013/14, 2014/15 or 2015/16
2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13

			was used up so there is £5,000 of residual unused AA from 2012/13 to carry forward to 2014/15
2014/15	£30,000	£40,000	Unused AA to carry forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA to carry forward = £40,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignment mini-tax year)	£30,000	£0	Unused AA to carry forward = £20,000 i.e. the £30,000 excess over the AA of £0 is covered by the unused AA allowance from the pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment mini tax year plus £10,000 unused AA from 2014/15 to carry forward to 2016/17.
2016/17	£45,000	£40,000**	£40,000 AA for 2016/17 + £5,000 of the £10,000 brought forward from the 2014/15 tax year is used up so £5,000 residual unused AA from 2014/15 plus £10,000 from the pre-alignment mini-tax year is left to carry forward to 2017/18 meaning total carry forward is £15,000.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.
** If the taper applies to the member the figure of £40,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

Employee 1 - 2017/18 Pensions Input Period:

Year	Value of benefit accrual	AA	
2011/12	£95,000	£50,000	£50,000 AA + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA

			brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no unused AA carried forward to 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2012/13, 2013/14 or 2014/15
2012/13	£35,000	£50,000	Unused AA of £15,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2013/14, 2014/15 or 2015/16
2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there was £5,000 of residual unused AA from 2012/13 carried forward to 2014/15. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2014/15, 2015/16 or 2016/17
2014/15	£30,000	£40,000	Unused AA to carry forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA to carry forward = £40,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignment mini-tax year)	£30,000	£0	Unused AA to carry forward = £20,000 i.e. the £30,000 excess over the AA of £0 is covered by the unused AA allowance from the pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment mini tax year plus

			£10,000 unused AA from 2014/15 to carry forward to 2016/17.
2016/17	£45,000	£40,000**	£40,000 AA for 2016/17 + £5,000 of the £10,000 brought forward from the 2014/15 tax year is used up so £5,000 residual unused AA from 2014/15 plus £10,000 from the pre-alignment mini-tax year is left to carry forward to 2017/18 meaning total carry forward is £15,000.
2017/18	£30,000	£40,000**	Unused AA to carry forward = £20,000 i.e. £10,000 from 2017/18 + £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year. The £5,000 unused AA from 2014/15 will not carry forward to 2018/19 as it will then relate to a period more than 3 years previous.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.
** If the taper applies to the member the figure of £40,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

Employee 1 - 2018/19 Pensions Input Period:

Year	**Value of benefit accrual**	**AA**	
2012/13	£35,000	£50,000	Unused AA of £15,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2013/14, 2014/15 or 2015/16
2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there was £5,000 of residual unused AA from 2012/13 carried forward to 2014/15. This has dropped out of reckoning, but information is nonetheless

			important to determine whether there were any amounts to carry forward from 2014/15, 2015/16 or 2016/17
2014/15	£30,000	£40,000	Unused AA carried forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2015/16, 2016/17 or 2017/18
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA to carry forward = £40,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignment mini-tax year)	£30,000	£0	Unused AA to carry forward = £20,000 i.e. the £30,000 excess over the AA of £0 is covered by the unused AA allowance from the pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment mini tax year plus £10,000 unused AA from 2014/15 to carry forward to 2016/17.
2016/17	£45,000	£40,000**	£40,000 AA for 2016/17 + £5,000 of the £10,000 brought forward from the 2014/15 tax year is used up so £5,000 residual unused AA from 2014/15 plus £10,000 from the pre-alignment mini-tax year is left to carry forward to 2017/18 meaning total carry forward is £15,000.
2017/18	£30,000	£40,000**	Unused AA to carry forward to 2018/19 = £20,000 i.e. £10,000 from 2017/18 + £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year.
2018/19	£31,000	£40,000**	Unused AA to carry forward = £9,000 from 2018/19 +

			£10,000 from 2017/18. The £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year will not carry forward to 2019/20 as it will then relate to a period more than 3 years previous.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.
** If the taper applies to the member the figure of £40,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

Employee 1 - 2019/20 Pensions Input Period:

Year	Value of benefit accrual	AA	
2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there was £5,000 of residual unused AA from 2012/13 carried forward to 2014/15. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2014/15, 2015/16 or 2016/17
2014/15	£30,000	£40,000	Unused AA carried forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2015/16, 2016/17 or 2017/18
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA carried forward = £40,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15. This has dropped out of reckoning, but information is nonetheless important to

			determine whether there were any amounts to carry forward from 2016/17, 2017/18 or 2018/19
2015/16 (post-alignment mini-tax year)	£30,000	£0	Unused AA carried forward was £20,000 i.e. the £30,000 excess over the AA of £0 was covered by the £40,000 unused AA from pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment mini tax year + £10,000 unused AA brought forward from 2014/15. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2016/17, 2017/18 or 2018/19
2016/17	£45,000	£40,000**	£40,000 AA for 2016/17 + £5,000 of the £10,000 brought forward from the 2014/15 tax year is used up so £5,000 residual unused AA from 2014/15 plus £10,000 from the pre-alignment mini-tax year is left to carry forward to 2017/18 meaning total carry forward is £15,000.
2017/18	£30,000	£40,000**	Unused AA to carry forward = £10,000 from 2017/18 + £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year.
2018/19	£31,000	£40,000**	Unused AA to carry forward = £9,000 from 2018/19 + £10,000 from 2017/18. The £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year does not carry forward to 2019/20 as it relates to a period more than 3 years previous.
2019/20	£32,000	£40,000**	Unused AA to carry forward = £27,000 i.e. £8,000 from 2019/20 + £9,000 from 2018/19 + £10,000 from 2017/18.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.
** If the taper applies to the member the figure of £40,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

Employee 1 - 2020/21 Pensions Input Period:

Year	Value of benefit accrual	AA	
2014/15	£30,000	£40,000	Unused AA carried forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2015/16, 2016/17 or 2017/18
2015/16 (pre-alignment mini-tax year)	£10,000	£80,000	Unused AA carried forward = £40,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2016/17, 2017/18 or 2018/19
2015/16 (post-alignment mini-tax year)	£30,000	£0	Unused AA carried forward was £20,000 i.e. the £30,000 excess over the AA of £0 was covered by the £40,000 unused AA from pre-alignment mini tax year first leaving £10,000 residual unused AA from the pre-alignment mini tax year + £10,000 unused AA brought forward from 2014/15.

			This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2016/17, 2017/18 or 2018/19.
2016/17	£45,000	£40,000**	£40,000 AA for 2016/17 + £5,000 of the £10,000 brought forward from the 2014/15 tax year was used up so £5,000 residual unused AA from 2014/15 plus £10,000 from the pre-alignment mini-tax year is left to carry forward to 2017/18 meaning total carry forward was £15,000. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2017/18, 2018/19 or 2018/19
2017/18	£30,000	£40,000**	Unused AA to carry forward = £10,000 from 2017/18 + £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year.
2018/19	£31,000	£40,000**	Unused AA to carry forward = £9,000 from 2018/19 + £10,000 from 2017/18. The £10,000 residual unused AA from the 2015/16 pre-alignment mini-tax year did not carry forward to 2019/20 as it related to a period more than 3 years previous.
2019/20	£32,000	£40,000**	Unused AA to carry forward = £8,000 from 2019/20 + £9,000 from 2018/19 + £10,000 from 2017/18.
2020/21	£33,000	£40,000**	Unused AA to carry forward = £7,000 from 2020/21 + £8,000 from 2019/20 + £9,000 from 2018/19. The £10,000 residual unused AA from 2017/18 does not carry forward to 2021/22 as it relates to a period more than 3 years previous.

* Although the excess is £70,000 the carry forward is limited to a maximum of £40,000.
** If the taper applies to the member the figure of £40,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

Example - employee 2 – member had flexibly accessed benefits in the pre-alignment 2015/16 tax year and is subject to the money purchase annual allowance (MPAA) because they have a money purchase input of more than £10,000 (MPAA is £10,000 for 2015/16 and 2016/17, from 2017/18 onwards it reduces to £4,000)

Employee 2 - 2015/16 Pensions Input Period:

Year	Value of benefit accrual	AA	
2009/10	£90,000	£50,000	£40,000 excess has dropped out of reckoning
2010/11	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12, 2012/13 or 2013/14
2011/12	£95,000	£50,000	£50,000 AA + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no unused AA carried forward to 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2012/13, 2013/14 or 2014/15
2012/13	£35,000	£50,000	Unused AA to carry forward from 2012/13 = £15,000

2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there is £5,000 of residual unused AA from 2012/13 to carry forward to 2014/15
2014/15	£30,000	£40,000	Unused AA to carry forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13
2015/16 (pre-alignment mini-tax year – money purchase input)	£22,000**	£20,000	No unused allowance for previous years can be carried forward towards the money purchase annual allowance (MPAA) for 2015/16 pre-alignment mini-tax year. Thus £2,000 of money purchase input is subject to a tax charge.
2015/16 (pre-alignment mini-tax year – other inputs)	£28,000	£60,000	Unused AA to carry forward = £30,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignment mini-tax year – money purchase input)	£2,000	£0	The MPAA for the post alignment tax year in this circumstance is nil. No unused allowance for the years prior to the pre-alignment mini-tax year can be carried forward towards the money purchase annual allowance (MPAA) for the 2015/16 post-alignment mini-tax year thus £2,000 of money purchase input is subject to a tax charge.
2015/16 (post-alignment mini-tax year – other inputs)	£22,000	£0	The £22,000 excess over the AA of £0 is covered by the £30,000 AA carried forward from the 2015/16 pre–alignment mini-tax year. This leaves £8,000 residual unused AA from the pre-alignment mini tax year + the £10,000 unused AA brought forward from 2014/15 to carry forward to 2016/17.

* Although the excess is £32,000 the carry forward is limited to a maximum of £30,000.
** The £22,000 money purchase input amount in the pre-alignment mini tax year is in respect of the period after flexible access has occurred.

Employee 2 - 2016/17 Pensions Input Period:

Year	Value of benefit accrual	AA	
2010/11	£30,000	£50,000	Unused AA of £20,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2011/12, 2012/13 or 2013/14
2011/12	£95,000	£50,000	£50,000 AA + £20,000 unused AA brought forward from 2008/09 + £20,000 unused AA brought forward from 2010/11 left £5,000 subject to tax charge. There was thus no unused AA carried forward to 2012/13. This has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2012/13, 2013/14 or 2014/15
2012/13	£35,000	£50,000	Unused AA of £15,000 has dropped out of reckoning, but information is nonetheless important to determine whether there were any amounts to carry forward from 2013/14, 2014/15 or 2015/16

2013/14	£60,000	£50,000	£50,000 AA for 2013/14 + £10,000 of the £15,000 brought forward from 2012/13 was used up so there is £5,000 of residual unused AA from 2012/13 to carry forward to 2014/15
2014/15	£30,000	£40,000	Unused AA to carry forward from 2014/15 = £10,000 + £5,000 residual AA from 2012/13
2015/16 (pre-alignment mini-tax year – money purchase input)	£22,000**	£20,000	No unused allowance for previous years can be carried forward towards the money purchase annual allowance (MPAA) for 2015/16 pre-alignment mini-tax year. Thus £2,000 of money purchase input is subject to a tax charge.
2015/16 (pre-alignment mini-tax year – other inputs)	£28,000	£60,000	Unused AA to carry forward = £30,000* from 2015/16 pre-alignment mini-tax year + £5,000 residual AA from 2012/13 + £10,000 unused AA brought forward from 2014/15.
2015/16 (post-alignment mini-tax year – money purchase input)	£2,000	£0	The MPAA for the post alignment tax year in this circumstance is nil. No unused allowance for the years prior to the pre-alignment mini-tax year can be carried forward towards the money purchase annual allowance (MPAA) for the 2015/16 post-alignment mini-tax year thus £2,000 of money purchase input is subject to a tax charge.
2015/16 (post-alignment mini-tax year – other inputs)	£22,000	£0	The £22,000 excess over the AA of £0 is covered by the £30,000 AA carried forward from the 2015/16 pre–alignment mini-tax year. This leaves £8,000 residual unused AA from the pre-alignment mini tax year + the £10,000 unused AA brought forward from 2014/15 to

			carry forward to 2016/17.
2016/17 (money purchase input)	£11,000	£10,000	No unused allowance for previous years can be carried forward towards the MPAA, thus £1,000 of money purchase input is subject to a tax charge.
2016/17 (other inputs)	£32,000	£30,000***	The £2,000 excess over the AA of £30,000 is covered by the £2,000 of the £10,000 unused AA from 2014/15. This leaves £8,000 residual unused AA from 2014/15 + the £8,000 residual unused AA from the 2015/16 pre-alignment mini-tax to carry forward to 2017/18.

* Although the excess is £32,000 the carry forward is limited to a maximum of £30,000.
** The £22,000 money purchase input amount in the pre-alignment mini tax year is in respect of the period after flexible access has occurred.
*** If the taper applies to the member the figure of £30,000 would be substituted with the tapered AA figure and the figures in the final column adjusted accordingly.

148. Any negative accruals for an arrangement in a year will be treated as a zero accrual (see Example 15). [s234(1) to (3)]

Worked examples

149. Worked examples for the annual allowance test in a wide a range of situations are set out in Annex 3.

Anti-avoidance

150. Employers and Scheme members need to be aware that there are special anti-avoidance provisions. These are designed to cover any Scheme member who, in a Pension Input Period, enters into a measure that is designed to increase the annual rate of pension under the arrangement at a time after the member has become entitled to the Scheme pension, but with the intention of seeking to avoid or reduce his / her liability to the annual allowance tax charge. This is called an “avoidance-inspired post-entitlement enhancement”. For example, if a member retiring in one Pension Input Period agrees [s236A]

with the employer to delay payment of a pensionable bonus payment until the next Pension Input Period this would be an "avoidance-inspired post-entitlement enhancement" if its main purpose, or one of the main purposes, was to avoid or reduce a liability to the annual allowance tax charge. If that were the case, the Pension Input Amount for the Pension Input Period in which the avoidance inspired measure was entered into (and for all subsequent Pension Input Periods) would be calculated, not in the normal way, but as follows:

- the Opening Value is to be calculated as being "such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the Pension Input Period immediately preceding the current Pension Input Period (or is nil if the Pension Input Period is the first Pension Input Period of the arrangement)" and

- the Closing Value is to be calculated as being "such amount as, applying normal actuarial practice, is the expected cost of giving effect to the individual's rights under the arrangement at the end of the Pension Input Period."

151. There are also anti-avoidance rules to prevent arrangements being entered into to reduce an individual's 'adjusted income' or 'threshold income' in order to avoid or reduce the effects of the annual allowance taper, where the reduction in income will be redressed in a later tax year (see paragraph 132 for further information). [s228ZB]

Employing authority duties – provision of information to the administering authority[120]

152. To enable administering authorities to provide Scheme members with details of their Pension Input Amount employers must, in respect of any employee who has been an active member of the Scheme for all or part of the Pension Input Period, provide relevant information to the administering authority to enable the administering authority to calculate the value of a member's benefits at the end of the Pension Input Period. Employers must provide the information by 6 July following the end of the tax year[121] (but see paragraph 202 and the third bullet point in paragraph 163 regarding retirees in the Pension Input Period).

[reg 15A(1) to (3) of SI 2006/567 as inserted by SI 2011/1797]

[120] The employer duties concerning the provision of information are set out in The Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended].
[121] For the 2011/12 Pension Input Period the deadline was extended by one year to 6 July 2013.

153. Employers must also provide the administering authority with such information as the administering authority requires to calculate the Pension Input Amount in relation to the Scheme member for tax years 2008/09, 2009/10 and 2010/11 if the administering authority request them to do so. The employer must supply the information within three months of receiving the administering authority's request or by 6 July 2013 if later.

[reg 15A(4) of SI 2006/567 as inserted by SI 2011/1797]

Administering Authority duties – provision of information to other schemes where member transfers out and administering authority has reason to believe the member has flexibly accessed benefits[122]

154. If the administering authority has been notified by a person that they have flexibly accessed rights elsewhere (or the member has flexibly accessed their rights in the LGPS[123]) then, when making a transfer out to another scheme, the administering authority is required to notify the receiving scheme that they have reason to believe the person has flexibly accessed benefits and the date they believe the first flexible access occurred. This notification must be made within 31 days of the transfer, or if later, within 31 days from the date the administering authority became aware that the member had flexibly accessed their pension rights.

[Regs 14ZC of SI 2006/567 as inserted by Part 6 of Sched 1 to the Taxation of Pensions Act 2014]

Administering Authority duties – provision of information to the Scheme member[124]

155. Where:

a) the aggregate of an individual's Pension Input Amount in respect of all their arrangements in the Fund exceeds the annual allowance (which, for 2015/16, means if the Pension Input Amount exceeds £80,000 in the pre-alignment mini-tax year and / or exceeds £40,000 in the post-alignment mini-tax year and, for other tax years, the annual allowance for that tax year e.g. £40,000 for 2016/17), or (from 2015/16)

[reg 14A of SI 2006/567 as inserted by SI 2011/1797 and amended by Part 6 of Schedule 1 to the Pensions Act 2014]

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[122] The administering authority duties concerning the provision of information are set out in The Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended].
[123] i.e. if / when the LGPS Regulations are amended to allow flexible access in respect of LGPS AVCs.
[124] The administering authority duties concerning the provision of information are set out in The Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended].

b) the administering authority believes the individual has first flexibly accessed a money purchase arrangement and the individual's money purchase pension input amounts in the Fund (i.e. AVCs) for the tax year are more than £10,000[125]

the administering authority must automatically provide the member, within six months of the end of the tax year (i.e. by 6 October[126], but see paragraph 202 and the third bullet point in paragraph 163 regarding retirees in the Pension Input Period) with a pension savings statement. Despite 2015/16 being split into two mini-tax years for annual allowance purposes, only a single pension savings statement for the whole tax year is required (but it has to contain separate information relating to the pre-alignment mini-tax year and the post-alignment mini-tax year).

Pension savings statement for 2014/15 or earlier

For pension savings statements for 2014/15 or earlier, only (a) above is relevant. The pension savings statement should show:

(i) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for the relevant Pension Input Period - and see paragraph 162

(ii) the annual allowance for the tax year in which the relevant Pension Input Period ends

(iii) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for each of the Pension Input Periods in the Fund (if any) ending in the three previous tax years, and

(iv) the annual allowance for each of the Pension Input Periods ending in the three previous tax years[127]

Pension savings statement for 2015/16

In the case of (a) above the pension savings statement should show:

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[125] The money purchase annual allowance (MPAA) was reduced from £10,000 to £4,000 from 6 April 2017 i.e. for 2017/18 onwards by virtue of the Finance (No.2) Act 2017.
[126] For the 2011/12 Pension Input Period the deadline for producing the pension savings statement was extended by one year to 6 October 2013.
[127] For Pension Input Periods 2008/09, 2009/10 and 2010/11 the assumed annual allowance figure for those tax years was £50,000 – see paragraph 30(3)(a) of Schedule 17 to the Finance Act 2011.

(i) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for the pre-alignment Pension Input Period - and see paragraph 162

(ii) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for the post-alignment Pension Input Period - and see paragraph 162

(iii) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for each of the Pension Input Periods in the Fund (if any) ending in the three previous tax years (i.e. tax years 2014/15, 2013/14, 2012/13), and

(iv) the annual allowance for each of the Pension Input Periods ending in the three previous tax years (i.e. tax years 2014/15, 2013/14, 2012/13)

In the case of (b) above the pension savings statement should show:

(i) the aggregate of the member's Pension Input Amount in respect of all their defined benefit arrangements in the Fund for the pre-alignment Pension Input Period

(ii) the aggregate of the member's Pension Input Amount in respect of all their defined benefit arrangements in the Fund for the post-alignment Pension Input Period

(iii) the aggregate of the member's Pension Input Amount in respect of all their money purchase (i.e. AVC) arrangements in the Fund for the pre-alignment Pension Input Period

(iv) the aggregate of the member's Pension Input Amount in respect of all their money purchase (i.e. AVC) arrangements in the Fund for the post-alignment Pension Input Period

(v) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for each of the Pension Input Periods in the Fund (if any) ending in the three previous tax years (i.e. tax years 2014/15, 2013/14, 2012/13), and

(vi) the annual allowance for each of the Pension Input Periods ending in the three previous tax years (i.e. tax years 2014/15, 2013/14, 2012/13)

Pension savings statement for 2016/17 onwards[128]

In the case of (a) above the pension savings statement should show:

(i) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for the relevant Pension Input Period - and see paragraph 116 and paragraph 162

(ii) the annual allowance (not tapered annual allowance) for the tax year in which the relevant Pension Input Period ends

(iii) the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both defined benefit and money purchase arrangements) for each of the Pension Input Periods in the Fund (if any) ending in the three previous tax years, and

(iv) the annual allowance for each of the Pension Input Periods ending in the three previous tax years[129]

However, if the pension savings statement includes tax year 2015/16 as one of the three previous tax years for which information must be given, the information given for tax year 2015/16 is modified as follows:

- the total of the Pension Input Amounts for the member for all their arrangements under the scheme for tax year 2015/16 must be provided separately for the pre and post-alignment tax years, and

- the annual allowance amount for tax year 2015/16 does not have to be provided.

In the case of (b) above the pension savings statement should show:

(i) the aggregate of the member's Pension Input Amount in respect of all their defined benefit arrangements in the Fund for the relevant Pension Input Period

[128] The money purchase annual allowance (MPAA) was reduced from £10,000 to £4,000 from April 2017 i.e. for 2017/18 onwards by virtue of the Finance (No.2) Act 2017.
[129] For Pension Input Periods 2008/09, 2009/10 and 2010/11 the assumed annual allowance figure for those tax years was £50,000 – see paragraph 30(3)(a) of Schedule 17 to the Finance Act 2011.

(ii) the aggregate of the member's Pension Input Amount in respect of all their money purchase (i.e. AVC) arrangements in the Fund for the relevant Pension Input Period

(iii) the unadjusted alternative annual allowance for the tax year and the fact that the member's money purchase input sub-total for the tax year will be tested against a £10,000 allowance. Note that the "unadjusted alternative annual allowance" simply means the basic annual allowance for the tax year concerned (ignoring any carry forward amount) less £10,000. For example, the "unadjusted alternative annual allowance" for 2016/17 is simply £30,000 (being £40,000 less £10,000)

(iv) the unadjusted alternative annual allowance for each of the three previous tax years and the fact that the member's money purchase input sub-total for each of those three tax years will be tested against a £10,000 allowance or, for any of those years that fall before the 2015/16 tax year, the 'standard' annual allowance for that tax year. Note that the "unadjusted alternative annual allowance" simply means the basic annual allowance for the tax year concerned (ignoring any carry forward amount) less £10,000. For example, the "unadjusted alternative annual allowance" for 2015/16 is simply £30,000 (being £40,000 less £10,000)

(v) if any of the previous three tax years is earlier than the tax year 2015/16, the annual allowance for each such previous tax year, and

(vi) for the previous three tax years:

- if the administering authority had reason to believe that the money purchase annual allowance (MPAA) applied to the member for the previous tax year concerned, the member's Pension Input Amount in respect of all their money purchase arrangements in the Fund for the previous tax year concerned and, separately, the Pension Input Amount in respect of all their defined benefit arrangements in the Fund for the previous tax year concerned (but see the note below if one of the three previous tax years is 2015/16)

- if the scheme administrator did not have reason to believe that the money purchase annual allowance applied to the member for the previous tax year concerned, the aggregate of the member's Pension Input Amount in respect of **all** their arrangements in the Fund (both money purchase and defined benefit arrangements) for the previous tax year concerned (but see the note below if one of the three previous tax years is 2015/16).

Note, however, that if the pension savings statement includes tax year 2015/16 as one of the three previous tax years for which information must be given, the information given for tax year 2015/16 is modified as follows:

- if the administering authority had reason to believe that the money purchase annual allowance applied to the member for tax year 2015/16
    - the member's Pension Input Amount for 2015/16 in respect of all their money purchase arrangements in the Fund and, separately, the Pension Input Amount in respect of all their defined benefit arrangements in the Fund must be provided for the pre-alignment tax year,
    - the member's Pension Input Amount for 2015/16 in respect of all their money purchase arrangements in the Fund and, separately, the Pension Input Amount in respect of all their defined benefit arrangements in the Fund must be provided for the post-alignment tax year,
    - the fact that the member's 'money-purchase input sub-total' for that tax year will be tested against a £10,000 allowance should be stated, and
    - there is no requirement to give an alternative annual allowance amount for tax year 2015/16, or

- if the administering authority did not have reason to believe that the money purchase annual allowance applied to the member for tax year 2015/16
    - the aggregate of the member's Pension Input Amount for 2015/16 in respect of **all** their arrangements in the Fund (both money purchase and defined benefit arrangements) must be provided for the pre-alignment tax year,
    - the aggregate of the member's Pension Input Amount for 2015/16 in respect of **all** their arrangements in the Fund (both money purchase and defined benefit arrangements) must be provided for the post-alignment tax year, and
    - the annual allowance amount for tax year 2015/16 does not have to be provided.

156. Where the administering authority does not have to automatically provide the member with a pension savings statement the member can nevertheless make a written request for one to be issued.

[reg 14B(1) of SI 2006/567 as inserted by SI 2011/1797 and amended by Part 6 of Schedule 1 to the Pensions Act 2014]

The member can ask for the same information that would be given automatically (see paragraph 155). The member can ask for either a standard pension savings statement (as under paragraph 155(a)) or a money purchase pension savings statement (as under paragraph

155(b)), but not both. The member can ask for the information in the form of a money purchase pension savings statement even if their money purchase inputs in the Fund (i.e. AVCs) aren't more than £10,000.

[reg 14B(2)of SI 2006/567 as inserted by SI 2011/1797]

The administering authority must then provide the pension savings statement showing the information in paragraph 155.The statement must be provided by the later of three months following receipt of the request and six months from the end of the tax year i.e. 6 October[130] (but see paragraph 202 and the third bullet point in paragraph 163 regarding retirees in the Pension Input Period).

157. If the Pension Input Amount for an arrangement in the Fund is a negative amount the pension savings statement for that arrangement should show a nil Pension Input Amount (see paragraph 20).

158. If the administering authority has not been supplied by the employer with the information set out in paragraphs 152 to 153 within the deadlines set out in those paragraphs, the administering authority must provide the automatic pension savings statements (under paragraph 155) and the individually requested pension savings statements (under paragraph 156) within three months of receipt of the information from the employer or, if later, by 6 October following the end of the relevant tax year (or 6 October 2013 for the 2011/12 tax year).

[regs 14A(6) and 14B(3) of SI 2006/567 as inserted by SI 2011/1797]

159. For those becoming a pensioner member during the Pension Input Period where the member has not made a 'Scheme pays' election before their benefits crystallise, it might be worth providing the member, where appropriate, with a pension savings statement at the date the benefits are notified rather than within the normal timescales (see paragraphs 155 to 158). As Annual Benefit Statements are only issued to active and deferred members, administering authorities intending to use the Annual Benefit Statement as a means of advising members of their Pension Input Amount will have to issue an individual pension savings statement to those active members who become a pensioner member during the Pension Input Period.

160. For those becoming a deferred member during the Pension Input Period, or for those transferring out during a Pension Input Period to another registered pension scheme or to an overseas scheme that is a qualifying recognised overseas pension scheme where there would have been a Pension Input Amount (prior to the transfer out), it might be worth providing the member, where appropriate, with a pension savings statement at the date the deferred benefits are

[130] For the 2011/12 Pension Input Period this deadline was extended by one year to 6 October 2013.

notified or the transfer out is made rather than within the normal timescales (see paragraphs 155 to 158). However, the danger in doing so is that the administering authority would not know at that stage whether the member will again become employed by an employer participating in the LGPS in their Fund and will re-join the LGPS before the end of the Pension Input Period. Administering authorities will therefore need to consider whether to wait until the end of the Pension Input Period before issuing the pension savings statement (or issue the statement with a suitable caveat that it should be discarded if the person re-joins the same Fund before the 1 April following the Pension Input Period to which the statement relates). If administering authorities intend to issue a pension savings statement to those becoming deferred members in the Pension Input Period and also intend to show the Pension Input Amount on those members' Annual Benefit Statements, procedures and checks will need to be in place to ensure the Pension Input Amount shown on the pension savings statement and the Annual Benefits Statement are the same. See, also, paragraphs 86, 87, 105 and 106 regarding the inclusion of pension savings statement information on Annual Benefit Statements.

161. The vast majority of Scheme members[131] will not be close to, or exceed, the annual allowance and so it is reasonable for administering authorities to perform the annual allowance calculation for active members on the information supplied by employers for the production of Annual Benefits Statements. However, where an active member appears to be close to, or appears to have exceeded, the annual allowance figure or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to exceed the 'alternative' annual allowance, administering authorities should obtain accurate pensionable pay figures from the employing authority (for the current and, for active, deferred and pensioner members, carry back years) in order to perform an accurate annual allowance calculation. See paragraphs 86, 87, 105 and 106 regarding the inclusion of pension savings statement information on Annual Benefit Statements.

162. The 89 LGPS Funds in England and Wales are, from an HMRC perspective, a single Scheme (with sub-scheme administrators). Similarly, the 11 LGPS Funds in Scotland are, from an HMRC perspective, a single Scheme (with sub-scheme administrators) and the LGPS in Northern Ireland is a single Scheme. On the face of it, as

[131] This includes councillor members. Due to the nature of their CARE pension scheme, it is highly unlikely that their councillor LGPS accrual could, in itself, exceed the annual allowance. However, they may also be accruing rights in the scheme as an employee with a body other than the council on which they serve as a councillor (and / or they may have pension rights accruing in other pension schemes).

regulation 14A(2) of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended by SI 2011/1797] requires an administering authority to produce a pension savings statement in respect of all the arrangements under the registered pension scheme, one might expect that:

- members of the Scheme in England and Wales have to be provided with **a** pension savings statement in respect of all arrangements (including AVCs / SCAVCs) within the Scheme in England and Wales,

- members of the Scheme in Scotland have to be provided with **a** pension savings statement in respect of all arrangements (including AVCs / SCAVCs) within the Scheme in Scotland, and

- members of the Scheme in Northern Ireland have to be provided with **a** pension savings statement in respect of all arrangements (including AVCs / SCAVCs) within the Scheme in Northern Ireland

other than arrangements which have been deferred or have been in payment throughout the whole of the Pension Input Period).

In practical terms this would be very difficult as, for example, an administering authority may not be aware of benefits a member may have in another LGPS Fund. However, the wording of regulation 14A(2) of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended by SI 2011/1797] has to be read in conjunction with regulations 3(2) and 3(1) of the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569]. They provide, respectively, that, for the LGPS: [regs 3(2) and 3(1) of SI 2006/569]

- any reference in the Registered Pension Schemes (Provision of Information) Regulations 2006 to the scheme administrator is to be replaced by a reference to the sub-scheme administrator (i.e. the administering authority), and

- the sub-scheme administrator (i.e. the administering authority) takes on the responsibilities set out in the Registered Pension Schemes (Provision of Information) Regulations 2006, including the responsibility for issuing a pension savings statement.

Although, for the purposes of regulation 14A(2) of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended by SI 2011/1797], the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 do not categorically state that any reference to a registered pension scheme in the Registered Pension Schemes (Provision of Information) Regulations 2006 is to be replaced by a reference to a sub-scheme, regulation 3(3) of the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 can be read to have this effect. [reg 3(3) of SI 2006/569]

The net result, therefore, is that each administering authority will only be responsible for issuing a pension savings statement showing the Pension Input Amount in respect of benefits held in their Fund during the Pension Input Period. So, for example, an employee joined the LGPS on 1 September 2012 in Fund A and left on 30 November 2013. He joined Fund B on 1 December 2013. Fund A was responsible for issuing a pension savings statement for the Pension Input Period ending 31 March 2013.

If the member elected to aggregate during the 2013/14 Pension Input Period, Fund B would have been responsible for producing the pension savings statement for the 2013/14 Pension Input Period, with the Opening Value being the Closing Value in Fund A at 31 March 2013 (uprated by CPI) and the Closing Value being the value of the aggregated benefits in Fund B at 31 March 2014. Fund B would have been responsible for producing the pension savings statement for the 2014/15 Pension Input Period, with the Opening Value being the Closing Value of the aggregated benefits in Fund B at 31 March 2014 (uprated by CPI) and the Closing Value being the value of the aggregated benefits in Fund B at 31 March 2015.

However, if the member did not elect to aggregate membership until some time during the 2014/15 Pension Input Period, Fund A would have been responsible for producing a pension savings statement for the 2013/14 Pension Input Period in respect of the benefits still held in Fund A at 31 March 2014 and Fund B would have been responsible for producing a pension savings statement for the 2013/14 Pension Input Period in respect of the benefits held in Fund B at 31 March 2014. Fund B would have been responsible for producing the pension savings statement for the 2014/15 Pension Input Period, with the Opening Value being the Closing Value in Fund A at 31 March 2014 (uprated by CPI) plus the Closing Value in Fund B at 31 March 2014 (uprated by CPI) and the Closing Value being the value of the aggregated benefits in Fund B at 31 March 2015.

The above is summarised in the following tables:

Member aggregates during 2013/14 Pension Input Period		
Membership history	**Fund responsible for producing pension savings statement covering period in first column**	**Calculation of Pension Input Amount**
Active in Fund A: 1/12/12 to 31/3/13	Fund A	Opening Value = £nil Closing Value at 31/3/13
Active in Fund A:	Fund B	Opening Value = Closing

1/4/13 to 30/11/13 Active in Fund B: 1/12/13 to 31/3/14		value of benefits in Fund A at 31/3/13 + Sept 2012 CPI Closing Value = value of aggregated benefits in Fund B at 31/3/14
Active in Fund B: 1/4/14 to 31/3/15	Fund B	Opening Value = Closing value of aggregated benefits in Fund B at 31/3/14 + Sept 2013 CPI Closing Value = value of aggregated benefits in Fund B at 31/3/15

Member aggregates during 2014/15 Pension Input Period		
Membership history	**Fund responsible for producing pension savings statement covering period in first column**	**Calculation of Pension Input Amount**
Active in Fund A: 1/12/12 to 31/3/13	Fund A	Opening Value = £nil Closing Value at 31/3/13
Active in Fund A: 1/4/13 to 30/11/13	Fund A	Opening Value = Closing value of benefits in Fund A at 31/3/13 + Sept 2012 CPI Closing Value = value of deferred benefit in Fund A at 31/3/14
Active in Fund B: 1/12/13 to 31/3/14	Fund B	Opening Value = £nil Closing Value of benefits in Fund B at 31/3/14
Active in Fund B: 1/4/14 to 31/3/15	Fund B	Opening value = a) Closing Value of deferred benefit in Fund A at 31/3/14 + Sept 2013 CPI Plus b) Closing value of benefits in Fund B at 31/3/14 + Sept 2013 CPI Closing Value = value of aggregated benefits in Fund B at 31/3/15

The same principle applies even where the member recommenced in the Scheme after 31 March 2014 (31 March 2015 in Scotland) – for which please see paragraph 77 for an explanation as to which

Pension Input Period aggregation is treated as having occurred in.

It is recommended that, amongst other matters, the notes accompanying pension savings statements issued to Scheme members should point out that:

- if the member has been an active member in the Fund in England or Wales and has also been an active member in another LGPS Fund in England or Wales during the same Pension Input Period, and the member's rights have not, during the Pension Input Period, been aggregated, the value of any rights held in that other Fund at the end of the Pension Input Period must be added to the value of the rights in the current Fund to determine the total value of benefits in the Scheme for the purposes of the 'mandatory Scheme pays' option (see paragraphs 176 to 182), and

- if the member has been an active member in the Fund in Scotland and has also been an active member in another LGPS Fund in Scotland during the same Pension Input Period, and the member's rights have not, during the Pension Input Period, been aggregated, the value of any rights held in that other Fund at the end of the Pension Input Period must be added to the value of the rights in the current Fund to determine the total value of benefits in the Scheme for the purposes of the 'mandatory Scheme pays' option (see paragraphs 176 to 182)

Also, administering authorities should point out that if the member:

- receives a **separate** pension savings statement relating to any AVCs or SCAVCs paid to the Fund's AVC / SCAVC arrangement during the relevant Pensions Input Period the AVCs / SCAVCs shown on that pension savings statement must be added to the value of their main LGPS rights, as shown on the pension savings statement for their main LGPS rights in the Fund, in order to determine the total value of benefits in the Fund for the purposes of the annual allowance test i.e. the normal annual allowance test, not the money purchase annual allowance (MPAA) test, or

- has flexibly accessed money purchase benefits and receives a pension savings statement relating to any AVCs or SCAVCs paid to the Fund's AVC / SCAVC arrangement during the relevant Pensions Input Period, the AVCs / SCAVCs paid during the Pensions Input Period since flexibly accessing money purchase benefits will count in determining whether the total value of money purchase contributions paid during the Pensions Input Period since flexibly accessing money purchase benefits exceed £10,000 for the purposes of the money purchase annual allowance (MPAA) test, or

- receives a **separate** pension savings statement relating to any

AVCs or SCAVCs paid to an AVC / SCAVC arrangement under the Scheme during the relevant Pensions Input Period the AVCs / SCAVCs shown on that pension savings statement must be added to the value of their main LGPS rights, as shown on the pension savings statement for their main LGPS rights in the Scheme, in order to determine the total value of benefits in the Scheme for the purposes of the ‘mandatory Scheme pays’ option (see paragraphs 176 to 182).

163. Furthermore, the pension savings statement should point out to the Scheme member that:

- if the aggregate of all the Pension Input Amounts in all of their pension schemes (including the LGPS) is close to, or exceeds, the annual allowance figure or, where the member has flexibly accessed money purchase benefits, their money purchase inputs exceed the money purchase annual allowance (MPAA) and their other inputs appear to exceed the ‘alternative’ annual allowance, the member should ask the LGPS administering authority (or, where relevant, administering authorities) to perform detailed annual allowance calculations i.e. to issue a pension savings statement based on accurate pay figures supplied by their employer; and

- if
    - the aggregate of the member’s arrangements in the Scheme[132] result in the Pension Input Amount in the Pension Input Period exceeding the annual allowance for that tax year (e.g. £40,000), and
    - in respect of those Pension Input Amounts the member has total annual allowance charges for that tax year that exceed £2,000 [133]

  the member will, subject to meeting specified deadlines and subject to providing the relevant information (see paragraphs 199 to 203) be able to elect to meet some or all of that portion of the tax charge which is attributable to the excess benefit accrual in the LGPS from their LGPS benefits[134], provided this does not reduce

[132] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[133] The figure of £2,000 can be increased by an Order issued by HM Treasury [see s237B(11) of the Finance Act 2004].
[134] Although section 91(1)(a) of the Pensions Act 1995 provides that pension rights are inalienable (i.e. the cannot be assigned or surrendered) this is disapplied where adjustments are made to a member’s pension benefits on account of the scheme paying some or all of an annual allowance charge on behalf of the scheme member – see regulation 2 of The Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy, etc) (Amendment) Regulations 2011 [SI 2011/1801].

their pension to below their Guaranteed Minimum Pension[135] (if any); and

- if an active member
  - is thinking of retiring in the following Pension Input Period,
  - will be drawing **all** of their benefits from the Scheme[136] (not just from that Fund) in that Pension Input Period,
  - believes the aggregate Pension Input Amount in respect of their arrangements in the Scheme[137] will, in the current Pension Input Period and / or the following Pension Input Period in which they are planning to draw all their benefits from the Scheme, exceed the annual allowance for that tax year (e.g. £40,000)[138],
  - believes there will be an annual allowance tax charge of over £2,000 in respect of the Pension Input Amount for the relevant Pension Input Period, and
  - is interested in the 'mandatory Scheme pays' option

  they should contact the administering authority well before retirement so that the administering authority can, leading up to the date of retirement, explain the effect on benefits of using the 'mandatory Scheme pays' option. It is important the member contacts the administering authority well before retirement as a 'mandatory Scheme pays' election can only be accepted prior to the date of the benefits crystallisation event; and

- provide information on any 'voluntary scheme pays' options the administering authority may offer – see paragraph 223 for more information.

- if, in the Pension Input Period, the member has had a transfer of pension rights into the Fund from another pension scheme (including a cross border LGPS transfer[139]), the initial value of the benefits bought by the transfer will, apart from a certain element if the transfer was a Club transfer, not be reflected in the current year's pension savings statement from the Fund (as the value of those rights will be included in any pension savings statement

[135] See s237C(2) of the Finance Act 2004 and regulation 2(3) of The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791].
[136] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.
[137] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[138] Prior to 28 July 2015 a member drawing all their benefits in the Scheme could only make a 'Scheme pays' election in respect of an annual allowance charge relating to the Pension Input Amount for the tax year in which they retired.
[139] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

issued by the former scheme). However, the value of the benefits bought by the transfer will be reflected in the following pension savings statement issued by the Fund (so there will appear to be a big difference between the benefits used in the current pension savings statement from the Fund and the benefits used in the next pension savings statement from the Fund), and

- it is the member's responsibility to tell HMRC if their pension savings are above the total of the annual allowance for the year plus unused amounts carried forward from the three previous tax years;

- it is the member's responsibility to tell HMRC if they have flexibly accessed money purchase benefits and their money purchase inputs exceed the money purchase annual allowance (MPAA) and whether their other inputs have exceeded the 'alternative' annual allowance, and

- neither the employing authority or the administering authority are registered to provide financial or tax advice. If such advice is required, individuals might wish to consult a registered independent financial adviser or a tax adviser.

164. Administering authorities should point out to employers in the Fund that if they are considering retiring a Scheme member on the grounds of permanent ill health and the certificate received from the Independent Registered Medical Practitioner does not confirm that the member meets the severe ill health definition for the purposes of s229 of the Finance Act 2004 (see paragraph 16) then the employer should contact the Pensions Section of the administering authority before the member's employment is terminated. This is so that, where appropriate, the 'Scheme pays' option can be offered to the member if the value of the benefits, including ill health enhancement under ill health tiers 1 and 2, would result in an annual allowance tax charge.

165. Administering authorities should agree a process with their AVC provider to ensure the pension savings statement issued by the administering authority either incorporates the AVCs / SCAVCs paid in the Pension Input Period (but see paragraph 20) or that a separate pension savings statement is issued by the AVC / SCAVC provider. Additionally, administering authorities might wish to ask their AVC provider to include on any annual AVC benefit statement that they issue a reminder that if the individual has flexible accessed money purchase benefits they must inform the administering authority (see paragraph 118) as it can impact on their annual allowance (i.e. if money purchase contributions post flexibly accessing benefits exceed the money purchase annual allowance in a tax year).

What happens if the employing authority does not provide information on time or the administering does not provide the pension savings statement on time?

166. If the employing authority does not provide required information on time to the administering authority the person responsible for supplying the information can be liable to a penalty of up to £300 for each failure to provide the required information. If they have still not provided the required information after the initial penalty has been raised further penalties can be raised. These further penalties are up to £60 for each day that the requested information has not been provided. [s98(1) of Taxes Management Act 1970]

167. If the administering authority does not provide the pension savings statement on time they can be liable to a penalty of up to £300 for each pension savings statement they fail to supply on time. If they have still not provided the pension savings statement after the initial penalty has been raised further penalties can be raised. These further penalties are up to £60 for each day that the statement has not been provided. [s98(1) of Taxes Management Act 1970]

What happens if the employing authority supplies incorrect information or incorrect information has been given on the pension savings statement?

168. It is important that employing authorities give the correct information to the administering authority as soon as an error has been identified. Penalties of up to £3,000 can be given for supplying incorrect information. If the employing authority has negligently or fraudulently provided incorrect information they can be liable to a penalty of up to £3,000. If, however, they have given incorrect information because they were given wrong information from a third party then, unless it is obvious the information given to them was wrong, no penalty will be due. [s98(2) of Taxes Management Act 1970]

169. It is also important that the correct information is given to the Scheme member as soon as an error has been identified. Penalties of up to £3,000 can be given for supplying incorrect information on the pension savings statement. If the administering authority has negligently or fraudulently provided incorrect information they can be liable to a penalty of up to £3,000. If, however, they have given incorrect information because they were given wrong information from a third party then, unless it is obvious the information given to the administering authority was wrong, no penalty will be due. [s98(2) of Taxes Management Act 1970]

170. Any person who assists in or induces the preparation of a pension savings statement that they know to be inaccurate that will or is likely [s264]

to cause the administering authority to make an unauthorised payment will be liable to a penalty of up to £3,000.

Administering authority duty to notify HMRC that a pension saving statement has been issued

171. For pension savings statements which are issued in respect of tax years 2013/14 onwards administering authorities are required to notify HMRC on the annual Event Report of reportable events 22 and 23[140]. [Reg 3 of SI 2006/567]

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[140] HMRC gave a concession for the submission of data in respect of pension savings statements for tax years 2013/14 & 2014/15 (reportable event 22) and for tax year 2015/16 (reportable events 22 and 23) to be submitted to them on an excel spreadsheet rather than through the scheme's Event Report. This concession was on the clear understanding that the pension savings statement data represents part of the scheme's formal reporting obligations. For 2015/16 the data had to be submitted by 31st January 2017 or penalties would be due for late filing. HMRC also reserved the right to open enquiries based on any of the pension savings statement information provided. The data required on the spreadsheet for each member was as follows:

- Name of Member (Title, First Name, Surname)
- National Insurance Number of Member
- Aggregate Pension Input Amounts for the scheme (x)
- Tax Year Ending (that the information relates to)

and, for 2015/16

- Have you provided this member with a pension savings statement under regulation 14A(1)(b)(ii) SI 2006/567 (member has first flexibly accessed pension rights and contributed more than money purchase annual allowance to a money purchase arrangement in the same tax year) ? (Y/N)
- If Yes, provide the Aggregate Pension Input Amounts for Money Purchase Arrangements (y)

[Note that if you are reporting details of pension savings statements that you issued in 2015/16 relating to tax year 2014/15, you should answer 'no' to this question. This is because the money purchase annual allowance (and the requirement to provide money purchase annual allowance statements) did not exist before 2015/16.
If the annual allowance statements that you issued in 2015/16 relate to 2015/16 and you have also issued a money purchase annual allowance pension savings statement (under regulation 14A(1)(b)(ii) SI 2006/567), you should answer 'yes' to this question and enter the additional details.]

All fields must be completed. For members who have both x & y above, It would be helpful If you could list the data in the same line on the spreadsheet.

Guidance is included at https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm161600 & https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm167000.

For the data to be compatible with HMRC's IT systems it had to be submitted in the following format:

- Excel 2003
- Encryption via Winzip (up to and including version 17.5)
- 256 bit AES

172. For each member where the administering authority has had to automatically issue a pension savings statement (see paragraph 155) and the administering authority **does not** have reason to believe that the member has first flexibly accessed pension rights the administering authority must include on the annual Event Report (from the Event Report for the 2014/15 tax year onwards) the name and national insurance number[141] of the member, the tax year for which the annual allowance was exceeded and the Pension Input Amount for the relevant Pension Input Period in respect of all the arrangements in the Fund[142] (reportable event 22). The Registered Pension Schemes (Provision of Information) Regulations 2006 appear to require that for 2015/16 this should be split between the pre 9 July 2015 amount and the post 8 July 2015 amount.

The Event Report must be made for the tax year in which the pension

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- File to be separately password protected
- Passwords to be provided by separate cover (either by e-mail or post)

For 2013/14 & 2014/15 the file had to be submitted on a CD or a flash drive or, if the file size was below 5MG, it could be sent via e-mail.

For 2015/16 all files had to be sent via e-mail to pensions.businessdelivery@hmrc.gsi.gov.uk with the HMRC's Customer Liaison Manager for the LGPS (teresa.bartram@hmrc.gsi.gov.uk) copied in. Files would need to be below 5MG. However, HMRC would accept multiple submissions if the original file size exceeded this. HMRC would notify the scheme of receipt to enable the passwords to be provided under separate cover.

If the administering authority chose to use this facility to provide the information, it was entirely at their own risk. HMRC accepted no responsibility for loss, interception or corruption until data was delivered safely to them.

If an administering authority wished to use the spreadsheet method for 2015/16 they had to let the HMRC Customer Liaison Manager for the LGPS (teresa.bartram@hmrc.gsi.gov.uk), know in advance and confirm that they understood that late filing penalties might be due if the information was not provided by 31st January 2017.

[141] If a member has not supplied an NI number, regulation 11C of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended] provides that if an NI number is needed in order to complete an Event Report the member must supply an NI number within 60 days of being asked to do so by the administering authority. If the member does not qualify for an NI number they must supply the administering authority with confirmation of this in writing, together with their date of birth and address. See PTM161200 for details of the process the administering authority should follow to get an 'alternative identifier' from Pension Schemes Services (PSS) if the member does not hold an NI number, and for details of the process to follow if the administering authority has made reasonable attempts to get either the NI number, or written confirmation that the individual is not entitled to a NI number, but has been unsuccessful.
[142] Although regulation 14A(2) of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended] refers to the Pension Input Amount "under the registered pension scheme" for the LGPS this should be read as meaning "in the Fund". For an explanation please see paragraph 162 of this guide.

savings statement is actually given to the member. The Event Report is, therefore, likely to be for a later tax year than the tax year for which the pension savings statement relates (except in the case of retirees – see paragraph 202 and the third bullet point in paragraph 163 regarding retirees).

173. As at January 2017 the Event Report asks for the details mentioned above for reportable event 22 and then asks if the administering authority has provided the member with a pension savings statement under regulation 14A(1A) of SI 2006/567 (reportable event 23). This legislative reference is incorrect and should read 'Have you provided this member with a pension savings statement under regulation 14A(1)(b)(ii) of SI 2006/567?'. Such a pension savings statement relates to the money purchase annual allowance. Therefore if an administering authority is reporting details of pension savings statements issued in 2015/16 relating to tax year 2014/15, the answer to this question should be 'no'. This is because the money purchase annual allowance (and the requirement to provide money purchase annual allowance statements) did not exist before 2015/16. If an annual allowance statement that an administering authority issued in 2015/16 relates to 2015/16 and the administering authority has also issued the member with a money purchase annual allowance pension savings statement (under regulation 14A(1)(b)(ii) of SI 2006/567), the administering authority should answer 'yes' to this question. For each member where the administering authority has answered 'yes' (i.e. for each member for whom the administering authority has had to automatically issue a pension savings statement (see paragraph 155) and the administering authority **does** have reason to believe that the member has first flexibly accessed pension rights the administering authority must include on the annual Event Report (from the Event Report for the 2015/16 tax year onwards) the name and national insurance number[143] of the member, the tax year for which the annual allowance was exceeded, the Pension Input Amount for the relevant Pension Input Period in respect of all the defined benefit arrangements in the Fund[144] and the Pension Input Amount for the relevant Pension Input Period in respect of all the money purchase (i.e. AVC) arrangements in the Fund (reportable event 23). The Registered Pension Schemes (Provision of Information) Regulations 2006 appear to require that for 2015/16 these should be split between the pre 9 July 2015 amounts and the post 8 July 2015 amounts.

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[143] See PTM161200 if the administering authority does not hold an NI number for the member.

[144] Although regulation 14A(2) of the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567 as amended] refers to the Pension Input Amount "under the registered pension scheme" for the LGPS this should be read as meaning "in the Fund". For an explanation please see paragraph 162 of this guide.

The Event Report must be made for the tax year in which the pension savings statement is actually given to the member. The Event Report is, therefore, likely to be for a later tax year than the tax year for which the pension savings statement relates (except in the case of retirees – see paragraph 202 and the third bullet point in paragraph 163 regarding retirees).

174. If the administering authority has not had to automatically issue a pension savings statement (see paragraph 155) but the member has requested one (see paragraph 156), there is no requirement to report this on the annual event report.

Retention of records

175. It is important that:

- employing authorities retain evidence to satisfy the administering authority and HMRC that they have complied with the requirement to provide the administering authority with the information required to produce the pension savings statement, and [Reg 18 of SI 2006/567]

- administering authorities retain evidence to satisfy the member and HMRC that they have complied with the requirement to provide a pension savings statement.

HMRC may enquire into an individual's Self-Assessment return. So individuals will need evidence to back up what they say on their Self-Assessment return. The evidential documentation should be retained for the tax year to which it relates and for the following 6 tax years[145]. [s258(2)]

Any person who fails to comply with the information preservation requirements can be liable to a penalty of up to £3,000.

Paying the tax charge – the 'mandatory Scheme pays' option

176. The tax charge for exceeding the annual allowance will be a tailored charge. To find out the amount of the annual allowance charge the individual needs to add the amount of the excess pension savings to the amount of their taxable income. The amount of pension saving: [s227(4) to (4C) as amended by s65 and s 66 of the Finance Act 2011, Part 4 of

145 Regulation 18(4) of The Registered Pension Schemes (Provision of Information) Regulations 2006] [SI 2006/567]

Schedule 1 to the Taxation of Pensions Act 2014 and SI 2015/1810]

- over the individual's higher rate limit or, in the case of a Scottish taxpayer, over the Scottish higher rate limit, will be taxed at 45 per cent (50 per cent for 2011/12 and 2012/13)

- over the individual's basic rate limit or, in the case of a Scottish taxpayer, over the Scottish basic rate limit, but below the member's higher rate limit or, in the case of a Scottish taxpayer, below the Scottish higher rate limit, will be taxed at 40 per cent

- below the individual's basic rate limit or, in the case of a Scottish taxpayer, below the Scottish basic rate limit, will be taxed at 20 per cent.

For more information on calculating the tax charge please see the 8 step process at PTM056110.

177. Although it is the member's responsibility to pay the tax charge it is recognised that some individuals will, due to a significant boost to their pension rights in a given year, incur charges for exceeding the annual allowance that they would find difficult to pay from current income or savings.

178. For that reason, individuals who leave on or after 11 August 2011[146] and whose annual allowance charges in a tax year exceed £2,000 [147] will, subject to the requirements in the following paragraphs, be able to elect to meet some or all of the tax charge from their pension benefits[148] – known as the 'mandatory Scheme pays' option - (provided this does not reduce the pension to below their Guaranteed Minimum Pension,[149] if any).

179. It will be mandatory for the LGPS to offer this facility where:

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[146] Although the Finance Act 2011 came into force on 19 July 2011, elections could only be made after 11 August 2011 due to the timing of secondary legislation i.e. the Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011 [SI 2011/1793]

[147] The figure of £2,000 can be increased by an Order issued by HM Treasury [see s237B(11) of the Finance Act 2004].

[148] Although section 91(1)(a) of the Pensions Act 1995 provides that pension rights are inalienable (i.e. the cannot be assigned or surrendered) this is disapplied where adjustments are made to a member's pension benefits on account of the scheme paying some or all of an annual allowance charge on behalf of the scheme member – see regulation 2 of The Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy, etc) (Amendment) Regulations 2011 [SI 2011/1801].

[149] See s237C(2) of the Finance Act 2004 and regulation 2(3) of The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791].

- for the aggregate of the arrangements in the Scheme[150] the member's Pension Input Amount in a Pension Input Period exceeds the annual allowance for that tax year as set out in section 228(1) of the Finance Act 2004 (for example, for tax year 2015/16 this means the Pension Input Amount for the pre and post-alignment tax years must have exceeded £40,000 in total and the money purchase annual allowance is ignored; and for tax year 2016/17 it means the Pension Input Amount must have exceeded £40,000 - i.e. the tapered annual allowance and / or money purchase annual allowance is ignored), and [s237B(1) and (2)]
- the aggregate tax charge due in respect of arrangements in **all** pension schemes is more than £2,000[151]. [s237B(1) and (2)]

It should be noted that, from 2016/17, where the member's Pension Input Amount for the aggregate of the arrangements in the Scheme[152] in a Pension Input Period exceeds the 'standard' annual allowance for that tax year as set out in section 228(1) of the Finance Act 2004 (for example, for tax year 2016/17 the Pension Input Amount exceeds £40,000) but, due to the level of the member's income they are subject to the tapered annual allowance, they only have a 'mandatory Scheme pays' right in respect of the amount by which their Pension Input Amount exceeds the 'standard' annual allowance. For example, if their Pension Input Amount is £41,000 but, due to the level of their income, their tapered annual allowance is £10,000, they will have an annual allowance tax charge on £31,000 of the Pension Input Amount but will only have a 'mandatory Scheme pays' right in respect of the tax charge due on £1,000 of the Pension Input Amount. It would be wise for administering authorities to bring this to the attention of high earners in their Fund so that such earners can make plans ahead of time to make savings to meet any tax charge due (unless the administering authority intends to offer the member the option of the scheme paying the tax charge on the member's behalf on a voluntary, rather than mandatory, basis with a corresponding reduction to their benefits). Although, in the example given, the LGPS Regulations only cover the position where the member makes a [s237B(1), (2) and (3)]

[150] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[151] It might be possible for a member to have exceeded the annual allowance in respect of the aggregate of the arrangements in the Scheme and appear to have a tax charge in excess of £2,000 and yet have unused carry forward from other pension schemes (which the individual was a member of in one or more of the previous three carry forward years) resulting in their actual annual allowance charge being £2,000 or less. In such a case the member would obviously not make a Scheme pays election requiring the administering authority to pay a tax charge of more than £2,000 on their behalf (as they would be making an election to pay more tax than was actually due, given that the tax charge due from them is less than £2,000).
[152] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.

'mandatory Scheme pays' election in respect of the tax charge due on £1,000 of the Pension Input Amount and the corresponding reduction to the member's pension benefits, the administering authority could, if it wished, also agree to pay (on the member's behalf) the tax charge due on the balance of the Pension Input Amount on a voluntary basis, with a corresponding reduction to their benefits - see paragraph 223 for more information.

Similarly, from 2016/17, where the member's Pension Input Amount for the aggregate of the arrangements in the Scheme[153] in a Pension Input Period **does not** exceed the 'standard' annual allowance for that tax year as set out in section 228(1) of the Finance Act 2004 (for example, for tax year 2016/17 the Pension Input Amount **does not** exceed £40,000) but, due to the level of the member's income they are subject to the tapered annual allowance, they **do not** have a 'mandatory Scheme pays' right. For example, if their Pension Input Amount is £39,000 but, due to the level of their income, their tapered annual allowance is £10,000, they will have an annual allowance tax charge on £29,000 of the Pension Input Amount but, as their Pension Input Amount for the aggregate of the arrangements in the Scheme[154] in the Pension Input Period **did not** exceed the 'standard' annual allowance of £40,000 they have no 'mandatory Scheme pays' right. It would be wise for administering authorities to bring this to the attention of high earners in their Fund so that such earners can make plans ahead of time to make savings to meet any tax charge due (unless the administering authority intends to offer the member the option of the scheme paying the tax charge on the member's behalf on a voluntary, rather than mandatory, basis with a corresponding reduction to their benefits – see paragraph 223 for more information).

[s237B(1), (2) and (3)]

It should also be noted that where an individual's annual allowance charge liability is by reference to the money purchase annual allowance or the tapered annual allowance, the individual cannot make a 'mandatory Scheme pays' election unless the individual's annual allowance charge liability by reference to the 'standard' annual allowance (i.e. £40,000 in 2016/17) would have exceeded £2,000.

It should be noted that, for the purposes of the first bullet point above, it is the aggregate of the arrangements in the Scheme that is important, not the aggregate of the arrangements in the Fund. This is because, for the purposes of section 237B and the extant parts of section 227 of the Finance Act 2004, the test is performed at the Scheme level due to the fact that those sections of the Act are not

[s227, s237B and SI 2006/569]

[153] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[154] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.

covered by regulation 3 of, and Schedule 3 to, the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569]. It should also be noted that if an individual approaching retirement becomes entitled to **all** of their benefits from the Scheme[155] (not just from the Fund) in the tax year and wants the Scheme to pay some or all of the tax charge on their behalf from their benefits, the individual must make a 'mandatory Scheme pays' election before their benefits crystallise. Administering authorities will wish to consider how best to bring the 'mandatory Scheme pays' option to the notice of retirees (e.g. within notes accompanying the pension application form). Tier 1 and Tier 2 ill health retirees in particular who do not meet the severe ill health condition (see paragraph 16) might be particularly interested in the 'mandatory Scheme pays' option. [s237B(6)]

180. Individuals with an annual allowance charge of more than £2,000, who have exceeded the annual allowance by virtue of savings across multiple pension schemes, without exceeding the annual allowance in any one scheme, will be able to request that one of their schemes operates this facility on a voluntary basis with a corresponding reduction to their benefits. No scheme is compelled to offer the facility (but administering authorities can choose to do so on a voluntary basis with a corresponding reduction to the member's benefits – see paragraph 223 for more information).

181. Where the 'mandatory Scheme pays' option applies, a Fund will be obliged to pay no more than the portion of the member's tax charge attributable to the excess over the 'standard' annual allowance in that Fund in that year. However, administering authorities can, if they wish, agree to pay the member's full tax charge, including that relating to benefits accrued in another scheme, on a voluntary basis with a corresponding reduction to the member's benefits – see paragraph 223 for more information. [s237B(3)]

182. It should be noted that from 2015/16 onwards an individual might have an annual allowance charge liability as a result of the application of the money purchase annual allowance. [s237B(2A)]

In effect, application of the money purchase annual allowance means the individual's annual allowance charge liability is greater when compared with the individual's annual allowance liability (if any) had the 'standard' annual allowance applied.

Where an individual's annual allowance charge liability is by reference to the money purchase annual allowance, the individual

[155] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

cannot elect to require a pension scheme to pay any amount of the individual's annual allowance charge liability if the individual's annual allowance charge liability by reference to the 'standard' annual allowance would have been £2,000 or less.

If the amount of the annual allowance charge by reference to the 'standard' annual allowance would have exceeded £2,000 the individual can elect to require the scheme to pay an amount of the individuals' tax charge. The maximum amount the individual can require a scheme to pay is based on the amount of their pension savings that exceeded the 'standard' annual allowance (for example, for tax year 2016/17, this means exceeded £40,000) in that scheme alone and the amount of tax that would have been due by reference to the 'standard' annual allowance.

For example, if the individual's annual allowance charge is £4,000 by reference to the money purchase annual allowance and would have been £3,000 by reference to the 'standard' annual allowance the maximum possible amount that the individual could require the scheme to pay is limited to £3,000.

In the above example, the member only has a 'mandatory Scheme pays' right in respect of the £3,000. However, administering authorities can if they wish, agree to pay the member's full tax charge on a voluntary basis – see paragraph 223 for more information.

183. Where a member could make a 'mandatory Scheme pays' election but, before an election is made, the member transfers **all** of their rights in the Scheme[156] to another registered pension scheme, the member cannot then make a 'mandatory Scheme pays' election to the sending Scheme, but can make an election to the receiving scheme (provided the election is made within the deadline that had applied under the sending scheme). [s237B(9)]

184. Where a Fund meets some or all of the member's tax charge it will not be permitted to levy an administration charge.

185. Where a Scheme meets some or all of the member's tax charge, the rules of the Scheme are deemed to have been modified to permit the consequential adjustment to the member's benefits[157]. [s237F and reg 2(2) of SI 2011/1791].

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[156] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.
[157] See s237F of the Finance Act 2004, regulation 2(2) of The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791] and regulation 4A of the Pension Schemes (Reduction in Pension Rates) Regulations 2006 [SI 2006/138] which override regulation 84 of the LGPS Regulations 2013 and regulation 82 of the LGPS (Scotland) Regulations 2014.

186. Where some or all of the tax charge is to be met from a defined benefit arrangement it is for the Scheme trustees (i.e. the Secretary of State or Scottish Ministers in the case of the LGPS) to set out, based on actuarial advice, how the member's benefits are to be reduced in a way that delivers a just and reasonable outcome to the member and the Scheme having regard to normal actuarial practice. Administering authorities in England and Wales should apply the guidance issued by the Secretary of State[158] and administering authorities should apply the guidance issued by the Scottish Ministers[159]. [s237E]

187. One rare situation that needs consideration is what to do if a Pension Sharing Order on Divorce (PSOD) has already been issued but the pension has not yet been split when the individual elects to meet an annual allowance charge from their pension benefits (e.g. the Court may well have assumed that the full benefits were to be split, not reduced benefits after the application of a 'Scheme pays' annual allowance tax charge). In England and Wales, sections 31 and 40A of the Matrimonial Causes Act 1973 provide that a Court may:

- vary a Pension Sharing Order if the application for the variation is made before the Order has taken effect and if, at the time the application is made, the decree of divorce or nullity has not been made absolute

- vary or set aside a Pension Sharing Order if an appeal is begun on or after the day on which the Order takes effect (unless the LGPS administering authority has acted to their detriment in reliance on the taking effect of the Order).

It might, therefore, be prudent to inform the Scheme member and the ex-spouse of the above before proceeding with the implementation of the Pension Sharing Order.

It should be noted that if a varied Pension Sharing Order is issued which results in a further reduction to a retired member's pension, this is permissible by virtue of paragraph 2(4)(d) of Schedule 28 to the Finance Act 2004.

Scheme member duties

Member duty to inform administering authority if member has

158 See http://www.lgpsregs.org/images/SecStateGuidance/SchemePaysGuidanceApr2016.pdf
159 http://www.lgpsregs.org/index.php/scotland/stat-guidance

flexibly accessed money purchase benefits

188. Where an individual is provided with a statement by the administrator of a pension scheme from which they have flexibly accessed money purchase benefits, the individual then needs to notify any other pension scheme that they are an active member of, or that they become an active member of, that they have flexibly accessed their pension savings, but excluding any DB only schemes[160]. They must do so within 91 days of receiving the statement or within 91 days of becoming an active member, whichever is the later. The notification can be made by passing a copy of the statement to the administrator of the scheme in which they are, or have become, an active member or by giving notice that they have received such a statement and confirming either the date they first flexibly drew benefits or, if applicable, that the date they first flexibly drew benefits was more than 2 years before the date they became an active member. See paragraph 118 for more information.

What an individual needs to do if their pension savings exceed the annual allowance

189. An individual will need to tell HMRC if their pension savings are above the total of the annual allowance for the year plus unused amounts carried forward from the three previous tax years, as they will be liable to the annual allowance charge.

190. Individuals who are subject to the money purchase annual allowance for tax year 2015/16, or later tax years, might still be liable to an annual allowance charge that must be included in their Self-Assessment tax return despite their total Pension Input Amount not exceeding their available annual allowance; for example, where their only Pension Input Amount is a ‘money-purchase’ input which has exceeded the money purchase annual allowance.

191. If a person liable to an annual allowance charge normally completes a Self-Assessment tax return, then they tell HMRC about their pension savings and liability to the annual allowance charge as part

[160] Note that the LGPS is not a DB only scheme because it also contains a DC element i.e. the AVC provision within the scheme is a DC arrangement and so the member must provide the above notification to any LGPS Fund in which they are a member.

of the return. They will need to complete the Additional Information pages of the tax return to show the amount by which their total Pension Input Amount exceeds the annual allowance. The boxes that need to be completed for the annual allowance are in the ‘Pensions savings tax charges’ section (on the additional information pages (SA101) in the paper return).

192. People using paper returns will need to ask for the additional information pages (SA101) to report the information.

193. Further information to help complete this part of the tax return can be found on a helpsheet - HS345 ‘Pensions - tax charges on any excess over the Lifetime Allowance, Annual Allowance and on unauthorised payments’ – see https://www.gov.uk/government/publications/pensions-tax-charges-on-any-excess-over-the-lifetime-allowance-annual-allowance-special-annual-allowance-and-on-unauthorised-payments-hs345-self.

194. Where an individual has unused annual allowance that they want to use to set off against an annual allowance charge for a later year, they do not have to include this on their Self-Assessment tax return for the year in which the unused allowance arose or for the year that they want to set this off against an annual allowance charge.

195. If the person liable to an annual allowance charge hasn’t completed a tax return before (or it's been some time since they did), they will need to complete a registration form to let HMRC know what's changed and to get a tax return.

How to complete the tax return if an individual will not know their pension input details until after the Self-Assessment filing date

196. The tax return should be completed as normal, completing the boxes in the ‘Pension savings tax charges’ section on the additional information pages (SA101) in the paper tax return. If a member has not been able to get an accurate automatic pension savings statement from their scheme or has failed to make a request for a pension savings statement in time, they should use an estimate of their Pension Input Amount for the year to work out if their Pension Input Amount is more than the annual allowance. If it is, they should put this excess figure in the appropriate box. They should then make a note in the ‘Any other information’ part of the tax return to explain that they have used an estimated figure when calculating the amount in excess of the annual allowance and when they expect the final figure to be available. They will also need to tick the box to show that they have used estimated figures on their tax return.

197. Once a member gets the details that they need to work out their

annual allowance charge accurately, they can amend their tax return if this is within 12 months of the statutory filing date. Where the estimate is less than the final figure, the individual will need to pay any additional tax due along with any interest on the late payment of the tax.

Scheme member wishes to utilise the 'mandatory Scheme pays' option

198. If an individual realises that they have an annual allowance charge in excess of £2,000 they will need to consider whether they are able to pay that charge from current income/savings or whether they would prefer to make an election for their Scheme to meet the charge for them from their pension benefits under the 'mandatory Scheme pays' option.

199. To prevent individuals from delaying engagement with their Schemes, and to ensure Schemes can comply with their deadlines for payment of the tax charge, individuals will have to make their irrevocable election for the Scheme to pay:

a. by 31 December 2013 in relation to the 2011/12 tax year, and [paragraph 32 of Sch 17 to the Finance Act 2011] [s237B(5)(a)]

b. by 31 July following the relevant Self-Assessment filing deadline in subsequent tax years i.e. 31 July in the year following the end of the tax year to which the annual allowance charge relates (e.g. by 31 July 2016 for tax year 2014/15)

(but see paragraph 202 and the third bullet point in paragraph 163 regarding retirees in the Pension Input Period). An option made after the above deadlines has no effect and the Scheme member will be responsible for meeting the tax charge themselves.

200. Although a 'Mandatory Scheme pays' election is irrevocable, it can be amended (see paragraphs 214 to 222). [s237B(5)(c)]

201. The 'mandatory Scheme pays' election must be made in such manner and form, and contain such particulars, as may be prescribed in regulations issued by HMRC. The relevant regulations are The Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011 [SI 2011/1793] and these are copied below: [s237B(5)(b)] [2011/1793]

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011 and shall come into force on 11th August 2011.

(2) In these Regulations—
“the further notice” means a notice given by an individual to a scheme administrator in accordance with regulation 4;
“the notice” means a notice given by an individual to a scheme administrator in accordance with section 237B(3) of the Finance Act 2004; and
“relevant tax year” means the tax year to which the notice relates.

Particulars to be included in the notice
2.—(1) An individual must include the following particulars in the notice—

(a) the individual’s title, full name and address (including post code, if applicable),
(b) the individual’s national insurance number, subject to paragraph (4),
(c) the amount of the annual allowance charge for which the individual and the scheme administrator will be jointly and severally liable, and
(d) the tax year in which the annual allowance charge arises.

(2) Where the amount specified in the notice is £2,000 or less, the individual must confirm in the notice that the amount of the individual’s liability to the annual allowance charge for the relevant tax year exceeds £2,000.

(3) Where the notice is given to the scheme administrator in the relevant tax year and it is anticipated that in the relevant tax year—

(a) the individual will become entitled to all of the benefits under the pension scheme to which the notice relates (“the relevant scheme”), or
(b) benefit crystallisation events 5, 5A or 5B will occur in relation to the individual under the relevant scheme,

the individual must state in the notice the date on which it is anticipated that the event specified in sub-paragraph (a) or (b) will occur.

(4) Where the individual does not qualify for a national insurance number the individual must set out in the notice the reasons for this in place of the national insurance number.

(5) The notice must be in writing, signed and dated by the individual.

(6) Where the notice is in an electronic format, the requirement in paragraph (5) that the notice must be signed will be satisfied if the notice includes a statement that the individual has personally submitted the notice.

Declaration to be included in the notice
3.—(1) The individual must declare in the notice that the individual understands that—

(a) the notice cannot be revoked, and
(b) future benefits to be paid to the individual from the pension scheme will be adjusted to take account of the payment of the annual allowance charge made by the scheme administrator.

(2) The individual must declare that the amount specified in the notice has been calculated at the correct relevant rate as described in section 237B(4) of the Finance Act 2004.

Amendment to the notice
4.—(1) Where the individual's liability to the annual allowance charge in relation to the relevant tax year changes after the submission of the notice to the scheme administrator, the individual may amend the notice by sending a further notice to the scheme administrator.

(2) The further notice must comply with regulations 2 and 3.

(3) The further notice must be given to the scheme administrator no later than 31st July following the end of the period of 4 years beginning with the last day of the relevant tax year.

Acknowledgement of receipt of the notice and further notice
5. A scheme administrator must send an acknowledgement to the individual upon receipt of the notice or further notice.

202. A Scheme member cannot make a 'mandatory Scheme pays' election before the end of the tax year in which the annual allowance charge arises, with one exception. If a Scheme member approaching retirement becomes entitled to **all** of their benefits from the Scheme[161] (not just from the Fund) in the tax year and wants the Scheme to pay the tax charge for that tax year and / or the previous tax year[162] on their behalf (by deduction from their benefits), the member **must** make a 'mandatory Scheme pays' election **before** their benefits crystallise. Administering authorities will wish to consider how best to bring the 'mandatory Scheme pays' option to the notice of retirees (e.g. within notes accompanying the pension application form). Tier 1 and Tier 2 ill health retirees in particular who do not meet the severe ill health condition (see paragraph 16) might be particularly interested in the 'mandatory Scheme pays' option. [s237B(6)]

A member cannot make a 'mandatory Scheme pays' election after they have become actually entitled to all of their benefits under the [s237B(6)]

[161] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.
[162] Prior to 28 July 2015 a member drawing all their benefits in the Scheme could only make a 'Scheme pays' election in respect of an annual allowance charge relating to the Pension Input Amount for the tax year in which they retired (and not for the previous tax year).

Scheme (not just from the Fund) or after a BCE5, 5A or 5B occurs (although an administering authority can agree to pay the member's tax charge on a voluntary basis where the member misses the 'mandatory Scheme pays' deadline – see paragraph 223 for more information). A member taking flexible retirement has not taken **all** of their benefits under the Scheme (because they are continuing in active membership) and so they can make a 'mandatory Scheme pays' election. The relevant actuarial guidance from the Secretary of State[163] and from the Scottish Ministers[164] makes it clear that where a member takes flexible retirement the 'mandatory Scheme pays' offset relating to that part of the membership which is being drawn down should be applied at the point of flexible retirement. However, if the member draws down only a proportion of the membership, the offset should be pro-rated (in proportion to the membership being drawn-down) and applied to the relevant benefit being drawn-down (with allowance for early / late retirement factors, as appropriate). The remaining offset should be applied when the member eventually retires.

203. Where the election is for the same tax year in which the member will be become entitled to **all** benefits under the Scheme, the member's notification must include a statement to explain that before the end of the tax year, they intend to take all of their benefits from the pension scheme and they must give the date when they expect to take their benefits.

204. If a Scheme member elects for the 'Scheme pays' option, the Scheme member will have to show the amount of tax paid by the Scheme on their behalf on their Self-Assessment tax return.

205. The Government believes that most individuals will have a sufficient understanding of any other income they are likely to receive in the year they take their pension benefits to be able to anticipate their marginal tax rate. Where a member has estimated the amount of annual allowance charge due, they can complete their 'Scheme pays' election using estimated figures. In these circumstances, where the member has made a reasonable estimate of the tax charge due then this is acceptable and HMRC would consider that the conditions asked for in the notice are met. On occasion, individuals may see changes in circumstances that affect their overall marginal tax rate, meaning that it is possible that their annual allowance charge may have been over or under paid. If this happens, individuals will need to use the Self-Assessment amendment process to report the overpaid or underpaid tax and tell their Scheme (if they have utilised the 'Scheme pays' option). If the member wishes to amend their 'Scheme

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[163] See http://lgpsregs.org/schemeregs/actguidance.php
[164] See http://www.scotlgpsregs.org/schemeregs/actguidance.php

pays' election the administering authority will then need to take the action shown in paragraphs 214 to 222).

Administering authority duties if the Scheme member elects for the 'mandatory Scheme pays' option

206. If a Scheme member elects for the 'mandatory Scheme pays' option, the administering authority must reduce the Scheme member's benefits in accordance with guidance from the Secretary of State (England and Wales)[165] or Scottish Ministers (Scotland) [166]. [s237E]

207. The Finance Act 2004 and related legislation does not stipulate or impose a time when the adjustment to Scheme benefits must be made relative to when the tax has been paid.

208. Since 6 April 2013 the specific circumstances in which a scheme pension in payment can be reduced have been extended to include a reduction as a consequence of the scheme administrator paying an amount of the member's annual allowance charge[167]. However, prior to 6 April 2013, if an administering authority did not reduce the member's benefits following receipt of a 'mandatory Scheme pays' election, the Scheme member might have become liable to an unauthorised payment charge on the amount of the tax liability that the Scheme had paid on their behalf as this would have then constituted an unauthorised member payment. Furthermore, if a retiree had made a 'mandatory Scheme pays' election, the benefits were initially paid in full, and the pension in payment was then subsequently reduced on account of an annual allowance tax charge, the reduction would not have been a permitted reduction under paragraph 2 of Schedule 28 of the Finance Act 2004. This would have meant that future pension payments would have been unauthorised member payments and, if that reduction to the pension reduced the pension to less than 80% of the rate payable when the member became entitled to the pension, any tax free lump sum they received on retirement would have become an unauthorised payment by virtue of paragraph 2A of Schedule 28 of the Finance Act 2004. Thus, if a Scheme member approaching retirement became entitled to **all** of their benefits from the Scheme[168] (not just from the Fund) in the tax year and made a 'mandatory Scheme pays' election before

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[165] See http://www.lgpsregs.org/schemeregs/actguidance.php
[166] See http://www.lgpsregs.org/index.php/scotland/stat-guidance
[167] See the Registered Pension Schemes (Reduction in Pension Rates, Accounting and Assessment) (Amendment) Regulations 2013 [SI 2013/1111].
[168] For this purpose, the LGPS in England and Wales is a separate scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

their benefits crystallised the administering authority had to make any adjustment to the member's benefits **before** the pension was put into payment (and before any tax-free lump sum was calculated, or an annuity was purchased). Individuals would have remained entitled to a tax-free lump sum of up to 25% of their pension benefits (calculated after application of the debit for the tax charge).

209. If a Scheme member elects for the 'mandatory Scheme pays' option, the administering authority must account for the tax using an Accounting for Tax (AFT) return no later than the quarter ending 31 December of the tax year following that in which the tax year ended (or, if the election is amended resulting in additional tax, this must be accounted for by the later of the 31 December Accounting for Tax return or the return that includes the date the administering authority received the amended election). For example, for 2012/13, the administering authority must account for the tax using, at the latest, the 31 December 2014 Accounting for Tax (AFT) return. The AFT return must include the number of members in the quarter for whom the administering authority is paying the annual allowance charge and, for each such member[169]: [s254(7A)] [s254(7B)]

- the title, name and national insurance number of the member in relation to whom the Scheme is paying an annual allowance charge under the 'mandatory Scheme pays' option

- the date on which the Scheme became liable to the annual allowance charge (i.e. the date the administering authority received the notice from the member requiring them to pay the annual allowance charge)

- the amount of tax (in whole pounds) to which the Scheme has become jointly liable following a 'mandatory Scheme pays' election

- the tax year to which the annual allowance charge relates

If the administering authority has paid more than one annual allowance charge for a member (because they have given more than one notice in the same tax year) an entry is needed for each notice using the relevant date for each notice. So, if an administering authority receives two notices from a member and the amount for each notice is returned in the same quarter there should be two entries on the AFT return for that member for the quarter concerned.

210. However, in the first year of the regime the deadline for the [paragraph 33 of

[169] See regulation 9 of The Registered Pension Schemes (Miscellaneous Amendments) Regulations 2011 [SI 2011/1751].

administering authority to account for the tax was extended to the 31 March 2014 Accounting for Tax return (rather than the 31 December 2013 that would otherwise have been used). Sch 17 to the Finance Act 2011]

211. Where the administering authority has accounted for the annual allowance tax charge on a 31 December AFT return they must then pay the tax due by the second 14 February that follows the end of the tax year to which the liability relates. For example, for a liability relating to the 2012/13 tax year, if the administering authority had included this on an AFT return for quarter ending 31 December 2014 they would have to pay the tax due by 14 February 2015. For 2011/12, this deadline was extended. So for a liability relating to the 2011/12 tax year, the Scheme had to include the liability on an AFT return by 31 March 2014 and pay the tax due by 15 May 2014. [s254(3) & (5)]

212. The 31 December and 14 February deadlines are, respectively, the latest that the administering authority should complete the AFT return and make the payment of the tax due. The administering authority can decide to include the liability on an earlier AFT return and if it does so, the date for payment of the tax is the normal payment date for that return.

213. If a member dies after making a 'mandatory Scheme pays' election and the administering authority has made the adjustment to the member's benefits before they died then, even if the Scheme had not yet paid over any tax to HMRC, the Scheme can honour the 'mandatory Scheme pays' election as the member had made the election before their death. If the administering authority had not made the adjustment before the member's death it might not be possible for the administering authority to continue with the member's request. This is because the tax rules require that an adjustment must be made to the member's benefit entitlement if the Scheme pays an amount of annual allowance charge on their behalf. If it is impossible for the administering authority to meet this requirement it can ask HMRC to be discharged from the requirement to pay the amount of tax the member asked it to pay before their death. The member's estate would then have to account for the full amount of the annual allowance charge liability that the member had incurred before their death.

Scheme member amends the 'mandatory Scheme pays' election

214. After a member has required the Scheme to pay an amount of their annual allowance charge they are able to change the amount that they have asked the Scheme to pay. This could happen because their annual allowance charge liability for the tax year concerned was more, or less, than they realised when they gave their original notice (e.g. because their marginal tax rate changes due to a change in

what they had expected their taxable income for the year to be).

215. There is a time limit for the member to ask the administering authority to change the amount of the annual allowance charge that they want the Scheme to pay. The administering authority must receive the member's request no later than the 31 July that follows the end of the period of 4 years from the end of the tax year to which the member's liability relates. For example, if the member's annual allowance charge relates to the tax year 2011/12 their request to change the amount that they have already asked the Scheme to pay must be received by the administering authority no later than 31 July 2016.

216. The member's notification to change the amount that they have already asked the Scheme to pay must contain the same information as was on their original notice (see paragraph 201). The member's amended notice should also state:

a. the tax year to which the annual allowance charge liability relates,

b. the amount of their annual allowance charge liability that they now want the Scheme to pay on their behalf for that year, and

c. that the amount of the liability they now want the Scheme to pay has been calculated at the proper rate.

Where the member has reduced the amount they require the Scheme to pay

217. Where, as a result of an amended 'mandatory Scheme pays' election, the member has reduced the amount they require the Scheme to pay and the deadline has not yet been reached for the administering authority to pay the tax that was on the original notice (see paragraph 211), the same deadline will continue to apply for the revised amount and an adjustment should be made to the member's benefit's to reflect the lower amount of tax to be paid.

218. The member's amended notice may mean that the amount of the annual allowance charge now due is £2,000 or less. If this happens then the member will not be able to confirm that their total annual allowance liability is more than £2,000. The administering authority will not then have to comply with the amended notice and the

Scheme will no longer be jointly and severally liable to the member's annual allowance charge. The liability for the tax due will then revert to being on the member. In these circumstances it is permissible for an administering authority to agree to pay the member's annual allowance charge on a voluntary basis – see paragraph 223 for more information.

219. Where an administering authority receives an amended notice which reduces the amount of liability, the administering authority will need to send HMRC an amended Accounting for Tax return (AFT). Where the administering authority has already paid the tax to HMRC then the administering authority will have to make a claim to HMRC (including, where the annual allowance charge has fallen to £2,000 or less, for the whole amount of the tax paid). HMRC will then make the refund to the Scheme. The administering authority would then carry out a form of the offsetting adjustment in reverse to reconcile the member's entitlement.

Paying the additional amount of tax if the member has increased the amount they ask the Scheme to pay

220. If the deadline has not yet been reached for the Scheme to pay the tax that was on the original notice (see paragraph 211), the same deadline will continue to apply for both the original amount and the additional amount.

221. If the deadline for the Scheme to pay the tax that was on the original notice has passed by the time the member requires the Scheme to pay an additional amount (see paragraph 211), the deadline for paying the additional amount will depend on the period of the year in which the request to pay the additional amount is received by the administering authority. When the member's request for the Scheme to pay an additional amount is received by the Scheme in the period:

  a. January to 31 March, the deadline for the Scheme to pay that additional amount is the following 15 May,
  b. 1 April to 30 June, the deadline is the following 14 August,
  c. 1 July to 30 September, the deadline is the following 14 November, and
  d. 1 October to 31 December, the deadline is the following 14 February.

222. It should be noted that where a member has already taken all of their benefits since they required the Scheme to pay the annual allowance charge, it is possible for the Scheme to pay the member's annual allowance charge provided that the benefits can be adjusted accordingly. Since 6 April 2013 the specific circumstances in which a scheme pension in payment can be reduced have been extended to

include a reduction as a consequence of the scheme administrator paying an amount of the member's annual allowance charge[170]. **However**, prior to 6 April 2013, there may have been adverse tax consequences for the member if an administering authority had further reduced the member's pension that was already in payment to reflect the additional amount of tax payable. This was because where a pension in payment was reduced on account of an annual allowance tax charge, the reduction would not have been a permitted reduction under paragraph 2 of Schedule 28 of the Finance Act 2004. Furthermore, if the pension was reduced to less than 80% of the rate payable when the member became entitled to the pension, any tax free lump sum they received on retirement would have become an unauthorised payment by virtue of paragraph 2A of Schedule 28 of the Finance Act 2004. In those circumstances the administering authority was advised to make a request to HMRC asking that the Scheme should not pay the member's charge as it would have an adverse tax consequence for the Fund and the member.

'Voluntary Scheme pays'

223. Administering authorities must agree to a 'mandatory Scheme pays' election where a member has a mandatory right under section 237B of the Finance Act 2004 to make such an election and does so within the relevant timescale – see paragraph 199. We will refer to this as 'mandatory Scheme pays'.

However, as mentioned in paragraphs 163, 179, 180, 181, 182, 202 and 218, in circumstances where the member does not have the right to make a 'mandatory Scheme pays' election, or the annual allowance charge exceeds the amount in respect of which the member may make a 'mandatory Scheme pays' election, administering authorities may be able to choose to agree to pay a scheme member's annual allowance tax charge on a voluntary basis with a corresponding reduction to the member's benefits. We will refer to this as 'voluntary Scheme pays'.

Those circumstances are, for example, where:

(i) the member is subject to the tapered annual allowance and the member's Pension Input Amount for the aggregate of the

[170] See the Registered Pension Schemes (Reduction in Pension Rates, Accounting and Assessment) (Amendment) Regulations 2013 [SI 2013/1111].

arrangements in the Scheme[171] in the Pension Input Period exceeds the 'standard' annual allowance for that tax year as set out in section 228(1) of the Finance Act 2004 (for example, for tax year 2016/17 the Pension Input Amount exceeds £40,000). The member only has a 'mandatory Scheme pays' right in respect of the amount by which their Pension Input Amount exceeds the 'standard' annual allowance. For example, if the member's Pension Input Amount is £41,000 but, due to the level of their income, the member's tapered annual allowance is £10,000, the member will have an annual allowance tax charge on £31,000 of the Pension Input Amount but will only have a 'mandatory Scheme pays' right in respect of the tax charge due on £1,000 of the Pension Input Amount. The member could ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their benefits.

(ii) the member is subject to the tapered annual allowance but the member's Pension Input Amount for the aggregate of the arrangements in the Scheme[172] in the Pension Input Period **does not** exceed the 'standard' annual allowance for that tax year as set out in section 228(1) of the Finance Act 2004 (for example, for tax year 2016/17 the Pension Input Amount **does not** exceed £40,000). The member **does not** have a 'mandatory Scheme pays' right. For example, if the member's Pension Input Amount is £39,000 but, due to the level of their income, the member's tapered annual allowance is £10,000, the member will have an annual allowance tax charge on £29,000 of the Pension Input Amount but, as their Pension Input Amount for the aggregate of the arrangements in the Scheme[173] in the Pension Input Period **did not** exceed the 'standard' annual allowance of £40,000 the member has no 'mandatory Scheme pays' right. The member could ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their benefits.

(iii) the member has an annual allowance charge of more than £2,000 because they have exceeded the annual allowance by virtue of savings across multiple pension schemes, without

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[171] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[172] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.
[173] The 89 LGPS Funds in England and Wales are one scheme. The 11 LGPS in Scotland are another scheme. And the LGPS in Northern Ireland is yet another scheme.

exceeding the annual allowance in any one scheme. The member **does not** have a 'mandatory Scheme pays' right but could ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to the member's benefits.

(iv) the member has a 'mandatory Scheme pays' right in respect of benefits accrued in the LGPS but also has an annual allowance tax charge in respect of benefits accrued in another Scheme. The member could ask the administering authority to pay their full annual allowance tax charge, including that relating to benefits accrued in the other Scheme, on a voluntary basis with a corresponding reduction to their LGPS benefits.

(v) the member has an annual allowance charge liability as a result of the application of the money purchase annual allowance. However, the member's annual allowance charge liability by reference to the 'standard' annual allowance would have been £2,000 or less and so the member **does not** have a 'mandatory Scheme pays' right. However, the member could ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their benefits.

(vi) the member has an annual allowance charge liability as a result of the application of the money purchase annual allowance. The amount of the annual allowance charge by reference to the 'standard' annual allowance would have exceeded £2,000 and so the member has a 'mandatory Scheme pays' right. However, the maximum amount the individual can require the Scheme to pay under the 'mandatory Scheme pays' right is based on the amount of their pension savings that exceeded the 'standard' annual allowance (for example, for tax year 2016/17, this means exceeded £40,000) in that scheme alone and the amount of tax that would have been due by reference to the 'standard' annual allowance. For example, if the individual's annual allowance charge is £4,000 by reference to the money purchase annual allowance and would have been £3,000 by reference to the 'standard' annual allowance the maximum possible amount that the individual could require the scheme to pay under 'mandatory Scheme pays' is limited to £3,000. The member could ask the administering authority to pay their full annual allowance tax charge on a voluntary basis with a corresponding reduction to their LGPS benefits.

(vii) a retiree fails to make a 'mandatory Scheme pays' election before they have become entitled to all of their benefits under the Scheme (not just from the Fund) or before a BCE5, 5A or

5B occurs. The member could subsequently ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their LGPS benefits. If they do so, the annual allowance tax charge <u>must</u> reach HMRC by 31 January falling in the tax year in which the member became entitled to all of their benefits under the Scheme or in which the BCE5, 5A or 5B occurred in order to avoid interest accruing for late payment. Where interest does accrue this is calculated by HMRC and paid directly by the member (i.e. the administering authority does not pay the interest on the late payment of monies, regardless of the reason for late payment).

(viii) a member makes a ‘mandatory Scheme pays’ election because they believe their annual allowance tax charge exceeds £2,000. However, the member subsequently finds that it does not and asks the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their LGPS benefits. Note, however, that in such a case it is highly likely that interest will have accrued for late payment of the annual allowance tax charge (as the 31 January deadline is likely to have passed). Where interest does accrue this is calculated by HMRC and paid directly by the member (i.e. the administering authority does not pay the interest on the late payment of monies, regardless of the reason for late payment).

(ix) a member’s annual allowance tax charge is less than £2,000. The member could ask the administering authority to pay their annual allowance tax charge on a voluntary basis with a corresponding reduction to their LGPS benefits.

(x) due to administrative difficulties that result in the member missing the ‘mandatory Scheme pays’ deadline (e.g. the member was not provided with the necessary information on time), the Administering Authority may wish to offer the ‘voluntary Scheme pays’ option to a member who would otherwise have been able to make a ‘mandatory Scheme pays’ election had such administrative difficulties not occurred.

The Local Government Pension Scheme Regulations are silent on the matter of ‘voluntary Scheme pays’. This means that there is no standard approach imposed on administering authorities and, as it is a matter devolved to sub-scheme administrators (see the legislative background below) it is for each administering authority to determine its stance on ‘voluntary Scheme pays’ requests and which ones, if any, it would be willing to accept.

In reaching a decision there are a number of matters that administering authorities will need to consider. For example:

a) <u>Does the administering authority have the vires to agree to a 'voluntary Scheme pays' election?</u>

The LGPC Secretariat has obtained legal advice from Eversheds to the effect that English administering authorities which are local authorities have a general power of competence under the Localism Act 2011 (or, for NILGOSC, an equivalent power under sections 79 – 83 of the Local Government Act (Northern Ireland) 2014) and so it is arguable they are thus able to agree to a 'voluntary Scheme pays' request. There is no express prohibition on them doing so and it can be argued that, given there would be a corresponding reduction to the member's pension benefits, agreeing to a 'voluntary Scheme pays' request would be a reasonable exercise of the general power of competence (particularly in respect of members subject to a sizeable annual allowance tax charge as a result of the tapered annual allowance who may not be able to access the 'mandatory Scheme pays' option or where the 'mandatory Scheme pays' option would only cover a small proportion of their annual allowance tax charge).

[Note: The position of the South Yorkshire Pensions Authority, the London Pensions Fund Authority, the Environment Agency, the West Midlands Combined Authority and the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority is currently being considered and advice will be issued in due course.]

The position of administering authorities in Wales and Scotland is not as clear cut as the position in England. Administering authorities in Wales and Scotland would need to rely on either the "well-being" powers in the Local Government Act 2000 and the Local Government in Scotland Act 2003 or on the power they have under section 111 of the Local Government Act 1972 to do anything *"which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions"*. The "well-being" power is narrower than a general power of competence and it is not certain that it could be relied upon to agree to a 'voluntary Scheme pays' request. That leaves, for consideration, section 111 of the Local Government Act 1972. Although less clear cut than the general power of competence position in England, it might be argued that section 111 of the Local Government Act 1972 can be relied upon in Wales and Scotland to agree to a 'voluntary Scheme pays' request. This is because such a request could be said to be incidental or conducive to the performance of the administering authority's functions given that the functions of the local authority acting as an administering authority and as a scheme administrator (for tax purposes) are defined by statute and legislation.

Eversheds have also taken the view that regulation 84 of the Local Government Pension Scheme Regulations 2013 [SI 2013/2356], regulation 82 of the Local Government Pension Scheme Regulations 2014 [SSI 2014/164] and regulation 94 of the Local Government Pension Scheme Regulations (Northern Ireland) 2014 [SR 2014/188] which, respectively, say

84 Non-assignability

(1) Every benefit to which a person is entitled under the Scheme is payable to or in trust for that person.

(2) No such benefit is assignable or chargeable with that person's, or any other person's, debts or other liabilities.

82 Non-assignability

(1) Every benefit to which a person is entitled under the Scheme is payable to or in trust for that person.

(2) No such benefit may be assigned or charged and any such assignation or charge shall be void.

94 Non-assignability

(1) Every benefit to which a person is entitled under the Scheme is payable to or in trust for that person.

(2) No such benefit is assignable or chargeable with that person's, or any other person's, debts or other liabilities.

do not prevent an administering authority relying on regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791].

Administering authorities may wish to take their own legal advice on whether or not they have the vires to agree to a 'voluntary Scheme pays' request.

b) <u>If an administering authority has the vires to accept a 'voluntary Scheme pays' request, which types of case (if any) should be accepted?</u>

This is clearly a matter for each administering authority to consider and decide upon. Administering authorities are not compelled to agree to any 'voluntary Scheme pays' requests and can simply decide not to do so. Administering authorities who may be prepared to accede to 'voluntary Scheme pays' requests are more likely to come under pressure to do so from those members falling within (i) and (ii) above. The administering authority might, therefore, wish to restrict agreement to such cases. Alternatively, administering authorities might decide to consider each request on its merits.

It should be noted that an agreement by an administering authority to pay a member's annual allowance tax charge on a voluntary basis (over and above the 'mandatory Scheme pays' amount) would not set a precedent for that administering authority as each case could be considered on its merits. Additionally, any agreement by one administering authority does not set a precedent that has to be adhered to by any other administering authority. Regulation 2(2) of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791] only provides that the scheme rules are modified to allow a consequential adjustment to **that** member's pension entitlement. In other words, the scheme rules will not have been amended (**for everyone**), just modified in relation to **the member** in respect of whom the administering authority agreed to pay the member's annual allowance tax charge on a voluntary basis.

It should also be noted that the adjustment made to a member's pension benefits to account for a 'voluntary Scheme pays' election will serve to reduce that member's benefits for Lifetime Allowance purposes whereas if the member pays the tax due themselves their full pension benefit still counts towards the Lifetime Allowance. Thus, in some cases, 'voluntary Scheme pays' will have a beneficial (tax saving) effect on members who might otherwise have exceeded the Lifetime Allowance.

c) <u>Should there be a minimum level of annual allowance tax charge payable before the administering authority would consider a 'voluntary Scheme pays' request'?</u>

Administering authorities prepared to accede to 'voluntary Scheme pays' requests will need to consider whether there is a minimum level of annual allowance tax charge that the member must be facing before the administering authority will consider the request. For example, will the administering authority consider any level of request (even if the tax charge is, say, only £5) or should there be an arbitrary minimum level imposed (e.g. only cases where the tax charge is greater than £1,000 will be considered). The problem with the latter is "What do you do when a member whose tax charge is £999.99 asks why you will not accept his / her request for 'voluntary Scheme pays'?" Alternatively, rather than set any minimum, administering authorities might decide to consider each request on its merits.

d) <u>Should the administering authority accept a combination of ‘mandatory Scheme pays’ and ‘voluntary Scheme pays’? What are the differences?</u>

In the example in (i) above the member has an annual allowance tax charge on £31,000 of the Pension Input Amount but will only have a ‘mandatory Scheme pays’ right in respect of the tax charge due on £1,000 of the Pension Input Amount. The ‘mandatory Scheme pays’ election would have to be made by 31 July (e.g. for 2016/17 the deadline is 31 July 2018). If the administering authority is prepared to accede to a ‘voluntary Scheme pays’ request in respect of the tax charge due on the remaining £30,000 it should be noted that unlike ‘mandatory Scheme pays’ there is, technically, no deadline by which a member must make the ‘voluntary scheme pays’ election, though an administering authority may wish to set local deadlines (e.g. they could consider aligning the timescales with those that apply to ‘mandatory scheme pays’ elections). However, if the member does not wish to incur interest charges in respect of the tax charge due on the £30,000, the member would have to make the relevant ‘voluntary Scheme pays’ election well before 31 January in the year following the relevant tax year (e.g. for 2016/17 the election would have to be made before 31 January 2018, being more than 6 months before the deadline for the ‘mandatory Scheme pays’ election) to enable the administering authority to make the annual allowance tax charge payment to HMRC by 31 January. In practice, this would mean that ‘voluntary Scheme pays’ processes would need to be put in place well before 31 January in order that the member can notify the administering authority of the amount of tax due, the administering authority can tell the member what the reduction to their benefits would be, the member can elect to proceed, the administering authority can arrange for the appropriate reduction to be noted on the pensions system and, **IMPORTANTLY**, the administering authority can pay the tax due to HMRC by 31 January. The date of 31 January ties in with the deadline for an individual’s tax payment given that, unlike with ‘mandatory scheme pays’ where the member and the Scheme are jointly and severally liable for the tax charge, the tax liability in a ‘voluntary Scheme pays’ case rests solely with the member (so even though the Scheme will pay over the amount of tax on the member’s behalf, the member will remain solely liable for the amount of tax due until the administering authority pays it to HMRC). A ‘voluntary Scheme pays’ election can be made and processed after 31 January, though the member will then incur a late payment interest charge and be responsible for paying that interest charge to HMRC. The deadline for the administering authority to pay over the tax charge in respect of the ‘mandatory Scheme pays’ election is 14 February of the following year e.g. for 2016/17 the deadline is 14 February 2019.

e) <u>What level of deduction should be made from the member’s benefits if a ‘voluntary Scheme pays’ request is accepted?</u>

If an administering authority accepts a ‘voluntary Scheme pays’ request then it is a legal requirement that any *“consequential adjustment to be made to the entitlement of the member to benefits under the scheme [is to be made] on a basis that is just and reasonable having regard to normal actuarial practice.”*

Regulation 86(2) of the Local Government Pension Scheme Regulations 2013 and regulation 84(2) of the Local Government Pension Scheme (Scotland) Regulations 2014 specify that any consequential reduction in respect of a ‘mandatory Scheme pays’ election shall be made in accordance with actuarial guidance issued by the Secretary of State or, in Scotland, by the Scottish Ministers. However, there is no equivalent provision in those regulations specifying how any consequential reduction in respect of a ‘voluntary Scheme pays’ election should be made. Administering authorities will no doubt wish to use the actuarial guidance issued in relation to ‘mandatory Scheme pays’ and apply it to any ‘voluntary Scheme pays’ requests they accept.

f) <u>Can an administering authority make a charge for administration of a ‘voluntary Scheme pays’ request?</u>

In some ways administering a ‘voluntary Scheme pays’ request is similar to administering a Pension Sharing on Divorce case in that the matter is specific to the individual Scheme member and so, as in the case of Pension Sharing on Divorce, it is arguable that any administrative costs associated with the request ought to be borne by the member (not by the Fund, as this would impact on the cost for all participating employers). However, by virtue of regulation 4(6) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, costs incurred in relation to Pension Sharing on Divorce cannot be charged to the Fund. Conversely, the same regulation permits costs incurred in relation to a ‘voluntary Scheme pays’ request to be charge to the Fund. If administering authorities wish to charge for the administration involved in processing any 'voluntary Scheme pays' requests they accede to it would be helpful if the Regulations were amended to specifically permit this.

g) <u>How should an administering authority account for a 'voluntary Scheme pays' tax charge on their AFT return?</u>

[PTM056430](PTM056430) confirms that if an administering authority agrees to pay an amount of a member's annual allowance charge liability on a voluntary basis, the scheme would not have joint and several liability for the tax charge and the liability for the annual allowance charge would remain with the member. The payment made by the scheme on a voluntary basis should therefore be paid to the member's normal Self-Assessment deadline. If the AFT process is being used to report and pay the tax being paid by the scheme on a voluntary basis, the scheme administrator will need to consider which quarterly period to use.

The legal background covering 'voluntary Scheme pays' is set out below:***Voluntary Scheme Pays - regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791], regulation 4A of the Pension Schemes (Reduction in Pension Rates) Regulations 2006 [SI 2006/138], section 91 of the Pensions Act 1995 and regulation 8(7) of the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc.) Regulations 1997 [SI 1997/785] as inserted by regulation 2 of the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc) (Amendment) Regulations 2011 [SI 2011/1801], regulation 3 and Part 3 of Schedule 3 to the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569]***

Where a member does not meet the conditions for 'mandatory scheme pays' to apply or they do not make their nomination in time, the scheme administrator or, in the case of a Scheme such as the LGPS which is covered by the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569], the sub-scheme administrator, may agree (if they have the vires to do so) to pay the member's annual allowance charge on a voluntary basis. Unlike with 'mandatory scheme pays' the scheme administrator or, where relevant, sub-scheme administrator would not have joint and several liability for the tax charge so the liability would remain with the member. The payment made by the scheme administrator or sub-scheme administrator on a voluntary basis should be paid by the member's normal self-assessment deadline i.e. by 31 January (but where it is paid later the member will incur interest for late payment). The scheme administrator or sub-scheme administrator has to make a corresponding deduction to benefits, to account for the tax the scheme administrator or sub-scheme administrator has voluntarily paid on the member's behalf. If the scheme administrator or sub-scheme administrator does not reduce the member's benefits in the Scheme to take account of the tax the scheme administrator has paid, then the member may also become liable to an unauthorised payments charge on the amount of their liability that the scheme administrator or sub-scheme administrator has paid on their behalf.

There are no general restrictions to prevent scheme administrators or sub-scheme administrators from agreeing to 'voluntary scheme pays'.

Section 91(1) of the Pensions Act 1995 says:

(1) Subject to subsection (5), where a person is entitled to a pension under an occupational pension scheme or has a right to a future pension under such a scheme -

(a) the entitlement or right cannot be assigned, commuted or surrendered,

(b) the entitlement or right cannot be charged or a lien exercised in respect of it, and

(c) no set-off can be exercised in respect of it,

and an agreement to effect any of those things is unenforceable.

However, regulation 8(7) of the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc.) Regulations 1997 [SI 1997/785], as inserted by regulation 2 of the Occupational Pension Schemes (Assignment, Forfeiture, Bankruptcy etc) (Amendment) Regulations 2011 [SI 2011/1801], says:

(7) Section 91(1)(a) of the 1995 Act (inalienability of occupational pension) does not apply to a scheme where -

(a) the scheme administrator satisfies any part of a person's liability to the annual allowance charge under section 237A of the Finance Act 2004 (liability of individual) at the request of that person, to the extent that it would prevent an adjustment to that person's benefits under the scheme as a consequence of the scheme administrator satisfying that liability, or

(b) the scheme administrator satisfies a liability under section 237B of the Finance Act 2004 (liability of scheme administrator) in respect of a person, to the extent that it would prevent a consequential adjustment to that person's benefits under the scheme under section 237E(1) of that Act (consequential benefit adjustments to be

reasonable etc).

This ensures that where a scheme administrator or sub-scheme administrator wishes to agree to a ‘voluntary scheme pays’ election (and has the vires to do so) the administrator is acting within the law on the inalienability of occupational pension rights.

Regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791] says:

2 Modification of scheme rules
(1) This regulation applies where a scheme administrator of a registered pension scheme ("the scheme") satisfies all or part of a member's liability to the annual allowance charge, either on a voluntary basis or pursuant to a liability under section 237B of the Finance Act 2004.
(2) The rules of the scheme shall be modified so as to allow for a consequential adjustment to be made to the entitlement of the member to benefits under the scheme on a basis that is just and reasonable having regard to normal actuarial practice. This paragraph is subject to paragraph (3).
(3) Any modification to the scheme's rules made by virtue of paragraph (2) is subject to section 159 of the Pension Schemes Act 1993 or section 155 of the Pension Schemes (Northern Ireland) Act 1993 (inalienability of guaranteed minimum pension etc)

Additionally, regulation 3 of the Pension Schemes (Reduction in Pension Rates) Regulations 2006 [SI 2006/138] says that the provision set out in regulation 4A of those Regulations is a prescribed circumstance for the purpose of paragraph 2(4)(h) of Schedule 28 of the Finance Act 2004 (i.e. it is an allowable reduction to a Scheme pension). Paragraph 4A of those regulations says:

4A Reduction of pension - voluntary satisfaction of liability
The circumstances are that the pension is reduced by reason of the satisfaction by the scheme administrator on a voluntary basis of all or part of a liability of a member arising under section 227(1) of the Finance Act 2004 (annual allowance charge).

Regulation 3 and Part 3 of Schedule 3 to the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569] provide that references to the “*scheme administrator shall be read as a reference to the sub-scheme administrator*” in both the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011 [SI 2011/1791] and the Registered Pension Schemes (Notice of Joint Liability for the Annual Allowance Charge) Regulations 2011 [SI 2011/1793].

Summary of timescales

224. A summary of the relevant timescales applicable to the new annual allowance regime is provided in Annex 2. It shows the timeline for the process of determining and paying an annual allowance tax charge in respect of the 2015/16 tax year (other than for members retiring in the tax year who wish to utilise the 'mandatory Scheme pays' option - see paragraph 202 and the third bullet point in paragraph 163). For each subsequent tax year, the dates in the columns should be moved forward by one year.

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Local Government Pensions Committee
February 2017

Annex 1

Glossary

Arrangement: Section 152(1) of the Finance Act 2004 says that an arrangement "in relation to a member of a pension scheme, means an arrangement relating to the member under the pension scheme". The meaning of arrangement is, itself, not specifically defined. Section 152(9) of the Finance Act 2004 does, however, make it clear that where a member is provided with both defined benefits and money purchase benefits within a scheme, these are treated as two separate arrangements for the purpose of the tax legislation. The HMRC guidance at PTM032000 also clarifies that "an arrangement is any contract, agreement or arrangement for the purposes of which a scheme holds sums and assets relating to an individual member, and under which benefits are provided. A member may have more than one arrangement under a scheme." Thus, for the purposes of the LGPS, the above can be read to mean:

a) if a member has two or more concurrent active jobs in the Scheme[174], these will be separate arrangements
b) if a member is an active member and also, under the Scheme, has a separate deferred benefit and / or pension benefit in payment, these will be separate arrangements
c) if a member is a deferred member and also, under the Scheme, has a separate deferred benefit and / or pension benefit in payment, these will be separate arrangements
d) if a member is a pensioner member and also, under the Scheme, has a separate deferred benefit and / or another pension benefit in payment, these will be separate arrangements
e) if a member has main Scheme benefits (a defined benefit arrangement) and has an AVC or SCAVC (a money purchase arrangement), these will be separate arrangements
f) if an active member, or a deferred member, or a pensioner member of the Scheme also has a Pension Credit, these will be separate arrangements.

If a deferred member of the Scheme re-joins the Scheme and aggregates the period of membership from the deferred benefit with the current active period of membership, the act of aggregation means that what were formerly two separate arrangements have become a single arrangement (see paragraphs 72 to 78). Similarly, if a member with concurrent employments ceases one and aggregates the period of membership with membership in an ongoing employment, the act of aggregation means that what were formerly two

[174] For the purpose of the annual allowance test, the LGPS in England and Wales is a separate Scheme from the LGPS in Scotland, as is the LGPS in Northern Ireland.

separate arrangements have become a single arrangement (see paragraph 79)

BCE: This is a Benefit Crystallisation Event. Section 216 of the Finance Act 2004 defines these as follows:

BCE1. The designation of sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of drawdown pension to the individual.

BCE2. The individual becoming entitled to a scheme pension under any of the relevant pension schemes.

BCE3. The individual, having become so entitled, becoming entitled to payment of the scheme pension, otherwise than in excepted circumstances, at an increased annual rate which -

(a) exceeds the threshold annual rate, and
(b) exceeds by more than the permitted margin the rate at which it was payable on the day on which the individual became entitled to it

BCE4. The individual becoming entitled to a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension.

BCE5. The individual reaching the age of 75 when prospectively entitled to a scheme pension or a lump sum (or both) under a defined benefits arrangement under any of the relevant pension schemes.

BCE5A. The individual reaching the age of 75 having designated sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes as available for the payment of drawdown pension to the individual.

BCE5B. The individual reaching the age of 75 when there is a money purchase arrangement relating to the individual under any of the relevant pension schemes.

BCE5C. The designation, on or after 6 April 2015 but before the end of the relevant two-year period, of relevant unused uncrystallised funds as available for the payment, to a dependant or nominee of the individual, of (as the case may be) dependants' flexi-access drawdown pension or nominees' flexi-access drawdown pension.

BCE5D. A person becoming entitled, on or after 6 April 2015 but before the end of the relevant two-year period, to a dependants' annuity or nominees' annuity in respect of the individual if -
(a) the annuity is purchased using (whether or not exclusively) relevant unused uncrystallised funds, and
(b) the individual died on or after 3 December 2014

BCE6. The individual becoming entitled to a relevant lump sum under any of the relevant pension schemes.

BCE7. A person being paid a relevant lump sum death benefit in respect of the individual under any of the relevant pension schemes.

BCE8. The transfer of sums or assets held for the purposes of, or representing accrued rights under, any of the relevant pension schemes so as to become held for the purposes of or to represent rights under a qualifying recognised overseas pension scheme in connection with the individual's membership of that pension scheme.

BCE9. If regulations under section 164(1)(f) so provide, the happening of an event prescribed in the regulations in relation to a payment prescribed in the regulations – [see PTM088700 for more information on BCE9]

Closing Value: This is the value of the member's pension savings at the end of the current Pension Input Period. It is calculated as the sum of (16 x PE) + LSE + AVC. It should be noted that the Closing Value is subject to adjustments as shown in paragraphs 61 to 71.

LSB: this is the automatic lump sum that would have been payable by the Fund at the end of the Pension Input Period immediately preceding the current Pension Input Period. The lump sum should **ignore**:

- any actuarial reduction that would have applied had the lump sum been payable at the end of the Pension Input Period immediately preceding the current Pension Input Period, and

- any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the Pension Input Period immediately preceding the current Pension Input Period in anticipation of retirement in the current Pension Input Period,

but should **not ignore**:

- any actuarial increase[175] that would have applied had the lump sum been brought into payment at the end of the Pension Input Period

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[175] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not

immediately preceding the current Pension Input Period and the member was, at that time, over the age at which an actuarial increase would have been applied to benefits i.e. **include** an actuarial increase on the automatic 3/80ths lump sum when the member is, at the end of the Pension Input Period immediately preceding the current Pension Input Period , over the age of 65 (as actuarial increases, even for those with an NPA earlier than 65, are only payable where benefits are drawn after age 65).

It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period immediately preceding the current Pension Input Period. This is true even if the factors are subsequently changed with an effective date after the end of the Pension Input Period immediately preceding the current Pension Input Period meaning that the factors used for LSB will be different to those eventually used for LSE.

LSE: For an active member or a member becoming a deferred pensioner or frozen refund member during the Pension Input Period, this is the lump sum that would have been payable at the end of the current Pension Input Period based on membership to the end of that Pension Input Period (for an active member) or to the date of leaving (for a deferred or frozen refund member). When calculating LSE the lump sum should **ignore**:

- any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the current Pension Input Period in anticipation of retirement in the next Pension Input Period,
- any actuarial reduction or, subject to the following, any actuarial increase that would have applied had the lump sum been brought into payment at the end of the current Pension Input Period,

but should **not ignore** (i.e. should take into account):

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backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PB and LSB; there is no provision allowing actuarial increases to be ignored for the purposes of PB and LSB. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PB and LSB but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

- any reduction to the lump sum (for a deferred member) due to forfeiture or recovery due to misconduct if the forfeiture or recovery occurs in the Pension Input Period during which the person ceased to be an active member i.e. the lump sum should be valued net of any such reduction, and

- any actuarial increase[176] that would have applied had the automatic 3/80ths lump sum been brought into payment at the end of the current Pension Input Period but only if the member is over the age at which an actuarial increase would have been applied had the lump sum been drawn at the end of that Pension Input Period. It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for LSB will be different to those used for LSE.

  Where a member has been a deferred beneficiary throughout the whole of the Pension Input Period and at the end of that Pension Input Period is over the age at which an actuarial increase would have been applied had the automatic 3/80ths lump sum been drawn at the end of that Pension Input Period, any actuarial increase can be ignored. It is not a Pension Input Amount because the conditions in section 234(5B) of the Finance Act 2004 are met i.e. the actuarial increase is given to any qualifying member and the rate of the increase is in accordance with the scheme rules that were in place on 14 October 2010.

  However, any actuarial increase is to be included in the Closing Value if the member was an active member for part of the Pension

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[176] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

Input Period and a deferred member the rest of the Pension Input Period, and during the part of the Pension Input Period in which they were a deferred member they attained the age at which an actuarial increase would have been applied had the automatic 3/80ths lump sum been drawn at the end of that Pension Input Period but decided not to draw their benefits.

For a retiree during the Pension Input Period, LSE is the lump sum paid during the Pension Input Period, based on membership to the date of retirement, and should

- **ignore** any deduction from the lump sum to pay off the balance of a 'Preston' part-time buy-back claim (see paragraphs 45 and 46)

- **not ignore** (i.e. should take into account) any actuarial reduction[177], or any actuarial increase[178], applied to the lump sum. It should be

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[177] Where there is a BCE2 the annual rate of pension to which the member became entitled is added back to PE and where there is a BCE6 the lump sum is added back to LSE. Thus, any actuarial reduction would be reflected in the annual rate of pension and lump sum payable to the member. In effect, for the purposes of PE and LSE, the annual rate of pension and the lump sum for a retiree should take account of any actuarial reduction – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.
Retirees don't have a Closing Value under s234(5) of the Act and, therefore, s277 of the Act is not applicable. The nil Closing Value is then adjusted under s236(8B)(a) and (c) of the Act which, because they do not mention 'valuation assumptions', means that any actuarial reduction is not ignored i.e. the benefits are valued after any actuarial reduction has been applied. The LGPC Secretariat nevertheless recognises that an actuarial reduction does not really represent a reduction in the value of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a longer period of time (and so it is illogical to value the benefits at their actuarially reduced rate). However, the legislation requires that the valuation is post the actuarial reduction and it is understood that HMRC have no plans at present to change from this position.

[178] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for LSB will be different to those used for LSE

- **according to HMRC, ignore**[179] any increase to the lump sum as a result of an election to commute pension for an increased lump sum;

- **not ignore** any reduction to the lump sum due to forfeiture or recovery due to misconduct i.e. the lump sum should be net of any such reduction.

It should be noted that LSE is subject to adjustments as shown in paragraphs 61 to 71.

Opening Value: This is the value of the member's pension savings at the end of the Pension Input Period immediately preceding the current Pension Input Period. It is calculated as the sum of [(16 x PB) + LSB] + the Increase in the Consumer Prices Index in the 12 months to the September preceding the beginning of the Pension Input Period[180]. If there was no Pension Input Amount in the Pension Input Period immediately preceding the current

[179] This is the view given by HMRC on their website – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053301 and https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.
These examples indicate the HMRC approach is that, where pension has been commuted into lump sum, an adjustment is required by s236(8) of the Act for the purpose of calculating the Closing Value, which would effectively disregard the commutation, and the Closing Value would thus be calculated by reference to the pre-commutation level of pension. Compare this with the contrary position that HMRC take in relation to actuarial reductions, where the benefits are valued post actuarial reduction. However, the LGPC Secretariat has obtained Counsel's opinion which backs up the LGPC Secretariat's view that benefits should be valued post commutation. S236(8A) and s236(8B) of the Act require PE and LSE to be adjusted, for the purposes of applying the formula in s234(5) of the Act, by reference to the actual amounts received by way of pension and lump sum. S236(8) does not produce any further adjustment because an adjustment under that section is only required to the extent that the effect of the commutation has not already been reflected in the sums received (and it clearly already has been). The Secretariat's interpretation would mean that the value of a member's benefits in the LGPS goes down if a member commutes (because the commutation rate is 12:1) whereas the value of a member's benefits in, for example, the Police or Fire schemes goes up (because their commutation rates are significantly greater than 16:1). That seems reasonable as the valuation of benefits in previous PIPs has assumed a factor of 16:1. Thus, if the member does not commute, the value of their accrued benefits will still be 16:1; but if a member commutes, the real value of their benefit in the LGPS actually does decrease (at 12:1) – so why should they pay tax on a value they haven't actually received; and if the real value of benefits increases (due to use of factors above 16:1 in schemes such as Police and Fire), shouldn't the member pay tax on the value of benefits they have actually received? Administering authorities may, however, take the view that it is safer to follow the HMRC approach, given the line that HMRC have adopted in the examples shown on their website.
[180] Except for the Opening Value for 2015/16. It is calculated as the sum of [(16 x PB) + LSB] + 2.5%.

Pension Input Period i.e. the current Pension Input Period is the first Pension Input Period, then the Opening Value is nil.

PB: this is the annual rate of pension that would have been payable by the Fund at the end of the Pension Input Period immediately preceding the current Pension Input Period. The annual rate of pension should **ignore**:

- any actuarial reduction that would have applied had the pension been brought into payment at the end of the Pension Input Period immediately preceding the current Pension Input Period, and

- any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the Pension Input Period immediately preceding the current Pension Input Period in anticipation of retirement in the current Pension Input Period.

- any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension, and

- any pension underpin (on the grounds that, by virtue of regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, any pension underpin is only payable when benefits are actually paid).

but should **not ignore** (i.e. should take into account):

- any anti-franking addition

- any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders)

- any actuarial increase[181] that would have applied had the pension been brought into payment at the end of the Pension Input Period

[181] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra

immediately preceding the current Pension Input Period and the member was, at that time, over the age at which an actuarial increase would have been applied to benefits i.e. **include** an actuarial increase on

- pre 1 April 2014 benefits (pre 1 April 2015 benefits in Scotland) when the member is, at the end of the Pension Input Period immediately preceding the current Pension Input Period , over the age of 65 (as actuarial increases, even for those with an NPA earlier than 65, are only payable where benefits are drawn after age 65)
- post 31 March 2014 benefits (post 31 March 2015 benefits in Scotland) when the member is, at the end of the Pension Input Period immediately preceding the current Pension Input Period, over the 2014 Scheme (2015 Scheme in Scotland) NPA

It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period immediately preceding the current Pension Input Period. This is true even if the factors are subsequently changed with an effective date after the end of the Pension Input Period immediately preceding the current Pension Input Period meaning that the factors used for PB will be different to those eventually used for PE.

PE: For an active member or a member becoming a deferred pensioner or frozen refund member during the Pension Input Period, this is the annual rate of pension that would have been payable at the end of the current Pension Input Period based on membership to the end of that Pension Input Period (for an active member) or to the date of leaving (for a deferred or frozen refund member). The annual rate of pension should **ignore**:

- any election to commute pension for an increased lump sum which has already been submitted by the member before the end of the current Pension Input Period in anticipation of retirement in the next Pension Input Period,

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accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PB and LSB; there is no provision allowing actuarial increases to be ignored for the purposes of PB and LSB. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PB and LSB but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

- any actuarial reduction or, subject to the following, any actuarial increase that would have applied had the pension been brought into payment at the end of the current Pension Input Period,

- any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension, and

- any pension underpin (on the grounds that, by virtue of regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and regulation 4(1)(b) of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, any pension underpin is only payable when benefits are actually paid)

but should **not ignore** (i.e. should take into account):

- any anti-franking addition

- any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders)

- any reduction to the pension (for a deferred member) due to forfeiture or recovery due to misconduct if the forfeiture or recovery occurs in the Pension Input Period during which the person ceased to be an active member i.e. the pension should be valued net of any such reduction, and

- any actuarial increase[182] that would have applied had the pension been brought into payment at the end of the current Pension Input

[182] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE

Period but only if the member is over the age at which an actuarial increase would have been applied had the pension been drawn at the end of that Pension Input Period. It should be noted that the actuarial increase factors to be applied are those that were in force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for PB will be different to those used for PE.

Where a member has been a deferred beneficiary throughout the whole of the Pension Input Period and at the end of that Pension Input Period is over the age at which an actuarial increase and / or GMP increments would have been applied had the pension been drawn at the end of that Pension Input Period, any actuarial increase and GMP increments can be ignored. Neither are a Pension Input Amount because the conditions in section 234(5B) of the Finance Act 2004 are met i.e. the actuarial increase is given to any qualifying member and the rate of the increase is in accordance with the scheme rules that were in place on 14 October 2010 and GMP increments are a “relevant statutory increase” which can be ignored.

However, any actuarial increase is to be included in the Closing Value if the member was an active member for part of the Pension Input Period and a deferred member the rest of the Pension Input Period, and during the part of the Pension Input Period in which they were a deferred member they attained the age at which an actuarial increase would have been applied had the pension been drawn at the end of that Pension Input Period but decided not to draw their pension. Any anti-franking addition would also have to be applied. Any GMP increments would be ignored (except where included as part of an anti-franking addition) as they are subsumed within (not paid in addition to) the LGPS pension.

For a retiree during the Pension Input Period, PE is the annual rate of pension payable at the end of the Pension Input Period, based on membership to the date of retirement which should

- **include** the pension derived from any ill health enhancement (for those ill health retirees not exempt from the annual allowance test because they did not meet the severe ill-health condition under s229(4) of the Finance Act 2004)

- **include** any anti-franking addition

- **include** any increase on a post 5 April 1988 GMP (i.e. any increase under the annual Guaranteed Minimum Pension Increase Orders)

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but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

- **ignore** any abatement of pension due to re-employment during the Pension Input Period by a body offering LGPS membership[183].

- **ignore** any deduction from the pension to pay off the balance of a 'Preston' part-time buy-back claim (see paragraphs 45 and 46)

- **ignore** any GMP increments (except where forming part of an anti-franking addition) as GMP increments are subsumed within, not paid in addition to, the LGPS pension

- **not ignore** (i.e. should take into account) any actuarial reduction[184], or any actuarial increase[185], applied to the pension. It should be noted that the actuarial increase factors to be applied are those that were in

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[183] This seems a logical interpretation of the wording in s236(8A)(a) and s236(8B)(a) as they refer to the amount of pension to which the member became entitled at the Benefit Crystallisation Event (BCE2).

[184] Where there is a BCE2 the annual rate of pension to which the member became entitled is added back to PE and where there is a BCE6 the lump sum is added back to LSE. Thus, any actuarial reduction would be reflected in the annual rate of pension and lump sum payable to the member. In effect, for the purposes of PE and LSE, the annual rate of pension and the lump sum for a retiree should take account of any actuarial reduction – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.
Retirees don't have a Closing Value under s234(5) of the Act and, therefore, s277 of the Act is not applicable. The nil Closing Value is then adjusted under s236(8B)(a) and (c) of the Act which, because they do not mention 'valuation assumptions', means that any actuarial reduction is not ignored i.e. the benefits are valued after any actuarial reduction has been applied. The LGPC Secretariat nevertheless recognises that an actuarial reduction does not really represent a reduction in the value of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a longer period of time (and so it is illogical to value the benefits at their actuarially reduced rate). However, the legislation requires that the valuation is post the actuarial reduction and it is understood that HMRC have no plans at present to change from this position.

[185] Paragraph 3.16 of the March 2011 HM Treasury document "Restricting pensions tax relief through existing allowances: response to the consultation on draft legislation" says "In general, late retirement uplifts, where uplift is expressed as a percentage determined in accordance with a provision in scheme rules as of 14 October 2010 will not be held to account against the AA. However, where the late retirement increase is determined by reference to continued accrual of pensionable pay or years of service, the value of the increase may give rise to a relevant pension input amount." Whilst it would appear from this that any late retirement accrual would count but the actuarial increase applied in accordance with Secretary of State / Scottish Ministers guidance on late retirement would not, this is not backed up by the wording of the Finance Act 2004. The Act requires that both the extra accrual and the actuarial increase are taken into account i.e. s234(4) and s277 of the Act only permit actuarial reductions to be ignored for the purposes of PE and LSE; there is no provision allowing actuarial increases to be ignored for the purposes of PE and LSE. Whilst it is clear to the LGPC Secretariat why pension accrued from membership of the LGPS after normal pension age should count towards the AA test, the Secretariat is of the view that an actuarial increase does not really represent an increase in the **value** of a member's benefits but, rather, it reflects the fact that the benefit will be drawn for a lesser period of time. Therefore, it seems illogical to include the actuarial increase in the valuation of PE and LSE but the legislation requires it to be included and it is understood that HMRC have no plans at present to change from this position.

force at the end of the Pension Input Period. This is true even if the factors were changed as from an effective date in the Pension Input Period meaning that the factors used for PB will be different to those used for PE.

- **according to HMRC, ignore**[186] any reduction to the pension as a result of an election to commute pension for an increased lump sum;

- **not ignore** any reduction to the annual rate of the pension due to forfeiture or recovery due to misconduct i.e. the annual rate of pension payable at the end of the Pension Input Period should be net of any such reduction;

- **not ignore** any pension underpin paid under regulation 4 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 or regulation 4 of the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014.

It should be noted that PE is subject to adjustments as shown in paragraphs 61 to 71.

Pension Input Amount: the amount by which the value of a person's pension savings increase in any one year (the Pension Input Period). This is

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[186] This is the view given by HMRC on their website – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053301 and https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.
These examples indicate the HMRC approach is that, where pension has been commuted into lump sum, an adjustment is required by s236(8) of the Act for the purpose of calculating the Closing Value, which would effectively disregard the commutation, and the Closing Value would thus be calculated by reference to the pre-commutation level of pension. Compare this with the contrary position that HMRC take in relation to actuarial reductions, where the benefits are valued post actuarial reduction. However, the LGPC Secretariat has obtained Counsel's opinion which backs up the LGPC Secretariat's view that benefits should be valued post commutation. S236(8A) and s236(8B) of the Act require PE and LSE to be adjusted, for the purposes of applying the formula in s234(5) of the Act, by reference to the actual amounts received by way of pension and lump sum. S236(8) does not produce any further adjustment because an adjustment under that section is only required to the extent that the effect of the commutation has not already been reflected in the sums received (and it clearly already has been). The Secretariat's interpretation would mean that the value of a member's benefits in the LGPS goes down if a member commutes (because the commutation rate is 12:1) whereas the value of a member's benefits in, for example, the Police or Fire schemes goes up (because their commutation rates are significantly greater than 16:1). That seems reasonable as the valuation of benefits in previous PIPs has assumed a factor of 16:1. Thus, if the member does not commute, the value of their accrued benefits will still be 16:1; but if a member commutes, the real value of their benefit in the LGPS actually does decrease (at 12:1) – so why should they pay tax on a value they haven't actually received; and if the real value of benefits increases (due to use of factors above 16:1 in schemes such as Police and Fire), shouldn't the member pay tax on the value of benefits they have actually received? Administering authorities may, however, take the view that it is safer to follow the HMRC approach, given the line that HMRC have adopted in the examples shown on their website.

determined by calculating the difference between the Opening Value and the Closing Value for the aggregate of all the arrangements a member has in the Fund). Where the Closing Value is less than the Opening Value, the Pension Input Amount is nil.

Pension Input Period: in the LGPS, this was, up to and including 31 March 2015, a year running from 1 April to 31 March[187]. For 2015/16 it was the period 1 April 2015 to 5 April 2016 (although this was split into two mini tax years, with the first running from 1 April 2015 to 8 July 2015 and the second running from 9 July 2015 to 5 April 2016) and for 2016/17 onwards it is 6 April to 5 April.

'Standard' annual allowance: the 'standard' annual allowance for a tax year is the amount set out in section 228 of the Finance Act 2004. This says that the annual allowance for the tax year 2014/15 and for each subsequent tax year is £40,000. However, HM Treasury may by order provide that the annual allowance for any tax year subsequent to the tax year 2014/15 is such amount as is specified in the order. The use of the phrase 'standard' annual allowance in this guide is to distinguish it from the tapered annual allowance and the money purchase annual allowance (MPAA).

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[187] Although regulation 56(2) of the LGPS Regulations 2013 and regulation 54(2) of the LGPS (Scotland) Regulations 2014 both specify (as at February 2016) that the Pension Input Period for the LGPS shall be the year ending 31 March, those regulations need to be updated to reflect the provisions of sections 238, 238ZA and 238ZB of the Finance Act 2004

Annex 2 - Annual Allowance Timetable for 2015/16 Input Period

April 2016	April to Oct 2016	By 6 July 2016	By 31 July 2016*	By 6 October 2016	By 31 Dec 2016**	By 31 Jan 2017	By 14 Feb 2017	By 31 July 2017
• HMRC sends notice to the individual to file their Self Assessment tax return for the tax year just ended **2015/16**, but usually only if they have previously completed one.	• Pension scheme identifies individuals who have exceeded the Annual Allowance in their scheme for the Input Period just ended **2015/16** • **NB:** Individuals can request a pension statement from their pension scheme(s) where they may not receive it automatically. (Could be at any time in the year). To be provided on request by later of 6 October or 3 months from request (could be at any time of year).	• Employers to provide information to administering authority to enable them to calculate the Pension Input Amount for **2015/16**. And, on request information for the carry forward years: **2012/13, 2013/14 and 2014/15**	• If the member wants to pay their annual allowance charge for **2014/15** by 'mandatory Scheme pays' then they must tell the scheme no later than 31 July 2016.*** • Scheme processes the election, and works out the offsetting adjustment to the individual's pension benefits • Scheme informs the member about the impact on their future pension benefits. • Member 'mandatory scheme pays' elections for **2014/15** must, at the latest, be recorded by the scheme administrator in the Q3 AFT Return and the tax paid across to HMRC by 14 February **2017**.	• Pension schemes send Pension Savings Statements covering the Input Period just ended **2015/16** and the previous three years to individuals who have exceeded the Annual Allowance by 6 October. • **NB**: If a member intends to send a paper tax return reporting an Annual Allowance excess and any election for 'mandatory Scheme pays', it must reach HMRC by midnight on 31 October. So for the 2015/16 tax year (ending on 5 April 2016), the deadline for paper returns is midnight on 31 October 2016. Once this deadline is passed they will have to submit an online Self Assessment by 31 January 2017. They must also pay any tax they owe by 31 January 2017.	• Individual establishes whether they have any pension savings in excess of the Annual Allowance (after utilising any unused allowance carried forward) • Individual considers whether they want to meet the charge directly from their current income, or from their pension benefits • Individual corresponds with their scheme about making an election, schemes explain potential impacts on pension benefits of meeting an AA liability in this way • Individual makes a decision to pay any AA tax for 2015/16 by 'mandatory Scheme pays'	• Individual completes an online Self Assessment tax return and reports the amount to be met from pension Benefits or that they have elected to be met through the 'mandatory Scheme pays' process for **2015/16.** • Individual pays the tax charge from their current income where they do not meet the qualifying conditions or where they choose not to make a 'mandatory Scheme pays' election	• Member 'mandatory Scheme pays' elections for **2014/15,** must have been recorded by the scheme administrator by no later than the Q3 AFT Return and the tax paid across to HMRC by 14 February 2017. • **NB:** HMRC will make compliance checks to match elections with scheme payments • If no payment by the scheme due to no election, charge reverts to the individual and HMRC sends a demand for late paid tax.	• If the member wants to pay their annual allowance charge for **2015/16** by 'mandatory Scheme pays' then they must tell the scheme no later than 31 July 2017 • Scheme processes the election, and works out the offsetting adjustment to the individual's pension benefits • Scheme informs the member about the impact on their future pension benefits. • **NB:** Member 'mandatory Scheme pays' elections for **2015/16** must, at the latest, be recorded by the scheme administrator in the Q3 AFT Return and the tax paid across to HMRC by 14 February **2018**.

*Shaded columns relate to actions required during 2016/17 in respect of the 2014/15 Pension Input Period rather than the 2015/16 Pension Input Period.
**Not a statutory deadline but it is inadvisable for an individual to leave this until January 2016, especially as online tax returns must reach HMRC by midnight on 31 January. So for the 2015/16 tax year, the deadline for online returns is midnight on 31 January 2017. It takes at least 7 working days to setup an online account.
*** According to the HMRC Member Guide to ‘mandatory scheme pays’: ‘If you want your scheme to pay your annual allowance charge for Input Years from 2012/13 onwards, you must give your scheme notification no later than 31 July in the year following the year in the year in which the tax year to which the annual allowance charge relates ended. For example, if you want your scheme to pay your annual allowance charge for 2013-14 then you must tell your scheme no later than 31 July 2015.’

Annex 3 – annual allowance test - worked examples

All the worked examples in this Annex relate to members of the LGPS in England or Wales. The principles and methodology apply equally to members of the LGPS in Scotland and Northern Ireland except that in Scotland and Northern Ireland the split of membership in calculating 80ths and 60ths final salary benefits will be different (i.e. benefits will be based on an 80^{th} accrual to 31 March 2009 and not, as shown in the examples, to 31 March 2008) and CARE pension accrual will have commenced on 1 April 2015 and not, as in England and Wales, on 1 April 2014. Examples 1 to 38 were prepared when the guide was first written and so cover final salary benefits only (as the CARE scheme had not been introduced at the time the examples were prepared). The principles set out in the examples do, however, equally apply in cases where CARE benefits are involved. Examples 39 to 46 provide examples where a member has CARE benefits.

Example 1: Post 31 March 2008 joiner – active whole-time member throughout the PIP

Example 2: Member joined before 1 April 2008 – active whole-time member throughout the PIP – also in receipt of a spouse's pension (or civil partner's pension or eligible co-habiting partner's pension or child's pension) from the Scheme.

Example 3: Post 31 March 2008 joiner – active member throughout the PIP – has two concurrent part-time jobs

Example 4: Post 31 March 2008 joiner – has two concurrent part-time jobs – ceases one of the jobs and elects to aggregate the membership during the PIP during which the job ceased

Example 5: Post 31 March 2008 joiner – has two concurrent part-time jobs – ceases one of the jobs and elects to aggregate the membership during the PIP after that in which the job ceased

Example 6: Post 31 March 2008 joiner – active member throughout the PIP – has two concurrent jobs as Chief Executive and Returning Officer

Example 7: Post 31 March 2008 joiner – became active member part way through the PIP – ordinary earner – no previous pension rights

Example 8: Post 31 March 2008 joiner – became active member at beginning of the PIP – high earner – no previous pension rights in a Registered Pension Scheme

Example 9: Post 31 March 2008 joiner – became active member at beginning of the PIP – high earner – has previous pension rights in a Registered Pension Scheme

Example 10: Post 31 March 2008 joiner – active member throughout the PIP – increased from part-time to whole-time during the PIP

Example 11: Member joined before 1 April 2008 and experiences a large pay rise – active member throughout the PIP

Example 12: Member joined before 1 April 2008 and experiences a large temporary increase in pay – active member throughout the PIP

Example 13: Member joined before 1 April 2008 and experiences a number of large pay rises – active member throughout the PIP

Example 14: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC – active member throughout the PIP

Example 15: Member joined the LGPS pre 1 April 2008 and contributes to an in-house AVC – active member throughout the PIP – no pay increase in the PIP

Example 16: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC – active member throughout the PIP – ceases payment of the AVCs in the PIP and converts the AVC pot to Scheme membership within the PIP

Example 17: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC – retires in the PIP – ceases payment of the AVCs in the PIP and converts the AVC pot to Scheme membership within the PIP

Example 18: Blank

Example 19: Member joined the LGPS before 1 April 2008 and a PSO is made during the PIP – member is an active member throughout the PIP

Example 20: Blank

Example 21: Member joined the LGPS on 1 April 2008 and is awarded a Pension Credit in the PIP following divorce from another Scheme member

Example 22: Member ceases active employment and transfers out benefits in the same PIP

Example 23: Member commences active employment in the LGPS and transfers in membership to the final salary scheme from a previous employer's pension scheme in a PIP

Example 24: Active member of the LGPS leaves with a deferred pension during the PIP

Example 25: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme and elects to aggregate the membership during the PIP

Example 26: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme in the same PIP but does not elect to aggregate the membership.

Example 27: Active member of the LGPS leaves on 31 March 2011 with a deferred pension, rejoins the Scheme on 1 April 2011 (i.e. on the first day of the 2011/12 PIP) but does not elect to aggregate the membership.

Example 28: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme four years later and elects to aggregate the membership during the PIP in which the member rejoined the Scheme.

Example 29: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme in the next PIP and elects to aggregate the membership during the PIP subsequent to that in which the member rejoined the Scheme.

Examples 30 to 34, 36 and 37 below show two different calculations depending on whether benefits are valued for annual allowance calculations before or after commutation. The example shown with an H (e.g. 30H) show the calculations in accordance with the view given by HMRC on their website – see https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053301 and https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm053340.

The HMRC approach is that, where pension has been commuted into lump sum, an adjustment is required by s236(8) of the Act for the purpose of calculating the Closing Value, which would effectively disregard the commutation, and the Closing Value would thus be calculated by reference to the pre-commutation level of pension. Compare this with the contrary position that HMRC take in relation to actuarial reductions, where the benefits are valued post actuarial reduction. However, the LGPC Secretariat has obtained Counsel's opinion which backs up the LGPC Secretariat's view that benefits should be valued post commutation. S236(8A) and s236(8B) of the Act require PE and LSE to be adjusted, for the purposes of applying the formula in s234(5) of the Act, by reference to the actual amounts received by way of pension and lump sum. S236(8) does not produce any further adjustment because an adjustment under that section is only required to the extent that the effect of the commutation has not already been reflected in the sums received (and it clearly already has been). The Secretariat's interpretation would mean that the value of a member's benefits in the LGPS goes down if a member commutes (because the commutation rate is 12:1) whereas the value of a member's benefits in, for example, the Police or Fire schemes goes up (because their commutation rates are significantly greater than 16:1). That seems reasonable as the valuation of benefits in previous Pension Input Periods has assumed a factor of 16:1. Thus, if the member does not commute, the value of their accrued benefits will still be 16:1; but if a member commutes, the real value of their benefit in the LGPS actually does decrease (at 12:1) – so why should they pay tax on a value they haven't actually received; and if the real value of benefits increases (due to use of factors above 16:1 in schemes such as Police and Fire), shouldn't the member pay tax on the value of benefits they have actually received? Administering authorities may, however, take the view that it is safer to follow the HMRC approach, given the line that HMRC have adopted in the examples shown on their website.

Example 30: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

Example 30H: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

Example 31: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (our view)

Example 31H: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (HMRC view)

Example 32: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

Example 32H: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

Example 33: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (our view)

Example 33H: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (HMRC view)

Example 34: Active member of the LGPS retires in the PIP, with an actuarial increase, with commutation and the BCE occurs within the PIP (our view)

Example 34H: Active member of the LGPS retires in the PIP, with an actuarial increase, with commutation and the BCE occurs within the PIP (HMRC view)

Example 35: Active member of the LGPS retires in the PIP with a Tier 1 ill health pension, does not meet the severe ill health condition under the Finance Act 2004, does not commute any pension for additional lump sum and the BCE occurs within the PIP

Example 36: Active member of the LGPS takes flexible retirement in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

Example 36H: Active member of the LGPS takes flexible retirement in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

Example 37: Active member of the LGPS retires from Job 1 in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP but the member carries on in concurrent Job 2 (our view)

Example 37H: Active member of the LGPS retires from Job 1 in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP but the member carries on in concurrent Job 2 (HMRC view)

Example 38: Active member of the LGPS has period of unpaid leave of absence during a PIP (e.g. maternity leave) and the member elects in the following PIP to pay for the period of unpaid leave of absence

Example 39: Member joined before 1 April 2008 - active whole-time member throughout the PIP – showing impact of scheme year end and PIP year end not being aligned, impact of 2015/16 mini tax years, impact of the taper from 2016/17, and impact of a 'Scheme pays' election

Example 40: Member commences active employment in the LGPS and has a non-Club transfer in from a previous employer's pension scheme in a PIP, purchasing an amount of CARE pension

Example 41: Member is in CARE scheme and a PSO is made during the PIP – member is an active member throughout the PIP

Example 42: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- ceases active membership with only an entitlement to a refund of contributions and rejoins the Scheme in the same PIP (benefits are automatically aggregated in that PIP), or
- ceases active membership in a concurrent job with only an entitlement to a refund of contributions (benefits are automatically aggregated in that PIP with benefits from ongoing employment), or
- ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in the same PIP and elects in the same PIP not to retain separate benefits, or
- ceases active membership in a concurrent job with an entitlement to a deferred benefit and elects in the same PIP not to retain separate benefits

i.e. leaves, rejoins and aggregates all in the same PIP.

Example 43: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- ceases active membership with only an entitlement to a refund of contributions and rejoins the Scheme in a subsequent PIP (benefits are automatically aggregated in that PIP), or
- ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in a subsequent PIP and elects in that PIP not to retain separate benefits.

i.e. leaves, rejoins in a later PIP and aggregates in that later PIP.

Example 44: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in a subsequent PIP and elects in the following PIP not to retain separate benefits.

i.e. leaves, rejoins in a later PIP and aggregates in the PIP following that in which the member rejoined.

Example 45: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in the same PIP and elects in the subsequent PIP not to retain separate benefits, or
- ceases active membership in a concurrent job with an entitlement to a deferred benefit and elects in the subsequent PIP not to retain separate benefits

i.e. leaves and rejoins in the same PIP but aggregates in the next PIP.

Example 46: Member commences active employment in the LGPS in 2016/17 and notifies the administering authority that he has flexibly accessed money purchase benefits. He pays more than £10,000 in AVCs (after having flexibly accessed benefits).

Note: examples 48, 50, 52, 53, 54, 55A, 55B, 56A and 56B represent the LGPC Secretariat's view on how the cases in those examples (all of which involve Club transfers in) should be valued for annual allowance purposes. However, although we feel reasonably confident that the examples are correct, the Secretariat is checking with the Cabinet Office, GAD and the Public Sector Pensions Forum to see whether or not they agree with the calculations. Confirmation, either way, will be provided to administering authorities as soon as a response has been received.

Example 47: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement in the same PIP. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

Example 48: Same as example 47 except that example 48 covers the situation where there is negative inflation.

Example 49: Member commences active employment in the LGPS after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement in the same PIP. However, there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

Example 50: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement. The guarantee date for the Club CETV and the transfer date are in different PIPs. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

Example 51: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Example 52: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a Pension Debit against his final salary benefits in the sending public service pension scheme on account of a Pension Sharing Order with the transfer date for the Pension Sharing Order being in a previous PIP. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Example 53: Same as example 52 except that example 53 covers the situation where the Pension Sharing Order was applied by the sending scheme against the member's CARE pension and it was applied in the same PIP in which the transfer occurred.

Example 54: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a 'Scheme pays' offset against his final salary benefits in the sending public service pension scheme on account of making an annual allowance ‘Scheme pays’ election. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme’s NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse’s benefit proportion are different. The sending Club scheme’s NPA for the final salary benefits is the same as in the LGPS as is the spouse’s benefit proportion.

Example 55A: Same as example 54 except that example 55A covers the situation where the ‘Scheme pays’ offset was applied by the sending scheme against the member’s CARE pension and the rate at which the ‘Scheme pays’ offset was revalued during active membership of the sending scheme (being the rate at which it has to continue to be revalued in the LGPS) was by reference to Pensions Increase under the Pensions (Increase) Act 1971.

Example 55B: Same as example 55A except that example 55B covers the situation where the rate at which the ‘Scheme pays’ offset was revalued during active membership of the sending scheme (being the rate at which it has to continue to be revalued in the LGPS) was by reference to HM Treasury Revaluation Orders (and not Pensions Increase).

Example 56A: Same as example 55A except that in example 56A there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS.

Example 56B: Same as example 55B except that in example 56B there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS.

Example 57: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. However, the member was subject to a pensionable pay earnings cap in the sending Scheme. The sending Club scheme’s NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse’s benefit proportion are different. The sending Club scheme’s NPA for the final salary benefits is the same as in the LGPS as is the spouse’s benefit proportion.

Example 1: Post 31 March 2008 joiner – active whole-time member throughout the PIP

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £72,000 and she had 3 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has risen by 5 per cent to £75,600 and she has 4 years scheme membership. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £18,778.00 (leaving a carry forward of £50,000 - £18,778.00 = £31,222.00)
2009/10 - £18,200.00 (leaving a carry forward of £50,000 - £18,200.00 = £31,800.00)
2008/09 - £19,100.00 (leaving a carry forward of £50,000 - £19,100.00 = £30,900.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00	= 3,600.00
Apply flat factor of 16	£3,600.00 * 16	= 57,600.00
Increase by CPI	£57,600.00 * 1.031	= 59,385.60

The member's opening value is **£59,385.60**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	4 / 60 * £75,600.00	= 5,040.00
Apply flat factor of 16	£5,040.00 * 16	= 80,640.00

The member's closing value is **£80,640.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £80,640.00 - £59,385.60 = **£21,254.40**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £28,745.60 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £91,767.60. This is broken down as:

2011/12	£28,745.60 (i.e. £50,000 - £21,254.40)
2010/11	£31,222.00 (i.e. £50,000 - £18,778.00)
2009/10	£31,800.00 (i.e. £50,000 - £18,200.00)

Example 2: Member joined before 1 April 2008 – active whole-time member throughout the PIP – also in receipt of a spouse's pension (or civil partner's pension or eligible co-habiting partner's pension or child's pension) from the Scheme.

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £60,000 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased by 5 per cent to £63,000 and he has 14 years scheme membership. The member has been whole-time throughout his period of membership. The member is also in receipt of a widower's pension of £2,000 p.a. following the death of his wife who was also a member of the Scheme.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits but excluding the value of the widower's pension (as this does not count towards the annual allowance).

Carry forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £10,135.00 (leaving a carry forward of £50,000 - £10,135.00 = £39,865.00)
2009/10 - £10,250.00 (leaving a carry forward of £50,000 - £10,250.00 = £39,750.00)
2008/09 - £10,330.00 (leaving a carry forward of £50,000 - £10,330.00 = £39,670.00)

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

			£
Amount of annual pension	10 / 80 * £60,000.00	=	7,500.00
	3 / 60 * £60,000.00	=	3,000.00
			10,500.00
Apply flat factor of 16			* 16
			168,000.00
Add lump sum	10 * 3 / 80 * £60,000.00		22,500.00
			190,500.00
Increase by CPI			* 1.031
			196,405.50

The member's opening value is **£196,405.50**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	10 / 80 * £63,000.00	=	7,875.00
	4 / 60 * £63,000.00	=	4,200.00
			12,075.00
Apply flat factor of 16			* 16
			193,200.00
Add lump sum	10 * 3 / 80 * £63,000.00		23,625.00
			216,825.00

The member's closing value is **£216,825.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £216,825.00 - £196,405.50 = **£20,419.50**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,580.50 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £109,195.50. This is broken down as:

2011/12	£29,580.50 (i.e. £50,000 - £20,419.50)
2010/11	£39,865.00 (i.e. £50,000 - £10,135.00)
2009/10	£39,750.00 (i.e. £50,000 - £10,250.00)

Example 3: Post 31 March 2008 joiner – active member throughout the PIP – has two concurrent part-time jobs

A member joined the LGPS in England or Wales in Job 1 on 1 April 2008 and has been half-time in Job 1 since 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's whole-time equivalent pensionable pay for the year to 31 March 2011 was £20,000 and she had 1.5 years scheme membership (i.e. 3 years at half-time). At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 1 has risen by 5 per cent to £21,000 and she has 2 years scheme membership (i.e. 4 years at half-time).

The member commenced a second, concurrent, half-time job (Job 2) on 1 April 2011. At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 2 is £18,000 and she has 0.5 years scheme membership (i.e. 1 year at half-time).

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £2,900.00 (leaving a carry forward of £50,000 - £2,900.00 = £47,100.00)
2009/10 - £2,450.00 (leaving a carry forward of £50,000 - £2,450.00 = £47,550.00)
2008/09 - £2,080.00 (leaving a carry forward of £50,000 - £2,080.00 = £47,920.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	(1 year 183/365 days) / 60 * £20,000.00	=	500.46
Apply flat factor of 16	£500 * 16	=	8,007.36
Increase by CPI	£8,007.36 * 1.031	=	8,255.59

Job 2 – There is no opening value as the person was not a member in that job on 31 March 2011.

The member's total opening value is £8,255.59.00 (Job 1) + £nil (Job 2) = **£8,255.59**

Working out the closing value for the 2011/12 PIP

Job 1 - The closing value is calculated as:

			£
Amount of annual pension	2 / 60 * £21,000.00	=	700.00
Apply flat factor of 16	£700.00 * 16	=	11,200.00

Job 2 - The closing value is calculated as:

			£
Amount of annual pension	(183/365 days) / 60 * £18,000.00	=	150.41
Apply flat factor of 16	£150.41 * 16	=	2,406.56

The member's closing value is £11,200.00 (Job 1) + £2,406.56 (Job 2) = **£13,606.56**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £13,606.56 - £8,255.59 = **£5,350.97**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £44,649.03 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £139,299.03. This is broken down as:

2011/12	£44,649.03 (i.e. £50,000 - £5,350.97)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)
2009/10	£47,550.00 (i.e. £50,000 - £2,450.00)

Example 4: Post 31 March 2008 joiner – has two concurrent part-time jobs – ceases one of the jobs and elects to aggregate the membership during the PIP during which the job ceased

A member joined the LGPS in England or Wales in Job 1 on 1 April 2008 and has been half-time in Job 1 since 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's whole-time equivalent pensionable pay for the year to 31 March 2011 was £20,000 and she had 1.5 years scheme membership (i.e. 3 years at half-time). At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 1 has risen by 5 per cent to £21,000 and she has 2 years scheme membership (i.e. 4 years at half-time). At the end of the PIP ending 31 March 2013 the member's whole-time equivalent pensionable pay for the year for Job 1 has risen to £21,600.

The member commenced a second, concurrent, half-time job (Job 2) on 1 April 2011. At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 2 is £18,000 and she has 0.5 years scheme membership (i.e. 1 year at half-time).

On 31 May 2012 the member ceases Job 2 and elects to aggregate the membership with Job 1. The whole-time equivalent rate of pensionable pay for Job 1 at that time is £21,200 and the whole-time equivalent rate of pensionable pay for Job 2 at that time is £18,100.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £2,900.00 (leaving a carry forward of £50,000 - £2,900.00 = £47,100.00)
2009/10 - £2,450.00 (leaving a carry forward of £50,000 - £2,450.00 = £47,550.00)
2008/09 - £2,080.00 (leaving a carry forward of £50,000 - £2,080.00 = £47,920.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	(1 year 183/365 days) / 60 * £20,000.00	=	500.46
Apply flat factor of 16	£500 * 16	=	8,007.36
Increase by CPI	£8,007.36 * 1.031	=	8,255.59

Job 2 – There is no opening value as the person was not a member in that job on 31 March 2011.

The member's total opening value is £8,255.59.00 (Job 1) + £nil (Job 2) = **£8,255.59**

Working out the closing value for the 2011/12 PIP

Job 1 - The closing value is calculated as:

			£
Amount of annual pension	2 / 60 * £21,000.00	=	700.00
Apply flat factor of 16	£700.00 * 16	=	11,200.00

Job 2 - The closing value is calculated as:

			£
Amount of annual pension	(183/365 days) / 60 * £18,000.00	=	150.41
Apply flat factor of 16	£150.41 * 16	=	2,406.56

The member's closing value is £11,200.00 (Job 1) + £2,406.56 (Job 2) = **£13,606.56**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £13,606.56 - £8,255.59 = **£5,350.97**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £44,649.03 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £139,299.03. This is broken down as:

2011/12	£44,649.03 (i.e. £50,000 - £5,350.97)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)
2009/10	£47,550.00 (i.e. £50,000 - £2,450.00)

Working out the opening value for the 2012/13 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	2 / 60 * £21,000.00	=	700.00
Apply flat factor of 16	£700.00 * 16	=	11,200.00
Increase by CPI	£11,200.00 * 1.052	=	11,782.40

Job 2 - The opening value is calculated as:

			£
Amount of annual pension	(183/365 days) / 60 * £18,000.00	=	150.41
Apply flat factor of 16	£150.41 * 16	=	2,406.56
Increase by CPI	£2,406.56 * 1.052	=	2,531.70

The member's opening value is £11,782.40 (Job 1) + £2,531.70 (Job 2) = **£14,314.10**

Working out aggregated benefits

On 31 May 2012 the member ceases Job 2 and elects to aggregate the membership with Job 1. The whole-time equivalent rate of pensionable pay for Job 1 at that time is 21,200 and the whole-time equivalent rate of pensionable pay for Job 2 at that time is £18,100.

Membership in Job 2 is 1 year 61 days x 0.5 = 213 days

Membership from Job 2 on aggregation with Job 1 is: 213 days x 18,100/21,200 = 182 days

Total membership at 31 March 2013 is 2.5 years membership (i.e. 5 years at half-time) from Job 1 plus 182 days membership bought in Job 1 upon aggregation of membership from Job 2 into Job 1 = 3 years.

Working out the closing value for the 2012/13 PIP

The closing value is calculated as:

		£
Amount of annual pension	3 / 60 * £21,600.00	= 1,080.00
Apply flat factor of 16	£1,080.00 * 16	= 17,280.00

The member's closing value is **£17,280.00**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £17,280.00 - £14,314.10 = **£2,965.90**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £47,034.10 unused annual allowance from 2012/13 to carry forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £138,783.13. This is broken down as:

2012/13	£47,034.10 (i.e. £50,000 - £2,965.90)
2011/12	£44,649.03 (i.e. £50,000 - £5,350.97)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)

Example 5: Post 31 March 2008 joiner – has two concurrent part-time jobs – ceases one of the jobs and elects to aggregate the membership during the PIP after that in which the job ceased

A member joined the LGPS in England or Wales in Job 1 on 1 April 2008 and has been half-time in Job 1 since 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's whole-time equivalent pensionable pay for the year to 31 March 2011 was £20,000 and she had 1.5 years scheme membership (i.e. 3 years at half-time). At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 1 has risen by 5 per cent to £21,000 and she has 2 years scheme membership (i.e. 4 years at half-time). At the end of the PIP ending 31 March 2013 the member's whole-time equivalent pensionable pay for the year for Job 1 has risen to £21,600.

The member commenced a second, concurrent, half-time job (Job 2) on 1 April 2011. On 31 January 2012 the member ceases Job 2. The member's whole-time equivalent rate of pensionable pay for Job 2 at the date of leaving was £18,000 and the whole-time equivalent final pensionable pay for Job 2 on which the Job 2 deferred benefits would be based is £17,892.16 (i.e. £18,000 x 10/12 x 365/306). The member has 153 days scheme membership in Job 2 (i.e. 306 days at half-time).

On 31 May 2012 the member elects to aggregate the Job 2 membership with Job 1. The whole-time equivalent rate of pensionable pay for Job 1 at the date of leaving Job 2 was £21,000.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £2,900.00 (leaving a carry forward of £50,000 - £2,900.00 = £47,100.00)
2009/10 - £2,450.00 (leaving a carry forward of £50,000 - £2,450.00 = £47,550.00)
2008/09 - £2,080.00 (leaving a carry forward of £50,000 - £2,080.00 = £47,920.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	(1 year 183/365 days) / 60 * £20,000.00	=	500.46
Apply flat factor of 16	£500 * 16	=	8,007.36
Increase by CPI	£8,007.36 * 1.031	=	8,255.59

Job 2 – There is no opening value as the person was not a member in that job on 31 March 2011.

The member's total opening value is £8,255.59.00 (Job 1) + £nil (Job 2) = **£8,255.59**

Working out the closing value for the 2011/12 PIP

Job 1 - The closing value is calculated as:

			£
Amount of annual pension	2 / 60 * £21,000.00	=	700.00
Apply flat factor of 16	£700.00 * 16	=	11,200.00

Job 2 - The closing value is calculated as:

			£
Amount of annual pension	(153/365 days) / 60 * £17,892.16	=	125.00
Apply flat factor of 16	£120.00 * 16	=	2,000.00

The member's closing value is £11,200.00 (Job 1) + £2,000.00 (Job 2) = **£13,200.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £13,200.00 - £8,255.59 = **£4,944.41**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £45,055.59 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £139,705.59. This is broken down as:

2011/12	£45,055.59 (i.e. £50,000 - £4,944.41)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)
2009/10	£47,550.00 (i.e. £50,000 - £2,450.00)

Working out the opening value for the 2012/13 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	2 / 60 * £21,000.00	=	700.00
Apply flat factor of 16	£700.00 * 16	=	11,200.00
Increase by CPI	£11,200.00 * 1.052	=	11,782.40

Job 2 - opening value:

Although the member held a deferred benefit at 31 March 2012, it was not deferred for the whole of the 2012/13 Pension Input Period. Therefore, it has to be valued for the purposes of the 2012/13 Pension Input Period. The opening value for this is calculated as:

			£
Amount of annual pension	(153/365 days) / 60 * £17,892.16	=	125.00
Apply flat factor of 16	£120.00 * 16	=	2,000.00
Increase by CPI	£2,000.00 * 1.052	=	2,104.00

The member's opening value is £11,782.40 (Job 1) + £2,104.00 (Job 2) = **£13,886.40**

Working out aggregated benefits

On 31 May 2012 the member elects to aggregate the Job 2 membership with Job 1. The whole-time equivalent rate of pensionable pay for Job 1 at the date of leaving Job 2 was £21,000 and the whole-time equivalent rate of pensionable pay for Job 2 was £18,000.

Membership in Job 2 is 306 days x 0.5 = 153 days

Membership from Job 2 on aggregation with Job 1 is: 153 days x 18,000/21,000 = 131 days

Total membership at 31 March 2013 is 2.5 years membership (i.e. 5 years at half-time) from Job 1 plus 131 days membership bought in Job 1 upon aggregation of membership from Job 2 into Job 1 = 2 years 314 days.

Working out the closing value for the 2012/13 PIP

The closing value is calculated as:

		£
Amount of annual pension	2 years 314/365 days / 60 * £21,600.00	= 1,029.70
Apply flat factor of 16	£1,029.70 * 16	= 16,475.20

The member's closing value is **£16,475.20**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £16,475.20 - £13,886.40 = **£2,588.80**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £47,411.20 unused annual allowance from 2012/13 to carry forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £139,566.79. This is broken down as:

2012/13	£47,411.20 (i.e. £50,000 - £2,588.80)
2011/12	£45,055.59 (i.e. £50,000 - £4,944.41)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)

Example 6: Post 31 March 2008 joiner – active member throughout the PIP – has two concurrent jobs as Chief Executive and Returning Officer

A member joined the LGPS in England or Wales in Job 1 on 1 April 2008 and has been whole-time in Job 1 (Chief Executive) since 1 April 2008. The member has also held the variable-time post of Returning Officer since 1 April 2008 (Job 2). At the start of the 2011/12 Pension Input Period (PIP) the member's whole-time equivalent pensionable pay for the year to 31 March 2011 for Job 1 was £100,000 and the average pensionable pay for Job 2 was £18,000. He had 3 years scheme membership. At the end of the PIP ending 31 March 2012 the member’s pensionable pay for the year for Job 1 has not risen (i.e. it is still £100,000) and for Job 2 the average pensionable pay has reduced to £10,000. The member has 4 years scheme membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member’s promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £26,081.00 (leaving a carry forward of £50,000 - £26,081.00 = £23,919.00)
2009/10 - £25,180.00 (leaving a carry forward of £50,000 - £25,180.00 = £24,820.00)
2008/09 - £24,900.00 (leaving a carry forward of £50,000 - £24,900.00 = £25,100.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	3 / 60 * £100,000.00	=	5,000.00
Apply flat factor of 16	£5,000.00 * 16	=	80,000.00
Increase by CPI	£80,000.00 * 1.031	=	82,480.00

Job 2 - The opening value is calculated as:

			£
Amount of annual pension	3 / 60 * £18,000.00	=	900.00
Apply flat factor of 16	£900 * 16	=	14,400.00
Increase by CPI	£14,400.00 * 1.031	=	14,846.40

The member's total opening value is £82,480.00 (Job 1) + £14,846.40 (Job 2) = **£97,326.40**

Working out the closing value for the 2011/12 PIP

Job 1 - The closing value is calculated as:

			£
Amount of annual pension	4 / 60 * £100,000.00	=	6,666.67
Apply flat factor of 16	£6,666.67 * 16	=	106,666.72

Job 2 - The closing value is calculated as:

			£
Amount of annual pension	4 / 60 * £10,000.00	=	666.67
Apply flat factor of 16	£666.67 * 16	=	10,666.72

The member's closing value is £106,666.72 (Job 1) + £10,666.72 (Job 2) = **£117,333.44**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £117,333.44 - £97,326.40 = **£20,007.04**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,992.96 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £78,731.96. This is broken down as:

2011/12	£29,992.96 (i.e. £50,000 - £20,007.04)
2010/11	£23,919.00 (i.e. £50,000 - £26,081.00)
2009/10	£24,820.00 (i.e. £50,000 - £25,180.00)

Example 7: Post 31 March 2008 joiner – became active member part way through the PIP – ordinary earner – no previous pension rights

A member joined the LGPS on 1 October 2011 aged 21 (having just left university). The member has been whole-time throughout his period of membership. At the end of the PIP ending 31 March 2012 the member's (grossed up) pensionable pay for the year is £22,600 and total membership is 183 days (including 29 February 2012).

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

As the person was not a member of a pension scheme in the previous three years his Pension Input Amounts were:

2010/11 - £0.00
2009/10 - £0.00
2008/09 - £0.00

but as the person was not a member of a registered pension scheme prior to 2011/12 there is no unused annual allowance to carry forward for the years 2008/09 to 2010/11.

Working out the opening value for the 2011/12 PIP

There is no opening value as the person was not a member of the LGPS on 31 March 2011.

The member's opening value is **£nil**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	(183/365) / 60 * £22,600.00	= 188.85
Apply flat factor of 16	£188.85 * 16	= 3,021.60

The member's closing value is **£3,021.60**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £3,021.60 - £nil = **£3,021.60**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £46,978.40 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £46,978.40. This is broken down as:

2011/12	£46,978.40 (i.e. £50,000 - £3,021.60)
2010/11	£0.00 (i.e. £nil - £nil)
2009/10	£0.00 (i.e. £nil - £nil)

Example 8: Post 31 March 2008 joiner – became active member at beginning of the PIP – high earner – no previous pension rights in a Registered Pension Scheme

A member joined the LGPS on 1 April 2011 (having moved to the UK from abroad). The member has been whole-time throughout his period of membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year is £224,000 and total membership is 1 year.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

As the person was not a member of a pension scheme in the previous three years his Pension Input Amounts were:

2010/11 - £0.00
2009/10 - £0.00
2008/09 - £0.00

but as the person was not a member of a registered pension scheme prior to 2011/12 there is no unused annual allowance to carry forward for the years 2008/09 to 2010/11.

Working out the opening value for the 2011/12 PIP

There is no opening value as the person was not a member of the LGPS on 31 March 2011.

The member's opening value is **£nil**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	1 / 60 * £224,000.00	= 3,733.33
Apply flat factor of 16	£3,733.33 * 16	= 59,733.28

The member's closing value is **£59,733.28**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £59,733.28 - £nil = **£59,733.28**

Assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to further exceed the annual allowance there is an annual allowance charge due for 2011/12 on £9,733.28 (i.e. the excess over the 2011/12 annual allowance of £50,000).

There is no unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £nil. This is broken down as:

2011/12	£nil (i.e. £50,000 - £59,733.28)
2010/11	£0.00 (i.e. £nil - £nil)
2009/10	£0.00 (i.e. £nil - £nil)

Example 9: Post 31 March 2008 joiner – became active member at beginning of the PIP – high earner – has previous pension rights in a Registered Pension Scheme

A member joined the LGPS on 1 April 2011. The member has been whole-time throughout his period of membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year is £224,000 and total membership is 1 year. The member has other pension rights in a previous pension scheme but has not transferred these to the LGPS.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Working out the opening value for the 2011/12 PIP

There is no opening value as the person was not a member of the LGPS on 31 March 2011.

The member's opening value is **£nil**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	1 / 60 * £224,000.00	= 3,733.33
Apply flat factor of 16	£3,733.33 * 16	= 59,733.28

The member's closing value is **£59,733.28**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £59,733.28 - £nil = **£59,733.28**

This is more than the annual allowance for 2011/12 of £50,000 and so there is no unused annual allowance from 2011/12 to carry forward to 2012/13.

There appears to be an annual allowance charge due for 2011/12 on £9,733.28 (i.e. the excess over the 2011/12 annual allowance of £50,000). However, the administering authority will not know what the member's Pension Input Amounts were for the tax years 2010/11, 2009/10 or 2008/09 and so will not know whether there is any unused annual allowance that can be carried forward to be used as an offset or to completely negate the excess of £9,733.28. It will be for the member to determine this.

Example 10: Post 31 March 2008 joiner – active member throughout the PIP – increased from part-time to whole-time during the PIP

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's whole-time equivalent pensionable pay for the year to 31 March 2011 was £20,000 and she had 1.5 years scheme membership (i.e. 3 years at half-time). The member increased her hours from half-time to whole-time on 1 March 2012. At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year has risen by 5 per cent to £21,000 and she has 2 years 16 days scheme membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £2,900.00 (leaving a carry forward of £50,000 - £2,900.00 = £47,100.00)
2009/10 - £2,450.00 (leaving a carry forward of £50,000 - £2,450.00 = £47,550.00)
2008/09 - £2,080.00 (leaving a carry forward of £50,000 - £2,080.00 = £47,920.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

			£
Amount of annual pension	(1 year 183/365 days) / 60 * £20,000.00	=	500.46
Apply flat factor of 16	£500 * 16	=	8,007.36
Increase by CPI	£8,007.36 * 1.031	=	8,255.59

The member's opening value is **£8,255.59**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

			£
Amount of annual pension	(2 years 16/365 days) / 60 * £21,000.00	=	715.34
Apply flat factor of 16	£715.34 * 16	=	11,445.44

The member's closing value is **£11,445.44**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £11,445.44 - £8,255.59 = **£3,189.85**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £46,810.15 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £141,460.15. This is broken down as:

2011/12	£46,810.15 (i.e. £50,000 - £3,189.85)
2010/11	£47,100.00 (i.e. £50,000 - £2,900.00)
2009/10	£47,550.00 (i.e. £50,000 - £2,450.00)

Example 11: Member joined before 1 April 2008 and experiences a large pay rise – active member throughout the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £48,000 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £72,000 due to a promotion and he has 14 years scheme membership. The member has been whole-time throughout his period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carrying forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £14,218 (leaving a carry forward of £50,000 - £14,218 = £35,782.00)
2009/10 - £10,250 (leaving a carry forward of £50,000 - £10,250 = £39,750.00)
2008/09 - £10,330 (leaving a carry forward of £50,000 - £10,330 = £39,670.00)

The member has unused annual allowance from those three tax years of £115,202 that he can carry forward.

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

			£
Amount of annual pension	10 / 80 * £48,000.00	=	6,000.00
	3 / 60 * £48,000.00	=	2,400.00
			8,400.00
Apply flat factor of 16			* 16
			134,400.00
Add lump sum	10 * 3 / 80 * £48,000.00		18,000.00
			152,400.00
Increase by CPI			* 1.031
			157,124.40

The member's opening value is **£157,124.40**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	10 / 80 * £72,000.00	=	9,000.00
	4 / 60 * £72,000.00	=	4,800.00
			13,800.00
Apply flat factor of 16			* 16
			220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00		27,000.00
			247,800.00

The member's closing value is **£247,800.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £247,800.00 - £157,124.40 = **£90,675.60**

The £50,000 annual allowance for 2011/12 plus the unused annual allowance of £115,202 carried forward from 2008/09 to 2010/11 mean that the member could have pension saving in 2011/12 of £165,202 without incurring an annual allowance charge (assuming the member has not made contributions in those tax years to any other pension arrangements).

The member's pension input amount for 2011/12 is £90,675.60. This is less than his available annual allowance of £165,202. So the member does not have to pay an annual allowance charge on his pension input for 2011/12 (assuming the member has not made contributions in those tax years to any other pension arrangements causing the total Pension Input Amount to exceed the annual allowance).

Carry forward into 2012/13 of unused annual allowance

The member has not used up all of his total annual allowance available. He has used up his annual allowance from 2011/12 and his available annual allowance from 2008/09*, and £1,005.60 of his available annual allowance from 2009/10.

The member still has £74,526.40 unused annual allowance to carry forward to 2012/13 which breaks down as:

The calculations break down as follows:	£
Total PIA for 2011/12	90,675.60
less Annual Allowance for 2011/12	50,000.00
	40,675.60
less Annual Allowance for 2008/09*	39,670.00
	1,005.60
Annual Allowance for 2009/10	39,750.00
less	1,005.60
remaining Annual Allowance for 2009/10	38,744.40
add Annual Allowance for 2010/11	35,782.00
Unused Annual Allowance	**74,526.40**

* Note: if there had been any remaining unused allowance for 2008/09 this would not have carried forward to 2012/13 as it would fall out of scope i.e. it relates to a tax year more than 3 years prior to 2012/13.

Following tax year (2012/13)

In the following PIP (2012/13), the member's pensionable pay rose to £84,000.00

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value, using CPI for September 2011 of 5.2%, is calculated as:

			£
Amount of annual pension	10 / 80 * £72,000.00	=	9,000.00
	4 / 60 * £72,000.00	=	4,800.00
			13,800.00
Apply flat factor of 16			* 16
			220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00		27,000.00
			247,800.00
Increase by CPI			* 1.052
			260,685.60

The member's opening value is **£260,685.60**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £84,000.00	= 10,500.00
	5 / 60 * £84,000.00	= 7,000.00
		17,500.00
Apply flat factor of 16		* 16
		280,000.00
Add lump sum	10 * 3 / 80 * £84,000.00	31,500.00
		311,500.00

The member's closing value is **£311,500.00**

Working out the pension input amount for the 2012/13 PIP

The increase in pension saving over the year is £311,500.00 - £260,685.60 = **£50,814.40**. This is more than the annual allowance of £50,000.

The amount of the member's unused annual allowance from earlier years that he carried forward was £74,526.40. This is broken down as:

2011/12	£0.00
2010/11	£35,782.00
2009/10	£38,744.40

This unused annual allowance together with the 2012/13 annual allowance of £50,000 is £124,526.40. This is more than enough to cover the member's pension input of £50,814.40 for 2012/13. So the member does not have to pay an annual allowance charge on his pension input for 2012/13.

Carry forward into 2013/14 of unused annual allowance

The member still has unused annual allowance that he can carry forward.

He has used up his annual allowance from 2012/13, and £814.40 of his available annual allowance from 2009/10.

	£
Total PIA for 2012/13	50,814.40
less Annual Allowance for 2012/13	50,000.00
	814.40
Annual Allowance for 2009/10	38,744.40
less balance of PIA	814.40
	37,930.00

The member cannot carry forward the remaining £37,930.00 of the unused annual allowance from 2009/10 to the 2013/14 PIP as it falls out of scope. The member has £35,782.00 unused annual allowance to carry forward to 2013/14. This is broken down as:

2012/13 - £0.00
2011/12 - £0.00
2010/11 - £35,782.00

Example 12: Member joined before 1 April 2008 and experiences a large temporary increase in pay – active member throughout the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £100,000 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £145,000 due to a temporary acting up and he has 14 years scheme membership. At the end of the PIP ending 31 March 2013 the member's pensionable pay for the year has decreased to £101,000 as the acting up has ceased and he has 15 years scheme membership. The member has been whole-time throughout his period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carrying forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £28,436 (leaving a carry forward of £50,000 - £28,436 = £21,654.00)
2009/10 - £20,500 (leaving a carry forward of £50,000 - £20,500 = £29,500.00)
2008/09 - £20,660 (leaving a carry forward of £50,000 - £20,660 = £29,340.00)

The member has unused annual allowance from those three tax years of £80,494 that he can carry forward.

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £100,000.00	= 12,500.00
	3 / 60 * £100,000.00	= 5,000.00
		17,500.00
Apply flat factor of 16		* 16
		280,000.00
Add lump sum	10 * 3 / 80 * £48,000.00	37,500.00
		317,500.00
Increase by CPI		* 1.031
		327,342.50

The member's opening value is **£327,342.50**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £145,000.00	= 18,125.00
	4 / 60 * £145,000.00	= 9,666.67
		27,791.67
Apply flat factor of 16		* 16
		444.666.72
Add lump sum	10 * 3 / 80 * £145,000.00	54,375.00
		499,041.72

The member's closing value is **£499,041.72**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £499,041.72 - £327,342.50 = **£171,699.22**

This is more than the annual allowance for 2011/12 of £50,000 (and so there is no unused annual allowance from 2011/12 to carry forward to 2012/13) and the unused annual allowance of £80,494 carried forward from 2008/09 to 2010/11 is not enough to avoid an annual allowance charge on the excess of £41,205.22 (i.e. £171,699.22 - £50,000 - £80,494). The member paid the tax charge direct to HMRC (i.e. the member did not use the 'Scheme pays' option).

Carry forward into 2012/13 of unused annual allowance

The member has no unused annual allowance available from previous years.

Following tax year (2012/13)

In the following PIP (2012/13), the member's pensionable pay decreased to £101,000.00

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value, using CPI for September 2011 of 5.2%, is calculated as:

		£
Amount of annual pension	10 / 80 * £145,000.00	= 18,125.00
	4 / 60 * £145,000.00	= 9,666.67
		27,791.67
Apply flat factor of 16		* 16
		444.666.72
Add lump sum	10 * 3 / 80 * £145,000.00	54,375.00
		499,041.72
Increase by CPI		* 1.052
		524,991.88

The member's opening value is **£524,991.88**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £101,000.00	= 12,625.00
	5 / 60 * £101,000.00	= 8,416.67
		21,041.67
Apply flat factor of 16		* 16
		336,666.72
Add lump sum	10 * 3 / 80 * £101,000.00	37,875.00
		374,541.72

The member's closing value is **£374,541.72**

Working out the pension input amount for the 2012/13 PIP

The increase in pension saving over the year is £374,541.72 - £524,991.88 = **-£150,450.16** (i.e. a negative value). As this is a negative value the Pension Input Amount for 2012/13 is set to **£nil**. So (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) the member does not have to pay an annual allowance charge on his pension input for 2012/13.

Carry forward into 2013/14 of unused annual allowance

The member still has unused annual allowance of £50,000 from 2012/13 that he can carry forward. There is no unused annual allowance from 2009/10 to 2011/12 that he can carry forward as these were all used up in 2011/12.

Example 13: Member joined before 1 April 2008 and experiences a number of large pay rises – active member throughout the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £48,000 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £72,000 due to a promotion and he has 14 years scheme membership. The member has been whole-time throughout his period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%, for September 2011 it is 5.2% and for September 2012 it is 2.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carrying forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £30,000 (leaving a carry forward of £50,000 - £30,000 = £20,000)
2009/10 - £90,000 (leaving a carry forward of £50,000 - £90,000 = £nil)
2008/09 - £30,000 (leaving a carry forward of £50,000 - £30,000 = £20,000.00)

The member has unused annual allowance from those three tax years of £40,000 that he can carry forward.
* Note that although the benefit accrual in 2009/10 exceeds the annual allowance of £50,000, the excess does not use up the £20,000 to carry forward from 2008/09 – see special rules in paragraph 142 of the Guide.

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £48,000.00	= 6,000.00
	3 / 60 * £48,000.00	= 2,400.00
		8,400.00
Apply flat factor of 16		* 16
		134,400.00
Add lump sum	10 * 3 / 80 * £48,000.00	18,000.00
		152,400.00
Increase by CPI		* 1.031
		157,124.40

The member's opening value is **£157,124.40**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £72,000.00	= 9,000.00
	4 / 60 * £72,000.00	= 4,800.00
		13,800.00
Apply flat factor of 16		* 16
		220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00	27,000.00
		247,800.00

The member's closing value is **£247,800.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £247,800.00 - £157,124.40 = **£90,675.60**

The £50,000 annual allowance for 2011/12 plus the unused annual allowance of £40,000 carried forward from 2008/09 and 2010/11 mean that the member could have pension saving in 2011/12 of £90,000 without incurring an annual allowance charge (assuming the member has not made contributions in those tax years to any other pension arrangements).

The member's pension input amount for 2011/12 is £90,675.60. This is more than his available annual allowance of £90,000. So the member has to pay an annual allowance charge on £675.60 of his pension input amount for 2011/12 (assuming the member has not made contributions to any other pension arrangements causing the total Pension Input Amount to further exceed the annual allowance). The member paid the tax charge direct to HMRC (i.e. the member did not use the 'Scheme pays' option).

The member has used up all of his available annual allowance. He has used up his annual allowance from 2011/12 and his available annual allowance from 2008/09 and 2010/11.

Carry forward into 2012/13 of unused annual allowance

The member has no unused annual allowance to carry forward to 2012/13.

Following tax year (2012/13)

In the following PIP (2012/13), the member's pensionable pay rose to £78,000.00

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value, using CPI for September 2011 of 5.2%, is calculated as:

			£
Amount of annual pension	10 / 80 * £72,000.00	=	9,000.00
	4 / 60 * £72,000.00	=	4,800.00
			13,800.00
Apply flat factor of 16			* 16
			220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00		27,000.00
			247,800.00
Increase by CPI			* 1.052
			260,685.60

The member's opening value is **£260,685.60**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	10 / 80 * £78,000.00	=	9,750.00
	5 / 60 * £78,000.00	=	6,500.00
			16,250.00
Apply flat factor of 16			* 16
			260,000.00
Add lump sum	10 * 3 / 80 * £78,000.00		29,250.00
			289,250.00

The member's closing value is **£289,250.00**

Working out the pension input amount for the 2012/13 PIP

The increase in pension saving over the year is £289,250.00 - £260,685.60 = **£28,564.40**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £21,435.60 of unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000.00 - £28,564.40 = £21,435.60).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £21,435.60. This is broken down as:

2012/13	£21,435.60 (i.e. £50,000 - £28,564.40)
2011/12	£0.00
2010/11	£0.00

Following tax year (2013/14)

In the following PIP (2013/14), the member's pensionable pay rose to £90,000.00

Working out the opening value for the 2013/14 PIP

At the start of the member's PIP the opening value, using CPI for September 2012 of 2.2%, is calculated as:

Amount of annual pension	10 / 80 * £78,000.00	= 9,750.00
	5 / 60 * £78,000.00	= 6,500.00
		16,250.00
Apply flat factor of 16		* 16
		260,000.00
Add lump sum	10 * 3 / 80 * £78,000.00	29,250.00
		289,250.00
Increase by CPI		* 1.022
		295,613.50

The member's opening value is **£295,613.50**

Working out the closing value for the 2013/14 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £90,000.00	= 11,250.00
	6 / 60 * £90,000.00	= 9,000.00
		20,250.00
Apply flat factor of 16		* 16
		324,000.00
Add lump sum	10 * 3 / 80 * £90,000.00	33,750.00
		357,750.00

The member's closing value is **£357,750.00**

Working out the pension input amount for the 2013/14 PIP

The increase in pension saving over the year is £357,750.00 - £295,613.50 = **£62,136.50**.

This is more than the annual allowance of £50,000.

The amount of the member's unused annual allowance from earlier years that he carried forward was £21,435.60. This is broken down as:

2012/13	£21,435.60 (i.e. £50,000 - £28,564.40)
2011/12	£0.00
2010/11	£0.00

This unused annual allowance (assuming the member has not made contributions in the tax year to any other pension arrangement) together with the 2013/14 annual allowance of £50,000 is £71,435.60. This is more than enough to cover the member's pension input of £62,136.50 for 2013/14. So the member does not have to pay an annual allowance charge on his pension input for 2013/14. He has used up his annual allowance from 2013/14 and £12,136.50 of the carried forward allowance from 2012/13 (leaving a balance of £9,299.10 from 2012/13 to carry forward)

Carry forward into 2014/15 of unused annual allowance

The member still has unused annual allowance that he can carry forward to 2014/15 amounting to £9,299.10.

This is broken down as:

2013/14 - £0.00
2012/13 - £9,299.10
2011/12 - £0.00

Example 14: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC– active member throughout the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £79,200 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £84,000 and he has 14 years scheme membership. The member has been whole-time throughout his period of membership. The member contributes 10 per cent of his pay to his AVC pot.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £22,100.00 (leaving a carry forward of £50,000 - £22,100.00 = £27,900.00)
2009/10 - £21,874.00 (leaving a carry forward of £50,000 - £21,874.00 = £28,126.00)
2008/09 - £20,843.00 (leaving a carry forward of £50,000 - £20,843.00 = £29,157.00)

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £79,200.00	= 9,900.00
	3 / 60 * £79,200.00	= 3,960.00
		13,860.00
Apply flat factor of 16		* 16
		221,760.00
Add lump sum	10 * 3 / 80 * £79,200.00	29,700.00
		251,460.00
Increase by CPI		* 1.031
		259,255.26

The member's opening value is **£259,255.26**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £84,000.00	= 10,500.00
	4 / 60 * £84,000.00	= 5,600.00
		16,100.00
Apply flat factor of 16		* 16
		257,600.00
Add lump sum	10 * 3 / 80 * £84,000.00	31,500.00
		289,100.00

The member's closing value is **£289,100.00**

The PIA for the defined benefits part of the pension saving is £29,844.74 (£289,100.00 - £259,255.26).

Working out the pension input for the money purchase arrangement

The member contributes 10 per cent of his pay to his AVC pot. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributes £8,400.00 which is the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amounts for 2011/12

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. This is:

(£289,100.00 - £259,255.26) + £8,400.00 = **£38,244.74**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £11,755.26 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £67,781.26. This is broken down as:

2011/12	£11,755.26 (i.e. £50,000 - £38,244.74)
2010/11	£27,900.00 (i.e. £50,000 - £22,100.00)
2009/10	£28,126.00 (i.e. £50,000 - £21,874.00)

Example 15: Member joined the LGPS pre 1 April 2008 and contributes to an in-house AVC– active member throughout the PIP – no pay increase in the PIP

The member joined the LGPS in England or Wales on 1 April 1978. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £79,200 and he had 33 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year had not increased and he has 34 years scheme membership. At the end of the PIP ending 31 March 2013 the member's pensionable pay for the year had again not increased and he has 35 years scheme membership. The member has been whole-time throughout his period of membership. The member contributes 10 per cent of his pay to his AVC.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £22,100.00 (leaving a carry forward of £50,000 - £22,100.00 = £27,900.00)
2009/10 - £21,874.00 (leaving a carry forward of £50,000 - £21,874.00 = £28,126.00)
2008/09 - £20,843.00 (leaving a carry forward of £50,000 - £20,843.00 = £29,157.00)

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	30 / 80 * £79,200.00	= 29,700.00
	3 / 60 * £79,200.00	= 3,960.00
		33,660.00
Apply flat factor of 16		* 16
		538,560.00
Add lump sum	30 * 3 / 80 * £79,200.00	89,100.00
		627,660.00
Increase by CPI		* 1.031
		647,117.46

The member's opening value is **£647,117.46**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	30 / 80 * £79,200.00	= 29,700.00
	4 / 60 * £79,200.00	= 5,280.00
		34,980.00
Apply flat factor of 16		* 16
		559,680.00
Add lump sum	10 * 3 / 80 * £79,200.00	89,100.00
		648,780.00

The member's closing value is **£648,780.00**

The PIA for the defined benefits part of the pension saving is £1,662.54 (£648,780.00 - £647,117.46).

Working out the pension input for the money purchase arrangement

The member contributes 10 per cent of his pay to his AVC pot. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributes £7,920.00 which is the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amounts for 2011/12

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. This is:

(£648,780.00 - £647,117.46) + £7,920.00 = **£9,582.54**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £40,417.46 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £96,443.46. This is broken down as:

2011/12	£40,417.46 (i.e. £50,000 - £9,582.54)
2010/11	£27,900.00 (i.e. £50,000 - £22,100.00)
2009/10	£28,126.00 (i.e. £50,000 - £21,874.00)

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	30 / 80 * £79,200.00	= 29,700.00
	4 / 60 * £79,200.00	= 5,280.00
		34,980.00
Apply flat factor of 16		* 16
		559,680.00
Add lump sum	10 * 3 / 80 * £79,200.00	89,100.00
		648,780.00
Increase by CPI		* 1.052
		682,516.56

The member's opening value is **£682,516.56**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	30 / 80 * £79,200.00	= 29,700.00
	5 / 60 * £79,200.00	= 6,600.00
		36,300.00
Apply flat factor of 16		* 16
		580,800.00
Add lump sum	10 * 3 / 80 * £79,200.00	89,100.00
		669,900.00

The member's closing value is **£669,900.00**

Working out the pension input for the money purchase arrangement

The member contributes 10 per cent of his pay to his AVC pot. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributes £7,920.00 which is the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amounts for 2012/13

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. This is:

(£669,900 - £682,516.56 = £nil) + £7,920.00 = **£7,920.00**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £42,080.00 (i.e. £50,000.00 - £7,920.00) unused annual allowance from 2012/13 to carry forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £110,397.46. This is broken down as:

2012/13	£42,080.00 (i.e. £50,000 - £7,920.00)
2011/12	£40,417.46 (i.e. £50,000 - £9,582.54)
2010/11	£27,900.00 (i.e. £50,000 - £22,100.00)

Example 16: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC– active member throughout the PIP – ceases payment of the AVCs in the PIP and converts the AVC pot to Scheme membership within the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £79,200 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £84,000 and he has 14 years scheme membership. The member has been whole-time throughout his period of membership. The member has been making AVC payments since 1 April 2000. He elects in 2011/12, when aged 50 or over, to stop paying AVCs and to convert the accrued AVC pot into Scheme membership. The AVC transfer purchases 1 year of membership. At the end of the PIP ending 31 March 2013 the member's pensionable pay for the year has increased to £85,000.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £10,135.00 (leaving a carry forward of £50,000 - £10,135.00 = £39,865.00)
2009/10 - £10,250.00 (leaving a carry forward of £50,000 - £10,250.00 = £39,750.00)
2008/09 - £10,330.00 (leaving a carry forward of £50,000 - £10,330.00 = £39,670.00)

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

			£
Amount of annual pension	10 / 80 * £79,200.00	=	9,900.00
	3 / 60 * £79,200.00	=	3,960.00
			13,860.00
Apply flat factor of 16			* 16
			221,760.00
Add lump sum	10 * 3 / 80 * £79,200.00		29,700.00
			251,460.00
Increase by CPI			* 1.031
			259,255.26

The member's opening value is **£259,255.26**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £84,000.00	= 10,500.00
	4 / 60 * £84,000.00	= 5,600.00
Pension from AVC service credit	1 / 60 * £84,000.00	= 1,400.00
		17,500.00
Less pension derived from service credit		1,400.00
		16,100.00
Apply flat factor of 16		* 16
		257,600.00
Add lump sum	10 * 3 / 80 * £84,000.00	31,500.00
		289,100.00

The member's closing value is **£289,100.00**

The PIA for the defined benefits part of the pension saving is £29,844.74 (£289,100.00 - £259,255.26).

Working out the pension input for the money purchase arrangement

The member contributes 10 per cent of his pay to his AVC pot. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributes £8,400.00 which is the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amounts for 2011/12

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. This is:

£29,844.74 + £8,400.00 = **£38,244.74**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £11,755.26 unused annual allowance from 2011/12 to carry forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £91,370.26. This is broken down as:

2011/12	£11,755.26 (i.e. £50,000 - £38,244.74)
2010/11	£39,865.00 (i.e. £50,000 - £10,135.00)
2009/10	£39,750.00 (i.e. £50,000 - £10,250.00)

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £84,000.00	= 10,500.00
	4 / 60 * £84,000.00	= 5,600.00
Pension from AVC service credit	1 / 60 * £84,000.00	= 1,400.00
		17,500.00
Apply flat factor of 16		* 16
		280,000.00
Add lump sum	10 * 3 / 80 * £84,000.00	31,500.00
		311,500.00
Increase by CPI		* 1.052
		327,698.00

The member's opening value is **£327,698.00**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £85,000.00	= 10,625.00
	5 / 60 * £85,000.00	= 7,083.33
Pension from AVC service credit	1 / 60 * £85,000.00	= 1,416.67
		19,125.00
Apply flat factor of 16		* 16
		306,000.00
Add lump sum	10 * 3 / 80 * £85,000.00	31,875.00
		337,875.00

The member's closing value is **£337,875.00**

Working out the member's pension input amount for 2012/13

The total pension input amount is:

£337,875.00 - £327,698.00 = **£10,177.00**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £39,823.00 unused annual allowance from 2012/13 to carry forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £91,443.26. This is broken down as:

2012/13	£39,823.00 (i.e. £50,000 - £10,177.00)
2011/12	£11,755.26 (i.e. £50,000 - £38,244.74)
2010/11	£39,865.00 (i.e. £50,000 - £10,135.00)

Example 17: Member joined the LGPS before 1 April 2008 and contributes to an in-house AVC– retires in the PIP – ceases payment of the AVCs in the PIP and converts the AVC pot to Scheme membership within the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £79,200 and he had 13 years scheme membership. The member has been whole-time throughout his period of membership. The member has been making AVC payments since 1 April 2000. He elects in 2011/12, when aged 50 or over, to stop paying AVCs and to convert the accrued AVC pot into Scheme membership just before retiring at age 65 on 30 September 2011. The final year's pensionable pay is £83,000. The AVC transfer purchased 340 days of membership. The member did not opt to commute any of his LGPS pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £10,135.00 (leaving a carry forward of £50,000 - £10,135.00 = £39,865.00)
2009/10 - £10,250.00 (leaving a carry forward of £50,000 - £10,250.00 = £39,750.00)
2008/09 - £10,330.00 (leaving a carry forward of £50,000 - £10,330.00 = £39,670.00)

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £79,200.00	= 9,900.00
	3 / 60 * £79,200.00	= 3,960.00
		13,860.00
Apply flat factor of 16		* 16
		221,760.00
Add lump sum	10 * 3 / 80 * £79,200.00	29,700.00
		251,460.00
Increase by CPI		* 1.031
		259,255.26

The member's opening value is **£259,255.26**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £83,000.00	= 10,375.00
	(3 years 183/365 days) / 60 * £83,000.00	= 4,843.56
Pension from AVC service credit	(340/365 days) / 60 * £83,000.00	= 1,288.58
		16,507.14
Less pension derived from service credit		1,288.58
		15,218.56
Apply flat factor of 16		* 16
		243,496.96
Add lump sum	10 * 3 / 80 * £83,000.00	31,125.00
		274,621.96

The member's closing value is **£274,621.96**

The PIA for the defined benefits part of the pension saving is £15,366.70 (£274,621.96 - £259,255.26).

Working out the pension input for the money purchase arrangement

The member contributes 10 per cent of his pay to his AVC pot. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributed £4,200.00 which is the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amounts for 2011/12

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. This is:

£15,366.70 + £4,200.00 = **£19,566.70**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 18: BLANK

Example 19: Member joined the LGPS before 1 April 2008 and a PSO is made during the PIP – member is an active member throughout the PIP

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £79,200 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £84,000 and he has 14 years scheme membership. At the end of the PIP ending 31 March 2013 the member's pensionable pay for the year has increased to £85,000 and he has 15 years scheme membership. The member has been whole-time throughout his period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

During the PIP, the court awards 40% of the value of the member's benefits to the member's ex-spouse with the transfer date set to 25 August 2011.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £22,100.00 (leaving a carry forward of £50,000 - £22,100.00 = £27,900.00)
2009/10 - £21,874.00 (leaving a carry forward of £50,000 - £21,874.00 = £28,126.00)
2008/09 - £20,843.00 (leaving a carry forward of £50,000 - £20,843.00 = £29,157.00)

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

		£
Amount of annual pension	10 / 80 * £79,200.00	= 9,900.00
	3 / 60 * £79,200.00	= 3,960.00
		13,860.00
Apply flat factor of 16		* 16
		221,760.00
Add lump sum	10 * 3 / 80 * £79,200.00	29,700.00
		251,460.00
Increase by CPI		* 1.031
		259,255.26

The member's opening value is **£259,255.26**

Calculation of Pension Debit amounts as at 24 August 2011

Pre 1 April 2008 membership: 10 years 0 days
Post 31 March 2008 membership: 3 years 146 days

		£
Pension used in CETV	10 / 80 * £81,600.00	= 10,200.00
	(3 years 146/365 days) / 60 * £81,600.00	= 4,624.00
		14,824.00
		£
Lump sum used in CETV	10 * 3 / 80 * £81,600.00	= 30,600.00

Pension Debit amount is 40% of £14,824.00 which equals £5,929.60.

The lump sum debit amount is 40% of £30,600.00 which equals £12,240.00

Working out the closing value for the 2011/12 PIP

Section 236(2) of the Finance Act 2004 states that where a member’s benefits have become subject to a Pension Debit during a PIP then the amount of reduction is to be added back into PE and LSE when determining the closing value. Where a member’s benefits have become subject to a Pension Debit during a PIP, the debit amounts are effectively ignored for the purpose of calculating the closing value.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10/80 * £84,000.00	= 10,500.00
	4/60 * £84,000.00	= 5,600.00
		16,100.00
Apply flat factor of 16		* 16
		257,600.00
Add lump sum	10 * 3/80 * £84,000.00	31,500.00
		289,100.00

The member's closing value is **£289,100.00**

Working out the pension input amount for the 2011/12 PIP

The PIA for the member is £289,100.00 - £259,255.26 = **£29,844.74**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £20,155.26 of unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000.00 - £29,844.74 = £20,155.26).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is 76,181.26. This is broken down as:

2011/12	£20,155.26 (i.e. £50,000 - £29,844.74)
2010/11	£27,900.00 (i.e. £50,000 - £22,100.00)
2009/10	£28,126.00 (i.e. £50,000 - £21,874.00)

Working out the opening value for the 2012/13 PIP

Note, the opening and closing values for every PIP, **after** the PIP in which the PSO occurs, are net of the Pension Debit amounts.

So, at the start of the member's PIP the opening value, using CPI for September 2011 of 5.2%, is calculated as:

		£
Amount of annual pension	10/80 * £84,000.00	= 10,500.00
	4/60 * £84,000.00	= 5,600.00
		16,100.00
less Pension Debit		5,929.60
		10,170.40
Apply flat factor of 16		* 16
		162,726.40
Add lump sum 10 * 3/80 * £84,000.00 =	31,500.00	
less Lump Sum debit	12,240.00	
	19,260.00	19,260.00
		181,986.40
Increase by CPI		* 1.052
		191,449.69

The member's opening value is **£191,449.69**

If the member’s pension and lump sum had been paid on 31 March 2012 no Pensions Increase (Review) Order would have been issued between 25 August 2011 (the PSO date) and 31 March 2012. Thus, only the flat pension debit amounts are to be deducted.

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

Amount of annual pension	10/80 * £85,000.00	= 10,625.00
	5/60 * £85,000.00	= 7,083.33
		17,708.33
less Pension Debit (£5,929.60 * 1.0305 PI)		6,110.45
		11,597.88
Apply flat factor of 16		* 16
		185,566.08
Add lump sum 10 * 3/80 * £85,000.00	= 31,500.00	
less Lump Sum debit (£12,240 * 1.0305 PI) =	12,613.32	
	18,886.68	18,886.68
		204,452.76

The member's closing value is **£204,452.76**

If the member’s pension and lump sum had been paid on 31 March 2013, the Pensions Increase (Review) Order 2012 would have been issued between 25 August 2011 (the PSO date) and 31 March 2013. Thus, pension debit amounts to be deducted are the flat amounts as increase by the accumulative PI under the Pensions Increase (Review) Order 2012 using a PI date of 25 August 2011.

Working out the pension input amount for the 2012/13 PIP

The PIA for the member is £204,452.76 - £191,449.69 = **£13,003.07**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £36,996.93 of unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000.00 - £13,003.07 = £36,996.93).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £85,052.19. This is broken down as:

2012/13	£36,996.93 (i.e. £50,000 - £13,003.07)
2011/12	£20,155.26 (i.e. £50,000 - £29,844.74)
2010/11	£27,900.00 (i.e. £50,000 - £22,100.00)

Example 20: BLANK

Example 21: Member joined the LGPS on 1 April 2008 and is awarded a Pension Credit in the PIP following divorce from another Scheme member

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £72,000 and she had 3 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has risen by 5 per cent to £75,600 and she has 4 years scheme membership. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

On 25 August 2011 the member is awarded a Pension Credit in the Scheme following her divorce from another Scheme member.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, excluding the value of the Pension Credit awarded.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £20,135.00 (leaving a carry forward of £50,000 - £20,135.00 = £29,865.00)
2009/10 - £19,250.00 (leaving a carry forward of £50,000 - £19,250.00 = £30,750.00)
2008/09 - £18,330.00 (leaving a carry forward of £50,000 - £18,330.00 = £31,670.00)

Working out the opening value for the 2011/12 PIP

The opening value for the employment is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00	= 3,600.00
Apply flat factor of 16	£3,600.00 * 16	= 57,600.00
Increase by CPI	£57,600.00 * 1.031	= 59,385.60

The opening value for the Pension Credit is £nil as it has not been awarded as at 31 March 2011.

The member's total opening value is **£59,385.60**

Working out the closing value for the 2011/12 PIP

The closing value for the employment is calculated as:

		£
Amount of annual pension	4 / 60 * £75,600.00	= 5,040.00
Amount of Pension Credit pension		= 1,800.00
		6,840.00
Less amount of Pension Credit pension		1,800.00
		5,040.00
Apply flat factor of 16	£5,040.00 * 16	= 80,640.00

The member's closing value in respect of the employment is **£80,640.00**

The closing value for the Pension Credit is calculated as:

	£
Amount of Pension Credit pension	= 1,800.00
Less amount of Pension Credit pension	1,800.00
	0.00

The member's closing value in respect of the Pension Credit is **£nil**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £80,640.00 - £59,385.60 = **£21,254.40**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £28,745.60 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £21,254.40 = £28,745.60).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £89,360.60. This is broken down as:

2011/12	£28,745.60 (i.e. £50,000 - £21,254.40)
2010/11	£29,865.00 (i.e. £50,000 - £20,135.00)
2009/10	£30,750.00 (i.e. £50,000 - £19,250.00)

Note, the opening and closing values for every PIP, **after** the PIP in which the pension credit occurs ignore the Pension Credit amounts.

Example 22: Member ceases active employment and transfers out benefits in the same PIP

A member joined the LGPS on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £24,000 and she had 3 years pensionable service. The member ceases active employment on 5 November 2011 by which time the member's final year's pensionable pay was £25,200. The member transfers all of her benefits to the Allied Widgets Pension Scheme before the 31 March 2012. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount for 2011/12 is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the transfer out.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £24,000.00	= 1,200.00
Apply flat factor of 16	£1.200.00 * 16	= 19,200.00
Increase by CPI	£19,200.00 * 1.031	= 19,795.20

The member's opening value is **£19,795.20**.

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(4) of the Finance Act 2004, where membership is transferred out during a PIP, the annual rate of pension and the lump sum (used in the calculation of the closing value) are to include the membership transferred out. The member's total membership was 3 years 219 days at the date of leaving.

The closing value is calculated as:

		£
Amount of annual pension	(3 years 219/365 days) / 60 * £25,200.00	= 1,512.00
Apply flat factor of 16	£1,512.00 * 16	= 24,192.00

The member's closing value is **£24,192.00**.

Working out the pension input amount for tax year 2011/12

The difference between the closing value and the opening value is **£4,396.80**.

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

In subsequent PIPs there will be no PIA for this member in the LGPS as the member has transferred her benefits to another scheme.

Example 23: Member commences active employment in the LGPS and transfers in membership to the final salary scheme from a previous employer's pension scheme in a PIP

A member joins the LGPS on 14 June 2011. On commencement of employment, the member's pensionable pay was £24,000 which increases to £24,720 (grossed up full year equivalent) by the end of the PIP and to £25,200 for the year ending 31 March 2013. The member has accrued 292 days membership in the LGPS by the end of the PIP. The member transfers in his benefits from the Gizmo Pension Scheme before the 31 March 2012 and is awarded 6 years service credit.

The Consumer Prices Index (CPI) for September 2011 is 5.2%

The pension input amount for 2011/12 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in.

Working out the opening value for the 2011/12 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, where membership is transferred in during a PIP, the annual rate of pension and the lump sum (used in the calculation of the closing value) are to exclude the amount of pension and, where appropriate, amount of lump sum initially bought by the transfer.

The member's total membership was 0 years 292 days at the 31 March 2012 excluding the transferred in membership.

The closing value is calculated as:

		£
Amount of annual pension	(292/365 days) / 60 * £24,720.00 =	329.60
Apply flat factor of 16	£329.60 * 16 =	5,273.60

To this has to be added the increase in the value of the 6 years service credit i.e.

Value of service credit at end of PIP: 6 / 60 x £24,720.00	= £2,472.00		
Initial value of service credit: 6 / 60 x £24,000.00	= £2,400.00		
	£ 72.00		
Apply flat factor of 16		£72.00 * 16	= 1,152.00
			6,425.60

The member's closing value is **£6,425.60**.

Working out the pension input amount for the 2011/12 PIP

The difference between the closing value and the opening value is **£6,425.60**.

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the PIA in the Gizmo Pension Scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £43,574.40). The member has £43,574.40 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £6,425.60 = £43,574.40) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2012/13 PIP

The transferred in membership is now included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value is calculated as:

		£
Amount of annual pension	(6 years 292/365 days) / 60 * £24,720.00 =	2,801.60
Apply flat factor of 16	£2,801.60 * 16	= 44,825.60
Increase by CPI	£44,825.60 * 1.052	= 47,156.53

The member's opening value is **£47,156.53**.

Working out the closing value for the 2012/13 PIP

The closing value is calculated as:

		£
Amount of annual pension	(7 years 292/365 days) / 60 * £25,200.00 =	3,276.00
Apply flat factor of 16	£3,276.00 * 16	= 52,416.00

The member's closing value is **£52,416.00**.

Working out the pension input amount for tax year 2012/13

The difference between the closing value and the opening value is **£5,259.07**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £44,740.93 unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000 - £5,259.07 = £44,740.93).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £89,467.33 calculated as:

2012/13	£44,740.93 (i.e. £50,000 - £5,259.07)
2011/12	£43,574.40 (i.e. £50,000 - £6,425.60) less any annual allowance used up in the former scheme or schemes.
2010/11	£whatever unused allowance there was from the former scheme or schemes in that year

Example 24: Active member of the LGPS leaves with a deferred pension during the PIP

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £72,000 and she had 3 years scheme membership. She left on 30 September 2011 with a deferred benefit based on final pensionable pay of £72,500. She had 3 years 183 days scheme membership. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £20,135.00 (leaving a carry forward of £50,000 - £20,135.00 = £29,865.00)
2009/10 - £19,250.00 (leaving a carry forward of £50,000 - £19,250.00 = £30,750.00)
2008/09 - £18,330.00 (leaving a carry forward of £50,000 - £18,330.00 = £31,670.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00	= 3,600.00
Apply flat factor of 16	£3,600.00 * 16	= 57,600.00
Increase by CPI	£57,600.00 * 1.031	= 59,385.60

The member's opening value is **£59,385.60**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	(3 years 183/365 days) / 60 * £72,500.00	= 4,230.82
Apply flat factor of 16	£4,230.82 * 16	= 67,693.12

The member's closing value is **£67,693.12**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £67,693.12 - £59,385.60 = **£8,307.52**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 25: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme and elects to aggregate the membership during the PIP

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £72,000 and she had 3 years scheme membership. She left on 30 September 2011 with a deferred benefit based on final pensionable pay of £72,500. She had 3 years 183 days scheme membership. The member rejoined the Scheme in a new Fund on 1 October 2011 and aggregated the membership during the 2011/12 PIP. The member's pensionable pay for the year to 31 March 2012 was £74,000. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member’s promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £20,135.00 (leaving a carry forward of £50,000 - £20,135.00 = £29,865.00)
2009/10 - £19,250.00 (leaving a carry forward of £50,000 - £19,250.00 = £30,750.00)
2008/09 - £18,330.00 (leaving a carry forward of £50,000 - £18,330.00 = £31,670.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00	= 3,600.00
Apply flat factor of 16	£3,600.00 * 16	= 57,600.00
Increase by CPI	£57,600.00 * 1.031	= 59,385.60

The member's opening value is **£59,385.60**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	4 / 60 * £74,000.00	= 4,933.33
Apply flat factor of 16	£4,933.33 * 16	= 78,933.28

The member’s closing value is **£78,933.28**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £79,933.28 - £59,385.60 = **£19,547.68**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,452.32 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £19,547.68 = £30,452.32).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £91,067.32. This is broken down as:

2011/12	£30,452.32 (i.e. £50,000 - £19,547.68)
2010/11	£29,865.00 (i.e. £50,000 - £20,135.00)
2009/10	£30,750.00 (i.e. £50,000 - £19,250.00)

Example 26: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme in the same PIP but does not elect to aggregate the membership.

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £72,000 and she had 3 years scheme membership. She left on 30 September 2011 with a deferred benefit based on final pensionable pay of £72,500. She had 3 years 183 days scheme membership. The member rejoined the Scheme in a new Fund on 1 October 2011 but did not aggregate the membership. The member's (grossed up) pensionable pay for the second period of membership to 31 March 2012 is £70,000 and for the year to 31 March 2013 is £70,200. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £20,135.00 (leaving a carry forward of £50,000 - £20,135.00 = £29,865.00)
2009/10 - £19,250.00 (leaving a carry forward of £50,000 - £19,250.00 = £30,750.00)
2008/09 - £18,330.00 (leaving a carry forward of £50,000 - £18,330.00 = £31,670.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00	= 3,600.00
Apply flat factor of 16	£3,600.00 * 16	= 57,600.00
Increase by CPI	£57,600.00 * 1.031	= 59,385.60

The member's opening value is **£59,385.60**

Working out the closing value for the 2011/12 PIP

The closing value for the deferred benefit is calculated as:

		£
Amount of annual pension (3 years 183/365 days) / 60 * £72,500.00		= 4,230.82
Apply flat factor of 16	£4,230.82 * 16	= 67,693.12

The closing value for the second period of membership is calculated as:

		£
Amount of annual pension	(182/365 days) / 60 * £70,000.00	= 581.74
Apply flat factor of 16	£581.74 * 16	= 9,307.84

The member's total closing value is £67,693.12 + £9,307.84 = **£77,000.96**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £77,000.96 - £59,385.60 = **£17,615.36**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £32,384.64 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £17,615.36 = £32,384.64).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £92,999.64. This is broken down as:

2011/12	£32,384.64 (i.e. £50,000 - £17,615.36)
2010/11	£29,865.00 (i.e. £50,000 - £20,135.00)
2009/10	£30,750.00 (i.e. £50,000 - £19,250.00)

Working out the opening value for the 2012/13 PIP

As the member did not aggregate membership, the value of the deferred benefit falls out of scope in 2012/13 (as it will increase only by CPI). The opening value is therefore simply calculated on the current period of active membership and is calculated as:

		£
Amount of annual pension	(182/365 days) / 60 * £70,000.00	= 581.74
Apply flat factor of 16	£581.74 * 16	= 9,307.84
Increase by CPI	£9,307.84 * 1.052	= 9,791.85

The member's opening value is **£9,791.85**

Working out the closing value for the 2012/13 PIP

The closing value for the current period of active membership is calculated as:

		£
Amount of annual pension	(1 year 182/365 days) / 60 * £70,200.00 =	1,753.40
Apply flat factor of 16	£1,753.40 * 16	= 28,054.40

The member’s closing value is **£28,054.40**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £28,054.40 - £9,791.85 = **£18,262.55**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £31,737.45 unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000 - £18,262.55 = £31,737.45).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £93,987.09. This is broken down as:

2012/13	£31,737.45 (i.e. £50,000 - £18,262.55)
2011/12	£32,384.64 (i.e. £50,000 - £17,615.36)
2010/11	£29,865.00 (i.e. £50,000 - £20,135.00)

Example 27: Active member of the LGPS leaves a post on 31 March 2011 with a deferred pension, rejoins the Scheme on 1 April 2011 (i.e. on the first day of the 2011/12 PIP) but does not elect to aggregate the membership.

A member joined the LGPS in England or Wales on 1 April 2008. The member left a post on 31 March 2011 with a deferred benefit based on 3 years scheme membership and final pensionable pay of £72,000. The member rejoined the Scheme on 1 April 2011 in a new, lower graded post, but did not aggregate the membership. The member's pensionable pay for the second period of membership for the year to 31 March 2012 is £70,000 and for the year to 31 March 2013 is £70,200. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £18,666.67 (leaving a carry forward of £50,000 - £18,666.67 = £31,333.33)
2009/10 - £19,200.00 (leaving a carry forward of £50,000 - £19,200.00 = £30,800.00)
2008/09 - £19,733.33 (leaving a carry forward of £50,000 - £19,733.33 = £30,266.67)

Working out the opening value for the 2011/12 PIP

As the member did not aggregate membership, the value of the deferred benefit falls out of scope in 2011/12 (as it will increase only by CPI).

The opening value is therefore nil as, although there was a closing value for 2010/11, the member did not aggregate her benefits.

The member's opening value is **£nil**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	1 / 60 * £70,000.00 =	1,166.67
Apply flat factor of 16	£1,166.67 * 16 =	18,666.72

The member's closing value is **£18,666.72**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £18,666.72 - £nil = **£18,666.72**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £31,333.28 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £18,666.72 = £31,333.28).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £93,466.61. This is broken down as:

2011/12	£31,333.28 (i.e. £50,000 - £18,666.72)
2010/11	£31,333.33 (i.e. £50,000 - £18,666.67)
2009/10	£30,800.00 (i.e. £50,000 - £19,200.00)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

		£
Amount of annual pension	1 / 60 * £70,00.00 =	1,166.67
Apply flat factor of 16	£1,166.67 * 16 =	18,666.72
Increase by CPI	£18,666.72 * 1.052	= 19,637.39

The member's opening value is **£19,637.39**

Working out the closing value for the 2012/13 PIP

The closing value for the current period of active membership is calculated as:

		£
Amount of annual pension	2 / 60 * £70,200.00 =	2,340.00
Apply flat factor of 16	£2,340.00 * 16	= 37,440.00

The member's closing value is **£37,440.00**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £37,440.00 - £19,637.39 = **£17,802.61**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £32,197.39 unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000 - £17,802.61 = £32,197.39).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £94,864.00. This is broken down as:

2012/13	£32,197.39 (i.e. £50,000 - £17,802.61)
2011/12	£31,333.28 (i.e. £50,000 - £18,666.72)
2010/11	£31,333.33 (i.e. £50,000 - £18,666.67)

Example 28: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme four years later and elects to aggregate the membership during the PIP in which the member rejoined the Scheme.

A member joined the LGPS in England or Wales on 1 April 2004. She left on 31 March 2007 with a deferred benefit based on final pensionable pay of £72,000. She had 3 years scheme membership. The member rejoined the Scheme in a new Fund on 1 October 2011 and aggregated the membership during the 2011/12 PIP. The member's (grossed up) pensionable pay for the year to 31 March 2012 was £80,000. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £50,000.00 }	The member was a deferred member during these 3
2009/10 - £50,000.00 }	Pension Input Periods and so there was no Pension
2008/09 - £50,000.00 }	Input Amount in those years.

Working out the opening value for the 2011/12 PIP

Although the member held a deferred benefit at 31 March 2011, it was not deferred for the whole of the 2011/12 Pension Input Period. Therefore, it has to be valued for the purposes of the 2011/12 Pension Input Period. The opening value is calculated as:

		£
Amount of annual deferred pension	3 / 80 * £72,000.00	= 2,700.00
Add PI	£2,700 * 1.091	= 2,945.70
Apply flat factor of 16	£2,945.70 * 16	= 47,131.20
Amount of deferred lump sum	3 * 3/80 * £72,000	= 8,100.00
Add PI	£8,100.00 * 1.091	= 8,837.10
Total value deferred benefit with PI:	£47,131.20 + £8,837.10	= 55,968.30
Increase by CPI	£55,968.30 * 1.031	= 57,703.32

The member's opening value is **£57,703.32**

If the member's pension and lump sum had been paid on 31 March 2011, it would have been increased under the Pensions Increase (Review) Order 2010 using a PI date of 1 April 2007. The accumulative PI was 9.1%

Working out the closing value for the 2011/12 PIP

As the member aggregated membership in 2011/12 the closing value is calculated based on the value of the aggregated membership i.e.:

			£
Amount of annual pension	3 / 80 * £80,000.00	=	3,000.00
	(183/365 days) / 60 * £80,000.00	=	668.49
			3,668.49
Apply flat factor of 16	£3,668.49 * 16	=	58,695.84
Add lump sum	3 * 3/80 * £80,000	=	9,000.00
			67,695.84

The member's closing value is **£67,695.84**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £67,695.84 - £57,703.32 = **£9,992.52**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £40,007.48 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £9,992.52 = £40,007.48).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £140,007.48. This is broken down as:

2011/12	£40,007.48 (i.e. £50,000 - £9,992.52)
2010/11	£50,000.00 (i.e. £50,000 - £nil)
2009/10	£50,000.00 (i.e. £50,000 - £nil)

Example 29: Active member of the LGPS leaves with a deferred pension during the PIP, rejoins the Scheme in the next PIP and elects to aggregate the membership during the PIP subsequent to that in which the member rejoined the Scheme.

A member joined the LGPS in England or Wales on 1 August 2008. Her pensionable pay for the 2010/11 PIP was 71,500. She left on 31 July 2011 with a deferred benefit based on final pensionable pay of £72,000. She had 3 years scheme membership. The member rejoined the Scheme in a new Fund on 1 October 2012 and elected on 1 May 2013 to aggregate the membership. The member's (grossed up) pensionable pay for the period to 31 March 2013 was £80,000 and for the year to 31 March 2014 it was £81,000. The member has been whole-time throughout her period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%, for September 2011 it is 5.2% and for September 2012 it is 2.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member’s promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £18,666.67 (leaving a carry forward of £50,000 - £18,666.67 = £31,333.33)
2009/10 - £19,200.00 (leaving a carry forward of £50,000 - £19,200.00 = £30,800.00)
2008/09 - £19,733.33 (leaving a carry forward of £50,000 - £19,733.33 = £30,266.67)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	(2 years 243/365 days) / 60 * £71,500.00 =	3,176.69
Apply flat factor of 16	£3,176.69 * 16 =	50,827.04
Increase by CPI	£50,827.04 * 1.031 =	52,402.68

The member's opening value is **£52,402.68**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

		£
Amount of annual pension	3 / 60 * £72,000.00 =	3,600.00
Apply flat factor of 16	£3,600.00 * 16 =	57,600.00

The member’s closing value is **£57,600.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £57,600.00 - £52,402.68 = **£5,197.32**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £44,802.68 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £5,197.32 = £44,802.68).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £106,936.01. This is broken down as:

2011/12	£44,802.68 (i.e. £50,000 - £5,197.32)
2010/11	£31,333.33 (i.e. £50,000 - £18,666.67)
2009/10	£30,800.00 (i.e. £50,000 - £19,200.00)

Working out the opening value for the 2012/13 PIP

As the member did not aggregate membership in the 2012/13 PIP, the value of the deferred benefit falls out of scope in 2012/13 (as it will increase only by CPI).

The opening value is therefore nil as, although there was a closing value for 2011/12, the member did not aggregate her benefits in 2012/13.

The member's opening value is **£nil**

Working out the closing value for the 2012/13 PIP

The closing value is calculated as:

		£
Amount of annual pension	(183/365 days) / 60 * £80,000.00 =	668.49
Apply flat factor of 16	£668.49 * 16 =	10,695.84

The member’s closing value is **£10,695.84**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £10,695.84 - £nil = **£10,695.84**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £39,304.16 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £10,695.84 = £39,304.16).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £115,440.17. This is broken down as:

2012/13	£39,304.16 (i.e. £50,000 - £10,695.84)
2011/12	£44,802.68 (i.e. £50,000 - £5,197.32)
2010/11	£31,333.33 (i.e. £50,000 - £18,666.67)

Working out the opening value for the 2013/14 PIP

Although the member held a deferred benefit at 31 March 2013, it was not deferred for the whole of the 2013/14 Pension Input Period. Therefore, it has to be valued for the purposes of the 2013/14 Pension Input Period. The opening value for this is calculated as:

		£
Amount of annual deferred pension	3 / 60 * £72,000.00	= 3,600.00
Add PI	£3,600 * 1.0347	= 3,724.92
Apply flat factor of 16	£3,724.92 * 16	= 59,598.72
Increase by CPI	£59,598.72 * 1.022	= 60,909.89

The member's opening value for the deferred benefit is **£60,909.89**

If the member's pension and lump sum had been paid on 31 March 2013, it would have been increased under the Pensions Increase (Review) Order 2012 using a PI date of 1 August 2011. The accumulative PI was 3.47%

The member also has an opening value in respect of the period of membership from 1 October 2012. The opening value for this is calculated as:

		£
Amount of annual pension	(183/365 days) / 60 * £80,000.00 =	668.49
Apply flat factor of 16	£668.49 * 16 =	10,695.84
Increase by CPI	£10,695.84 * 1.022 =	10,931.15

The member's opening value for this is **£10,931.15**

The member's total opening value is £60,909.89 (deferred benefit) + £10,931.15 (new employment) = **£71,841.04**

Working out the closing value for the 2013/14 PIP

The closing value is calculated as:

		£
Amount of annual pension	(4 years 182/365 days) / 60 * £81,000.00 =	6,073.15
Apply flat factor of 16	£6,073.15 * 16 =	97,170.40

The member's closing value is **£97,170.40**

Working out the pension input amount for the 2013/14 PIP

The increase in the member's benefits over the PIP is £97,170.40 - £71,841.04 = **£25,329.36**

As this is less than the annual allowance for 2013/14 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £24,670.64 unused annual allowance from 2013/14 to carry forward to 2014/15 (i.e. £50,000 - £25,329.36 = £24,670.64).

Carry forward into 2014/15 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £109,691.31. This is broken down as:

2013/14	£24,670.64 (i.e. £50,000 - £25,329.36)
2012/13	£39,304.16 (i.e. £50,000 - £10,695.84)
2011/12	£44,802.68 (i.e. £50,000 - £5,197.32)

Example 30: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

A member retires at age 65 on 31 January 2012 and has accrued 39 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £1,500 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £35,520.00	= 15,984.00
	3 / 60 * £35,520.00	= 1,776.00
		17,760.00
Apply flat factor of 16		* 16
		284,160.00
Add lump sum	36 * 3 / 80 * £35,520.00	47,952.00
		332,112.00
Increase by CPI		* 1.031
		342,407.47

The member's opening value is **£342,407.47**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Less amount of pension commuted		1,500.00
		17,003.01
Apply flat factor of 16		* 16
		272,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
Plus lump sum by commutation (£1,500 x 12)		18,000.00
		338,648.16

The member's closing value is **£338,648.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £338,648.16 - £342,407.47 =

-£3,759.31 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 30H: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

A member retires at age 65 on 31 March 2012 and has accrued 39 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £1,500 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £35,520.00	= 15,984.00
	3 / 60 * £35,520.00	= 1,776.00
		17,760.00
Apply flat factor of 16		* 16
		284,160.00
Add lump sum	36 * 3 / 80 * £35,520.00	47,952.00
		332,112.00
Increase by CPI		* 1.031
		342,407.47

The member's opening value is **£342,407.47**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction but ignoring any commutation).

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16

The member's closing value is **£344,648.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £344,648.16 - £342,075.36 =

£2,572.80. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 31: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (our view)

A member retires at age 65 on 31 January 2012 and has accrued 39 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £1,500 of his pension into additional lump sum but does not complete the pension and commutation application form until mid April 2012.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £35,520.00	= 15,984.00
	3 / 60 * £35,520.00	= 1,776.00
		17,760.00
Apply flat factor of 16		* 16
		284,160.00
Add lump sum	36 * 3 / 80 * £35,520.00	47,952.00
		332,112.00
Increase by CPI		* 1.031
		342,407.47

The member's opening value is **£342,407.47**

Working out the closing value for the 2011/12 PIP

At the end of the PIP no BCE has occurred. Thus, at the end of the PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16

The member's closing value is **£344,648.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £344,648.16 - £342,407.47 =

£2,240.69. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £47,759.31 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £2,240.69 = £47,759.31).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £134,865.31. This is broken down as:

2011/12	£47,759.31 (i.e. £50,000 - £2,240.69)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16
Increase by CPI		* 1.052
		362,569.86

The member's opening value is **£362,569.86**

Working out the closing value for the 2012/13 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Less amount of pension commuted		1,500.00
		17,003.01
Apply flat factor of 16		* 16
		272,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
Plus lump sum by commutation (£1,500 x 12)		18,000.00
		338,648.16

The member's closing value is **£338,648.16**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £338,648.16 - £362,569.86 =

-£23,921.70 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2012/13 is set to **£nil**. As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 31H: Active member of the LGPS retires in the PIP, without an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (HMRC view)

A member retires at age 65 on 31 January 2012 and has accrued 39 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £1,500 of his pension into additional lump sum but does not complete the pension and commutation application form until mid April 2012.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £35,520.00	= 15,984.00
	3 / 60 * £35,520.00	= 1,776.00
		17,760.00
Apply flat factor of 16		* 16
		284,160.00
Add lump sum	36 * 3 / 80 * £35,520.00	47,952.00
		332,112.00
Increase by CPI		* 1.031
		342,407.47

The member's opening value is **£342,407.47**

Working out the closing value for the 2011/12 PIP

At the end of the PIP no BCE has occurred. Thus, at the end of the PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16

The member's closing value is **£344,648.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £344,648.16 - £342,407.47 =

£2,240.69. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £47,759.31 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £2,240.69 = £47,759.31).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £134,865.31. This is broken down as:

2011/12	£47,759.31 (i.e. £50,000 - £2,240.69)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16
Increase by CPI		* 1.052
		362,569.86

The member's opening value is **£362,569.86**

Working out the closing value for the 2012/13 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction but ignoring any commutation).

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	36 / 80 * £36,000.00	= 16,200.00
	3 years 306/365 days / 60 * £36,000.00	= 2,303.01
		18,503.01
Apply flat factor of 16		* 16
		296,048.16
Add lump sum	36 * 3 / 80 * £36,000.00	48,600.00
		344,648.16

The member's closing value is **£344,648.16**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £344,648.16 - £362,569.86 =

-£17,921.70 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2012/13 is set to **£nil**. As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 32: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

A member retires at age 60 on 31 January 2012 and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less amount of pension commuted			700.00
			4,303.01
Less actuarial reduction	£4,303.01 * 24%		1,032.72
			3,270.29
Apply flat factor of 16			* 16
			52,324.64

Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00
Plus lump sum by commutation (£700 x 12) =		8,400.00
		16,500.00
Less actuarial reduction	£16,500.00 x 12% =	1,980.00

14,520.00	14,520.00
	66,844.64

The member's closing value is **£66,844.64**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £66,844.64 - £81,481.99 =

-£14,637.35 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 32H: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

A member retires at age 60 on 31 January 2012 and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction but ignoring any commutation).

At the end of the member's PIP the closing value is calculated as:

				£
Amount of annual pension	6 / 80 * £36,000.00		=	2,700.00
	3 years 306/365 days / 60 * £36,000.00		=	2,303.01
				5,003.01
Less actuarial reduction	£5,003.01 * 24%			1,200.77
				3,802.24
Apply flat factor of 16				* 16
				60,835.84
Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00		
Less actuarial reduction	£8,100.00 x 12% =	972.00		
		7,128.00		7,128.00
				67,963.84

The member's closing value is **£67,963.84**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £67,963.84 - £81,481.99 =

-£13,518.15 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 33: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (our view)

A member retires at age 60 on 31 January 2012 and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum but does not complete the pension and commutation application form until mid April 2012.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

At the end of the PIP no BCE has occurred. Thus, at the end of the PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Apply flat factor of 16			* 16
			80,048.16
Add lump sum	6 * 3 / 80 * £36,000.00		8,100.00
			88,148.16

The member's closing value is **£88,148.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £88,148.16 - £81,481.99 =

£6,666.17. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £43.333.83 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £6,666.17 = £47,759.31).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £130,439.83. This is broken down as:

2011/12	£43,333.83 (i.e. £50,000 - £6,666.17)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Apply flat factor of 16			* 16
			80,048.16
Add lump sum	6 * 3 / 80 * £36,000.00		8,100.00
			88,148.16
Increase by CPI			* 1.052
			92,731.86

The member's opening value is **£92,731.86**

Working out the closing value for the 2012/13 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less amount of pension commuted			700.00
			4,303.01
Less actuarial reduction	£4,303.01 * 24%		1,032.72
			3,270.29
Apply flat factor of 16			* 16
			52,324.64
Add lump sum 6 * 3 / 80 * £36,000.00 =	8,100.00		
Plus lump sum by commutation (£700 x 12) =	8,400.00		
	16,500.00		
Less actuarial reduction £16,500.00 x 12% =	1,980.00		
	14,520.00		14,520.00
			66,844.64

The member's closing value is **£66,844.64**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £66,844.64 - £92,731.86 =

-£25,887.22 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2012/13 is set to **£nil**. As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 33H: Active member of the LGPS retires in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the subsequent PIP (HMRC view)

A member retires at age 60 on 31 January 2012 and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum but does not complete the pension and commutation application form until mid April 2012.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

At the end of the PIP no BCE has occurred. Thus, at the end of the PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Apply flat factor of 16			* 16
			80,048.16
Add lump sum	6 * 3 / 80 * £36,000.00		8,100.00
			88,148.16

The member's closing value is **£88,148.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £88,148.16 - £81,481.99 =

£6,666.17. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £43.333.83 unused annual allowance from 2011/12 to carry forward to 2012/13 (i.e. £50,000 - £6,666.17 = £47,759.31).

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £130,439.83. This is broken down as:

2011/12	£43,333.83 (i.e. £50,000 - £6,666.17)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Apply flat factor of 16			* 16
			80,048.16
Add lump sum	6 * 3 / 80 * £36,000.00		8,100.00
			88,148.16
Increase by CPI			* 1.052
			92,731.86

The member's opening value is **£92,731.86**

Working out the closing value for the 2012/13 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and ignoring any commutation).

At the end of the member's PIP the closing value is calculated as:

				£
Amount of annual pension	6 / 80 * £36,000.00		=	2,700.00
	3 years 306/365 days / 60 * £36,000.00		=	2,303.01
				5,003.01
Less actuarial reduction	£5,003.01 * 24%			1,200.72
				3,802.29
Apply flat factor of 16				* 16
				60,836.64
Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00		
Less actuarial reduction	£8,100.00 x 12% =	972.00		
		7,128.00		7,128.00
				67,964.64

The member's closing value is **£67,964.64**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £67,964.64 - £92,731.86 =

-£24,767.22 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2012/13 is set to **£nil**. As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 34: Active member of the LGPS retires in the PIP, with an actuarial increase, with commutation and the BCE occurs within the PIP (our view)

A member retires on 31 January 2012 (the day before his 67th birthday) and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value (taking account of post age 65 membership and the actuarial increase) is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Add actuarial increase (1/2/10 – 31/3/11) £4,400 x 424 x 0.00014			263.56
			4,703.56
Apply flat factor of 16			* 16
			75,256.96
Add lump sum	6 * 3 / 80 * £35,520.00 = £7,992.00		
Actuarial increase £7,992 x 424 x 0.00007 =	£237.20		
	£8,229.20		8,229.20
			83,486.16
Increase by CPI			* 1.031
			86,074.23

The member's opening value is **£86,074.23**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of post age 65 membership, the actuarial increase and any commutation).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Add actuarial increase (1/2/10 – 31/1/12) £5,003.01 x 730 x 0.00014			511.31
			5,514.32
Less amount of pension commuted			700.00
			4,814.32

Apply flat factor of 16			* 16
			77,029.12
Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00	
Plus actuarial increase £8,100 x 730 x 0.00007 =		413.91	
Plus lump sum by commutation (£700 x 12) =		8,400.00	
		16,913.91	16,913.91
			93,943.03

The member's closing value is **£93,943.03**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £93,943.03 - £86,074.23 =

£7,868.80. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 34H: Active member of the LGPS retires in the PIP, with an actuarial increase, with commutation and the BCE occurs within the PIP (HMRC view)

A member retires on 31 January 2012 (the day before his 67th birthday) and has accrued 9 years 306 days total membership. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He opts on retirement to commute £700 of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value (taking account of post age 65 membership but ignoring the actuarial increase) is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of post age 65 membership but ignoring the actuarial increase and any commutation).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Apply flat factor of 16			* 16
			80,048.16
Add lump sum	6 * 3 / 80 * £36,000.00		8,100.00
			88,148.16

The member's closing value is **£88,148.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £88,148.16 - £81,481.99 =

£6,666.17. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 35: Active member of the LGPS retires in the PIP with a Tier 1 ill health pension, does not meet the severe ill health condition under the Finance Act 2004, does not commute any pension for additional lump sum and the BCE occurs within the PIP

A member retires at age 52 on 31 January 2012 with a Tier 1 ill health pension but does not meet the severe ill health condition under the Finance Act 2004. He has accrued 9 years 306 days total membership and is awarded 13 years ill health enhancement. His final pay is £36,000.00 which had increased from £35,520 as at 31 March 2011. He does not opt to commute any of his pension into additional lump sum.

The Consumer Prices Index (CPI) for September 2010 is 3.1%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	6 / 80 * £35,520.00	= 2,664.00
	3 / 60 * £35,520.00	= 1,776.00
		4,440.00
Apply flat factor of 16		* 16
		71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00	7,992.00
		79,032.00
Increase by CPI		* 1.031
		81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	6 / 80 * £36,000.00	= 2,700.00
	16 years 306/365 days / 60 * £36,000.00	= 10,103.01
		12,803.01
Apply flat factor of 16		* 16
		204,848.16
Add lump sum	6 * 3 / 80 * £36,000.00	8,100.00
		212,948.16

The member's closing value is **£212,948.16**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £212,948.16 - £81,481.99 =

£131,466.17.

This is £81,466.17 more than the annual allowance for 2011/12 of £50,000. The unused allowance of £44,134.00 carried forward from 2008/09 plus the unused allowance of £43,904.00 carried forward from 2009/10 is more than enough to offset the excess in 2011/12. There is, therefore, no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance).

Example 36: Active member of the LGPS takes flexible retirement in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (our view)

There are many possibilities regarding flexible retirement i.e. it may occur in consequence of a reduction in hours or grade, the member has the choice of drawing “all or none” of their pre April 2008 benefits, “all, part or none” of their 1 April 2008 to 31 March 2014 benefits and “all, part or none” of their post 31 March 2014 benefits, and the member may or may not decide to remain in the LGPS in the ongoing employment. For the purpose of this example we will look at a member who takes flexible retirement on 31 January 2012 at age 60, reducing his hours to 50% from 1 February 2012. He crystallises all of his benefits based on 9 years 306 days membership and opts to commute £700 of his pension for additional lump sum. The member accrues a further 30 days membership by 31 March 2012 (59 days at 50%). His final pay at the date of flexible retirement is £36,000.00 which had increased from £35,520 as at 31 March 2011. His whole-time equivalent pensionable pay by the end of the 2011/12 PIP had risen to £36,240.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member’s benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

Closing value of benefits from the flexible retirement

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value from the flexible retirement is calculated as:

£

Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less amount of pension commuted			700.00
			4,303.01
Less actuarial reduction	£4,303.01 * 24%		1,032.72
			3,270.29
Apply flat factor of 16			* 16
			52,324.64
Add lump sum 6 * 3 / 80 * £36,000.00 =	8,100.00		
Plus lump sum by commutation (£700 x 12) =	8,400.00		
	16,500.00		
Less actuarial reduction £16,500.00 x 12% =	1,980.00		
	14,520.00		14,520.00
			66,844.64

The member's closing value from the flexible retirement is **£66,844.64**

Closing value of benefits from the ongoing employment

			£
Amount of annual pension	30/365 days / 60 * £36,240.00	=	49.64
Apply flat factor of 16			* 16
			794.24

The member's closing value for the ongoing employment is **£794.24**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is (£66,844.64 + £792.24) - £81,481.99 =

-£13,845.11 (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £50,000 can be carried forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £137,106.00. This is broken down as:

2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

By 31 March 2013, the member's pensionable pay has increased to £36,960.00

Working out the opening value for the 2012/13 PIP

As the member has drawn benefits from the flexible retirement the value of those falls out of scope in 2012/13 (as they will increase only by CPI). The opening value is therefore simply calculated on the current period of active membership and is calculated as:

			£
Amount of annual pension	30/365 days / 60 * £36,240.00	=	49.64
Apply flat factor of 16			* 16
			794.24
Increase by CPI			* 1.052
			835.54

The member's opening value is **£835.54**

Working out the closing value for 2012/13 PIP

The member remains working at 50% of the whole-time hours throughout the 2012/13 PIP. The member has therefore accrued a further 183 days membership which makes a total of 213 days post March 2008 membership.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	213/365 days / 60 * £36,960.00 =	359.47
Apply flat factor of 16		* 16
		5,751.52

The member's closing value is **£5,751.52**

Working out the pension input amount for 2012/13 PIP.

The increase in the member's benefits over the PIP is £5,751.52 - £835.54 = **£4,915.98**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £45,084.02 (i.e. £50,000 - £4,915.98) can be carried forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £138,286.02. This is broken down as:

2012/13	£45,084.02 (i.e. £50,000 - £4,915.98)
2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)

Example 36H: Active member of the LGPS takes flexible retirement in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP (HMRC view)

There are many possibilities regarding flexible retirement i.e. it may occur in consequence of a reduction in hours or grade, the member has the choice of drawing “all or none” of their pre April 2008 benefits, “all, part or none” of their 1 April 2008 to 31 March 2014 benefits and “all, part or none” of their post 31 March 2014 benefits, and the member may or may not decide to remain in the LGPS in the ongoing employment. For the purpose of this example we will look at a member who takes flexible retirement on 31 January 2012 at age 60, reducing his hours to 50% from 1 February 2012. He crystallises all of his benefits based on 9 years 306 days membership and opts to commute £700 of his pension for additional lump sum. The member accrues a further 30 days membership by 31 March 2012 (59 days at 50%). His final pay at the date of flexible retirement is £36,000.00 which had increased from £35,520 as at 31 March 2011. His whole-time equivalent pensionable pay by the end of the 2011/12 PIP had risen to £36,240.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member’s benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	6 / 80 * £35,520.00	= 2,664.00
	3 / 60 * £35,520.00	= 1,776.00
		4,440.00
Apply flat factor of 16		* 16
		71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00	7,992.00
		79,032.00
Increase by CPI		* 1.031
		81,481.99

The member's opening value is **£81,481.99**

Working out the closing value for the 2011/12 PIP

Closing value of benefits from the flexible retirement

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value from the flexible retirement is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less actuarial reduction	£5,003.01 * 24%		1,200.72
			3,802.29
Apply flat factor of 16			* 16
			60,836.64
Add lump sum 6 * 3 / 80 * £36,000.00 =	8,100.00		
Less actuarial reduction £8,100.00 x 12% =	972.00		
	7,128.00		7,128.00
			67,964.64

The member's closing value from the flexible retirement is **£67,964.64**

Closing value of benefits from the ongoing employment

			£
Amount of annual pension	30/365 days / 60 * £36,240.00	=	49.64
Apply flat factor of 16			* 16
			794.24

The member's closing value for the ongoing employment is **£794.24**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is (£67,964.64 + £792.24) - £81,481.99 = **-£12,723.11** (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £50,000 can be carried forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £137,106.00. This is broken down as:

2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

By 31 March 2013, the member's pensionable pay has increased to £36,960.00

Working out the opening value for the 2012/13 PIP

As the member has drawn benefits from the flexible retirement the value of those falls out of scope in 2012/13 (as they will increase only by CPI). The opening value is therefore simply calculated on the current period of active membership and is calculated as:

			£
Amount of annual pension	30/365 days / 60 * £36,240.00	=	49.64
Apply flat factor of 16			* 16
			794.24
Increase by CPI			* 1.052
			835.54

The member's opening value is **£835.54**

Working out the closing value for 2012/13 PIP

The member remains working at 50% of the whole-time hours throughout the 2012/13 PIP. The member has therefore accrued a further 183 days membership which makes a total of 213 days post March 2008 membership.

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	213/365 days / 60 * £36,960.00	=	359.47
Apply flat factor of 16			* 16
			5,751.52

The member's closing value is **£5,751.52**

Working out the pension input amount for 2012/13 PIP.

The increase in the member's benefits over the PIP is £5,751.52 - £835.54 = **£4,915.98**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £45,084.02 (i.e. £50,000 - £4,915.98) can be carried forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £138,286.02. This is broken down as:

2012/13	£45,084.02 (i.e. £50,000 - £4,915.98)
2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)

Example 37: Active member of the LGPS retires from Job 1 in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP but the member carries on in concurrent Job 2 (our view)

A member has two concurrent jobs. She retires from Job 1 on 31 January 2012 at age 60, with benefits based on 9 years 306 days whole-time equivalent membership and opts to commute £700 of her pension for additional lump sum. Her final whole-time equivalent pay at the date of retirement is £36,000.00 which had increased from £35,520 as at 31 March 2011. The member continues in a concurrent, half-time, Job 2 which she commenced on 1 April 2011. At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 2 is £18,000 and she has 0.5 years scheme membership (i.e. 1 year at half-time).

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

Job 2 – There is no opening value as the person was not a member in that job on 31 March 2011.

The member's total opening value is £81,481.39 (Job 1) + £nil (Job 2) = **£81,481.99**

Working out the closing value for the 2011/12 PIP

Job 1 – The closing value is calculated as:

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value from the Job 1 retirement is calculated as:

			£
Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less amount of pension commuted			700.00
			4,303.01
Less actuarial reduction	£4,303.01 * 24%		1,032.72
			3,270.29
Apply flat factor of 16			* 16
			52,324.64
Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00	
Plus lump sum by commutation (£700 x 12) =		8,400.00	
		16,500.00	
Less actuarial reduction £16,500.00 x 12% =		1,980.00	
		14,520.00	14,520.00
			66,844.64

The member's closing value from the Job 1 retirement is **£66,844.64**

Job 2- The closing value of benefits from the ongoing employment is calculated as:

			£
Amount of annual pension	183/365 days / 60 * £18,000.00	=	150.41
Apply flat factor of 16			* 16
			2,406.56

The member's closing value for the ongoing employment is **£2,406.56**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is (£66,844.64 + £2,406.56) - £81,481.99 = **-£12,230.79** (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £50,000 can be carried forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £137,106.00. This is broken down as:

2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

By 31 March 2013, the member's whole-time equivalent pensionable pay in Job 2 has increased to £18,480.00

Working out the opening value for the 2012/13 PIP

As the member has drawn benefits from the Job 1 retirement the value of those falls out of scope in 2012/13 (as they will increase only by CPI). The opening value is therefore simply calculated on the current period of active membership in Job 2 and is calculated as:

		£
Amount of annual pension	183/365 days / 60 * £18,000.00 =	150.41
Apply flat factor of 16		* 16
		2,406.56
Increase by CPI		* 1.052
		2,531.70

The member's opening value is **£2,531.70**

Working out the closing value for 2012/13 PIP

The member remains working at 50% of the whole-time hours throughout the 2012/13 PIP. The member has therefore accrued a total of 1 year's membership in Job 2 (2 years x 0.5).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	1 / 60 * £18,480.00	=	306.67
Apply flat factor of 16			* 16
			4,906.72

The member's closing value is **£4,906.72**

Working out the pension input amount for 2012/13 PIP.

The increase in the member's benefits over the PIP is £4,906.72 - £2,531.70 = **£2,375.02**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £47,624.98 (i.e. £50,000 - £2,375.02) can be carried forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £140,826.98. This is broken down as:

2012/13	£47,624.98 (i.e. £50,000 - £2,375.02)
2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)

Example 37H: Active member of the LGPS retires from Job 1 in the PIP, with an actuarial reduction, with commutation and the BCE occurs within the PIP but the member carries on in concurrent Job 2 (HMRC view)

A member has two concurrent jobs. She retires from Job 1 on 31 January 2012 at age 60, with benefits based on 9 years 306 days whole-time equivalent membership and opts to commute £700 of her pension for additional lump sum. Her final whole-time equivalent pay at the date of retirement is £36,000.00 which had increased from £35,520 as at 31 March 2011. The member continues in a concurrent, half-time, Job 2 which she commenced on 1 April 2011. At the end of the PIP ending 31 March 2012 the member's whole-time equivalent pensionable pay for the year for Job 2 is £18,000 and she has 0.5 years scheme membership (i.e. 1 year at half-time).

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years his Pension Input Amounts were:

2010/11 - £6,798.00 (leaving a carry forward of £50,000 - £6,798.00 = £43,202.00)
2009/10 - £6,096.00 (leaving a carry forward of £50,000 - £6,096.00 = £43,904.00)
2008/09 - £5,866.00 (leaving a carry forward of £50,000 - £5,866.00 = £44,134.00)

Working out the opening value for the 2011/12 PIP

Job 1 - The opening value is calculated as:

			£
Amount of annual pension	6 / 80 * £35,520.00	=	2,664.00
	3 / 60 * £35,520.00	=	1,776.00
			4,440.00
Apply flat factor of 16			* 16
			71,040.00
Add lump sum	6 * 3 / 80 * £35,520.00		7,992.00
			79,032.00
Increase by CPI			* 1.031
			81,481.99

Job 2 – There is no opening value as the person was not a member in that job on 31 March 2011.

The member's total opening value is £81,481.39 (Job 1) + £nil (Job 2) = **£81,481.99**

Working out the closing value for the 2011/12 PIP

Job 1 – The closing value is calculated as:

By virtue of subsection 236(8A), the closing value calculations will include any pensions and lump sums crystallised during the PIP (taking account of any actuarial reduction and commutation).

At the end of the member's PIP the closing value from the Job 1 retirement is calculated as:

Amount of annual pension	6 / 80 * £36,000.00	=	2,700.00
	3 years 306/365 days / 60 * £36,000.00	=	2,303.01
			5,003.01
Less actuarial reduction	£5,003.01 * 24%		1,200.72
			3,802.29
Apply flat factor of 16			* 16
			60,836.64
Add lump sum	6 * 3 / 80 * £36,000.00 =	8,100.00	
Less actuarial reduction	£8,100.00 x 12% =	972.00	
		7,128.00	7,128.00
			67,964.64

The member's closing value from the Job 1 retirement is **£67,964.64**

Job 2- The closing value of benefits from the ongoing employment is calculated as:

			£
Amount of annual pension	183/365 days / 60 * £18,000.00	=	150.41
Apply flat factor of 16			* 16
			2,406.56

The member's closing value for the ongoing employment is **£2,406.56**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is (£67,964.64 + £2,406.56) - £81,481.99 = **-£11,110.79** (i.e. a negative value). As this is a negative value the Pension Input Amount for 2011/12 is set to **£nil**. As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £50,000 can be carried forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £137,106.00. This is broken down as:

2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)
2009/10	£43,904.00 (i.e. £50,000 - £6,096.00)

By 31 March 2013, the member's whole-time equivalent pensionable pay in Job 2 has increased to £18,480.00

Working out the opening value for the 2012/13 PIP

As the member has drawn benefits from the Job 1 retirement the value of those falls out of scope in 2012/13 (as they will increase only by CPI). The opening value is therefore simply calculated on the current period of active membership in Job 2 and is calculated as:

		£
Amount of annual pension	183/365 days / 60 * £18,000.00 =	150.41
Apply flat factor of 16		* 16
		2,406.56
Increase by CPI		* 1.052
		2,531.70

The member's opening value is **£2,531.70**

Working out the closing value for 2012/13 PIP

The member remains working at 50% of the whole-time hours throughout the 2012/13 PIP. The member has therefore accrued a total of 1 years membership in Job 2 (2 years x 0.5).

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	1 / 60 * £18,480.00	=	306.67
Apply flat factor of 16			* 16
			4,906.72

The member's closing value is **£4,906.72**

Working out the pension input amount for 2012/13 PIP.

The increase in the member's benefits over the PIP is £4,906.72 - £2,531.70 = **£2,375.02**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £47,624.98 (i.e. £50,000 - £2,375.02) can be carried forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £140,826.98. This is broken down as:

2012/13	£47,624.98 (i.e. £50,000 - £2,375.02)
2011/12	£50,000.00 (i.e. £50,000 - £nil)
2010/11	£43,202.00 (i.e. £50,000 - £6,798.00)

Example 38: Active member of the LGPS has period of unpaid leave of absence during a PIP (e.g. maternity leave) and the member elects in the following PIP to pay for the period of unpaid leave of absence

A member joined the LGPS in England or Wales on 1 April 2008. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £18,000 and she had 3 years scheme membership. She commenced a period of maternity leave on 6 June 2011 and went onto unpaid additional maternity leave on 6 March 2012. Her total membership to 5 March 2012 was 3 years 339 days. She returned to work on 28 May 2012 and elected, upon returning, to pay pension contributions to cover the period of unpaid additional maternity leave. The member has been whole-time throughout her period of membership. Her rate of pensionable pay increased on 1 April 2011 to 18,150 and on 1 April 2012 to £18,300.

The Consumer Prices Index (CPI) for September 2010 is 3.1% and for September 2011 it is 5.2%.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2011/12 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2010/11 - £4,802.99 (leaving a carry forward of £50,000 - £4,802.99 = £45,197.01)
2009/10 - £4,777.17 (leaving a carry forward of £50,000 - £4,777.17 = £45,222.83)
2008/09 - £4,700.74 (leaving a carry forward of £50,000 - £4,700.74 = £45,299.26)

Working out the opening value for the 2011/12 PIP

The opening value is calculated as:

		£
Amount of annual pension	3 / 60 * £18,000.00	= 900.00
Apply flat factor of 16	£900.00 * 16	= 14,400.00
Increase by CPI	£14,400.00 * 1.031	= 14,846.40

The member's opening value is **£14,846.40**

Working out the closing value for the 2011/12 PIP

The closing value is calculated as:

Final pensionable pay: 1/4/11 to 31/3/12: £18,150/12 x 11 months 5/31 days x 365/339 = £18,176.19

		£
Amount of annual pension	(3 years 339/365 days) / 60 * £18,176.19	= 1,190.17
Apply flat factor of 16	£1,190.17 * 16	= 19,042.72

The member's closing value is **£19,042.72**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £19,042.72 - £14,846.40 = **£4,196.32**

As this is less than the annual allowance for 2011/12 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £45,803.68 (i.e. £50,000 - £4,196.32) can be carried forward to 2012/13.

Carry forward into 2012/13 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £136,223.52. This is broken down as:

2011/12	£45,803.68 (i.e. £50,000 - £4,196.32)
2010/11	£45,197.01 (i.e. £50,000 - £4,802.99)
2009/10	£45,222.83 (i.e. £50,000 - £4,777.17)

Working out the opening value for the 2012/13 PIP

The opening value is calculated as:

		£
Amount of annual pension	(3 years 339/365 days) / 60 * £18,176.19	= 1,190.17
Apply flat factor of 16	£1,190.17 * 16	= 19,042.72
Increase by CPI	£14,400.00 * 1.052	= 20,032.94

The member's opening value is **£20,032.94**

Working out the closing value for the 2012/13 PIP

The closing value is calculated as:

Member elected in 2012/13 to pay contributions to cover the unpaid additional maternity leave period from 6 March 2012 to 27 May 2012.

		£
Amount of annual pension	5 / 60 * £18,300.00	= 1,525.00
Apply flat factor of 16	£1,525.00 * 16	= 24,400.00

The member’s closing value is **£24,400.00**

Working out the pension input amount for the 2012/13 PIP

The increase in the member's benefits over the PIP is £24,400.00 - £20,032.94 = **£4,367.06**

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and unused allowance of £45,632.94 (i.e. £50,000 - £4,367.06) can be carried forward to 2013/14.

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £136,633.63. This is broken down as:

2012/13	£45,632.94 (i.e. £50,000 - £4,367.06)
2011/12	£45,803.68 (i.e. £50,000 - £4,196.32)
2010/11	£45,197.01 (i.e. £50,000 - £4,802.99)

Example 39: Member joined before 1 April 2008 - active whole-time member throughout the PIP – showing impact of scheme year end and PIP year end not being aligned, impact of 2015/16 mini tax years, impact of the taper from 2016/17 and impact of a 'Scheme pays' election

The member joined the LGPS in England or Wales on 1 April 1998. At the start of the 2011/12 Pension Input Period (PIP) the member's pensionable pay for the year to 31 March 2011 was £48,000 and he had 13 years scheme membership. At the end of the PIP ending 31 March 2012 the member's pensionable pay for the year has increased to £72,000 due to a promotion and he has 14 years scheme membership. The member has been whole-time throughout his period of membership.

The Consumer Prices Index (CPI) for September 2010 is 3.1%, for September 2011 it is 5.2%, for September 2012 it is 2.2%, for September 2013 it is 2.7%, for September 2014 it is 1.2% (but a specified rate of 2.5% has to be used as per section 237ZA(4) Finance Act 2004), for September 2015 it is -0.1%, for September 2016 it is 1.0% and for September 2017 it is assumed to be 1.0% (as the actual rate was not known at the time this example was prepared in December 2016).

The pension input amount is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits. The member is not subject to the money purchase annual allowance but, from 2016/17, is subject to the tapered annual allowance.

Carrying forward into 2011/12 of unused annual allowance

For the previous three years his pension input amounts were:

2010/11 - £30,000 (leaving a carry forward of £50,000 - £30,000 = £20,000)
2009/10 - £90,000 (leaving a carry forward of £50,000 - £90,000 = £nil)
2008/09 - £30,000 (leaving a carry forward of £50,000 - £30,000 = £20,000)

The member has unused annual allowance from those three tax years of £40,000 that he can carry forward.
* Note that although the benefit accrual in 2009/10 exceeds the annual allowance of £50,000, the excess does not use up the £20,000 to carry forward from 2008/09 – see special rules in paragraph 142 of the Guide.

Working out the opening value for the 2011/12 PIP

At the start of the member's PIP the opening value is calculated as:

			£
Amount of annual pension	10 / 80 * £48,000.00	=	6,000.00
	3 / 60 * £48,000.00	=	2,400.00
			8,400.00
Apply flat factor of 16			* 16
			134,400.00
Add lump sum	10 * 3 / 80 * £48,000.00		18,000.00
			152,400.00
Increase by CPI			* 1.031
			157,124.40

The member's opening value is **£157,124.40**

Working out the closing value for the 2011/12 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £72,000.00	= 9,000.00
	4 / 60 * £72,000.00	= 4,800.00
		13,800.00
Apply flat factor of 16		* 16
		220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00	27,000.00
		247,800.00

The member's closing value is **£247,800.00**

Working out the pension input amount for the 2011/12 PIP

The increase in the member's benefits over the PIP is £247,800.00 - £157,124.40 = **£90,675.60**

The £50,000 annual allowance for 2011/12 plus the unused annual allowance of £40,000 carried forward from 2008/09 and 2010/11 mean that the member could have pension saving in 2011/12 of £90,000 without incurring an annual allowance charge (assuming the member has not made contributions in those tax years to any other pension arrangements).

The member's pension input amount for 2011/12 is £90,675.60. This is more than his available annual allowance of £90,000. So the member has to pay an annual allowance charge on £675.60 of his pension input amount for 2011/12 (assuming the member has not made contributions to any other pension arrangements causing the total Pension Input Amount to further exceed the annual allowance). The member paid the tax charge direct to HMRC (i.e. the member did not use the 'Scheme pays' option).

The member has used up all of his available annual allowance. He has used up his annual allowance from 2011/12 and his available annual allowance from 2008/09 and 2010/11.

Carry forward into 2012/13 of unused annual allowance

The member has no unused annual allowance to carry forward to 2012/13.

Following tax year (2012/13)

In the following PIP (2012/13), the member's pensionable pay rose to £78,000.00

Working out the opening value for the 2012/13 PIP

At the start of the member's PIP the opening value, using CPI for September 2011 of 5.2%, is calculated as:

		£
Amount of annual pension	10 / 80 * £72,000.00	= 9,000.00
	4 / 60 * £72,000.00	= 4,800.00
		13,800.00
Apply flat factor of 16		* 16
		220,800.00
Add lump sum	10 * 3 / 80 * £72,000.00	27,000.00
		247,800.00
Increase by CPI		* 1.052
		260,685.60

The member's opening value is **£260,685.60**

Working out the closing value for the 2012/13 PIP

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	10 / 80 * £78,000.00	=	9,750.00
	5 / 60 * £78,000.00	=	6,500.00
			16,250.00
Apply flat factor of 16			* 16
			260,000.00
Add lump sum	10 * 3 / 80 * £78,000.00		29,250.00
			289,250.00

The member's closing value is **£289,250.00**

Working out the pension input amount for the 2012/13 PIP

The increase in pension saving over the year is £289,250.00 - £260,685.60 = **£28,564.40**.

As this is less than the annual allowance for 2012/13 of £50,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £21,435.60 of unused annual allowance from 2012/13 to carry forward to 2013/14 (i.e. £50,000.00 - £28,564.40 = £21,435.60).

Carry forward into 2013/14 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £21,435.60. This is broken down as:

2012/13	£21,435.60 (i.e. £50,000 - £28,564.40)
2011/12	£0.00
2010/11	£0.00

Following tax year (2013/14)

In the following PIP (2013/14), the member’s pensionable pay rose to £90,000.00

Working out the opening value for the 2013/14 PIP

At the start of the member's PIP the opening value, using CPI for September 2012 of 2.2%, is calculated as:

			£
Amount of annual pension	10 / 80 * £78,000.00	=	9,750.00
	5 / 60 * £78,000.00	=	6,500.00
			16,250.00
Apply flat factor of 16			* 16
			260,000.00
Add lump sum	10 * 3 / 80 * £78,000.00		29,250.00
			289,250.00
Increase by CPI			* 1.022
			295,613.50

The member's opening value is **£295,613.50**

Working out the closing value for the 2013/14 PIP

At the end of the member's PIP the closing value is calculated as:

		£
Amount of annual pension	10 / 80 * £90,000.00	= 11,250.00
	6 / 60 * £90,000.00	= 9,000.00
		20,250.00
Apply flat factor of 16		* 16
		324,000.00
Add lump sum	10 * 3 / 80 * £90,000.00	33,750.00
		357,750.00

The member's closing value is **£357,750.00**

Working out the pension input amount for the 2013/14 PIP

The increase in pension saving over the year is £357,750.00 - £295,613.50 = **£62,136.50**.

This is more than the annual allowance of £50,000.

The amount of the member's unused annual allowance from earlier years that he carried forward was £21,435.60. This is broken down as:

2012/13	£21,435.60 (i.e. £50,000 - £28,564.40)
2011/12	£0.00
2010/11	£0.00

This unused annual allowance (assuming the member has not made contributions in the tax year to any other pension arrangement) together with the 2013/14 annual allowance of £50,000 is £71,435.60. This is more than enough to cover the member's pension input of £62,136.50 for 2013/14. So the member does not have to pay an annual allowance charge on his pension input for 2013/14. He has used up his annual allowance from 2013/14 and £12,136.50 of the carried forward allowance from 2012/13 (leaving a balance of £9,299.10 from 2012/13 to carry forward)

Carry forward into 2014/15 of unused annual allowance

The member still has unused annual allowance that he can carry forward to 2014/15 amounting to £9,299.10.

This is broken down as:

2013/14 - £0.00
2012/13 - £9,299.10
2011/12 - £0.00

Following tax year (2014/15)

In the following PIP (2014/15), the member’s final pensionable pay for pre-14 final salary benefits rose to £93,000.00. As the member was paid only an annual salary and was full-time throughout the PIP the pay for CARE benefits was also £93,000. The Scheme year end for 2014/15 and the PIP for 2014/15 both end on 31 March 2015.

Working out the opening value for the 2014/15 PIP

At the start of the member's PIP the opening value, using a CPI for September 2013 of 2.7%, is calculated as:

			£
Amount of annual pension	10 / 80 * £90,000.00	=	11,250.00
	6 / 60 * £90,000.00	=	9,000.00
			20,250.00
Apply flat factor of 16			* 16
			324,000.00
Add lump sum	10 * 3 / 80 * £90,000.00		33,750.00
			357,750.00
Increase by CPI			* 1.027
			367,409.25

The member's opening value is **£367,409.25**

Working out the closing value for the 2014/15 PIP

At the end of the member's PIP the closing value is calculated as:

			£
Amount of annual pension	10 / 80 * £93,000.00	=	11,625.00
	6 / 60 * £93,000.00	=	9,300.00
	1 / 49 * £93,000.00	=	1,897.96
			22,822.96
Apply flat factor of 16			* 16
			365,167.36
Add lump sum	10 * 3 / 80 * £93,000.00		34,875.00
			400,042.36

The member's closing value is **£400,042.36**

Working out the pension input amount for the 2014/15 PIP

The increase in pension saving over the year is £400,042.36 - £367,409.25 = **£32,633.11**.

As this is less than the annual allowance for 2014/15 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £7,366.89 of unused annual allowance from 2014/15 to carry forward to 2015/16 (i.e. £40,000.00 - £32,633.11 = £7,366.89).

Carry forward into 2015/16 of unused annual allowance

The member has unused annual allowance that he can carry forward to 2015/16 amounting to £16,665.99.

This is broken down as:

2014/15 - £7,366.89
2013/14 - £0.00
2012/13 - £9,299.10

Following tax year (2015/16)

In the following PIP (2015/16), the member's pensionable pay for pre-14 final salary benefits rose to £94,000.00 as from 1 April 2015 and to £95,000.00 from 1 April 2016. As the member was paid only an annual salary and was full-time throughout the PIP the pay for CARE benefits was also £94,000 for the period 1 April 2015 to 31 March 2016 and £95,000 for the period 1 April 2016 to 5 April 2016. Although the Scheme year end for 2015/16 ended on 31 March 2016 the PIP for 2015/16 ended on 5 April 2016 and covered the period 1 April 2015 to 5 April 2016.

Working out the opening value for the 2015/16 PIP

At the start of the member's PIP the opening value is calculated as the 2014/15 closing value of £400,042.36 + the specified annual allowance revaluation of 2.5% as per section 237ZA(4) Finance Act 2004 (rather than the CPI of 1.2% for September 2014). The opening value is therefore calculated as:

		£
Amount of annual pension	10 / 80 * £93,000.00	= 11,625.00
	6 / 60 * £93,000.00	= 9,300.00
	1 / 49 * £93,000.00	= 1,897.96
		22,822.96
Apply flat factor of 16		* 16
		365,167.36
Add lump sum	10 * 3 / 80 * £93,000.00	34,875.00
		400,042.36
Increase by specified AA revaluation rate		* 1.025
		410,043.41

The member's opening value is **£410,043.41**

Working out the closing value for the 2015/16 PIP

The April 2015 HM Treasury revaluation order = 1.2% (applied on the first second after midnight of 31 March 2015) and the April 2016 HM Treasury revaluation order = -0.1% (applied on the first second after midnight of 31 March 2016).

At the end of the member's PIP the closing value is calculated as: £

Amount of final salary annual pension

			£
10 / 80 * £94,013.89			= 11,751.74
6 / 60 * £94,013.89			= 9,401.39
[£94,013.89 = (£94,000.00 / 12 * 11 25/30) + (£95,000 / 12 * 5/30)]			
Amount of CARE pension			
2014/15: (£1,897.96 * 1.012) * -1.001	= 1,918.82		
2015/16 (to 31 March 2016):			
(1 / 49 * £94,000.00) * -1.001	= 1,916.45		
2016/17 (1 April 2016 to 5 April 2016):			
1 / 49 * £95,000.00 / 12 * 5/30	= 26.93		
	3,862.20		3,862.20
			25,015.33
Apply flat factor of 16			* 16
			400,245.28
Add lump sum		10 * 3 / 80 * £94,013.89	35,255.21
			435,500.48

The member's closing value is **£435,500.48**

Working out the pension input amount for the 2015/16 PIP

The increase in pension saving over the year is £435,500.48 - £410,043.41 = **£25,457.07**.

Of this amount, the following relates to the period 1 April 2015 to 8 July 2015
99/371 x £25,457.07 = £6,793.13
And the following relates to the period 9 July 2015 to 5 April 2016
272/371 x £25,457.07 = £18,663.94

[Note: see paragraph 126 for details of the special rules for working out the apportionment between the pre and post-alignment mini tax years for the 2015/16 PIP in cases where a member joined the LGPS on or after 1 April 2015 and before 6 April 2016 or became a deferred member on or after 1 April 2015 and before 1 April 2016]

Annual allowance for period 1 April 2015 to 8 July 2015 is £80,000.00

The PIA for the mini pre-alignment PIP period 1 April 2015 to 8 July 2015 was £6,793.13 so the member has not exceeded the annual allowance for that period and there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance). He can carry forward any unused balance into the mini post-alignment PIP for 9 July 2015 to 5 April 2016, subject to a maximum of £40,000 (i.e. £80,000 - £6,793.13 = £73,206.87 but with a maximum carry forward of £40,000)

The annual allowance for the mini post-alignment PIP period 9 July 2015 to 5 April 2016 is £nil.

The member's PIA for the period 9 July 2015 to 5 April 2016 was £18,663.94 but there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) because the excess of £18,663.94 is more than covered by the carry forward amount of £40,000 from the mini pre-alignment PIP.

The member has £21,336.06 of unused annual allowance from 2015/16 to carry forward to 2016/17 (i.e. £40,000.00 - £18,663.94 = £21,336.06) plus £7,366.89 from 2014/15.

Carry forward into 2016/17 of unused annual allowance

The member has unused annual allowance that he can carry forward to 2016/17 amounting to £28,702.95.

This is broken down as:

2015/16 - £21,336.06

2014/15 - £7,366.89
2013/14 - £0.00

Following tax year (2016/17)

In the following PIP (2016/17), the member's pensionable pay for pre-14 final salary benefits rose from £95,000 to £160,000 as from 1 May 2016 following promotion to Chief Executive of a large County Council and to £162,000 from 1 April 2017. As the member was paid only an annual salary and was full-time throughout the PIP the pay for CARE benefits was also £95,000 for the period 1 – 30 April 2016, £160,000 for the period 1 May 2016 to 31 March 2017 and £162,000 for the period 1 April 2017 to 5 April 2017. Although the Scheme year end for 2016/17 ended on 31 March 2017 the PIP for 2016/17 ended on 5 April 2017 and covered the period 6 April 2016 to 5 April 2017.

Working out the opening value for the 2016/17 PIP

At the start of the member's PIP the opening value is calculated as the 2015/16 closing value of £435,500.48 + an annual allowance revaluation of 0.0% (rather than the CPI of -0.1% for September 2015 because, where CPI is negative, section 235(3) of the Finance Act 2004 sets the annual revaluation rate to zero). The opening value is therefore calculated as:

			£
Amount of final salary annual pension			
10 / 80 * £94,013.89			= 11,751.74
6 / 60 * £94,013.89			= 9,401.39
[£94,013.89 = (£94,000.00 / 12 * 11 25/30) + (£95,000 / 12 * 5/30)]			
Amount of CARE pension			
2014/15: (£1,897.96 * 1.012) * -1.001	= 1,918.82		
2015/16 (to 31 March 2016):			
(1 / 49 * £94,000.00) * -1.001	= 1,916.45		
2016/17 (1 April 2016 to 5 April 2016):			
1 / 49 * £95,000.00 / 12 * 5/30	= 26.93		
	3,862.20		3,862.20
			25,015.33
Apply flat factor of 16			* 16
			400,245.28
Add lump sum	10 * 3 / 80 * £94,013.89		35,255.21
			435,500.48
Increase by AA revaluation rate			* 1.000
			435,500.48

The member's opening value is **£435,500.48**

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of final salary annual pension		
10 / 80 * £155,513.88		= 19,439.24
6 / 60 * £155,513.88		= 15,551.39
[£155,513.88 = (£95,000 / 12 * 25/30) + (£160,000 / 12 * 11) + (£162,000 / 12 * 5/30)]		
Amount of CARE pension		
2014/15: £1,918.82 * 1.01	= 1,938.01	
2015/16: £1,916.45 * 1.01	= 1,935.61	
2016/17:		
1 / 49 * £95,000 / 12 (1 April 2016 to 30 April 2016) +		
1 / 49 * £160,000 / 12 * 11 (1 May 2016 to 31 March 2017)		
= £3,154.76 * 1.01	= 3,186.31	
2017/18 (1 – 5 April 2017):		
1 / 49 * £162,000 / 12 * 5/30	= 45.92	
	7,105.85	7,105.85
		42,096.48

Apply flat factor of 16		* 16
		673,543.68
Add lump sum	10 * 3 / 80 * £155,513.88	58,317.71
		731,861.39

The member's closing value is **£731,861.39**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year is £731,861.39 - £435,500.48 = **£296,360.91**.

The 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 is £40,000.00

However, due to the level of the member's 'adjusted income' and 'threshold income' the tapered annual allowance applies. His gross pay for the period 6 April 2016 to 5 April 2017, after adding back in his LGPS employee contributions of £19,366.66 [(£95,000 / 12 * 25/30 *11.4%) + (£160,000 / 12 * 11 * 12.5%) + (£162,000 / 12 * 5/30 * 12.5%)], is £155,513.88. To this figure has to be added the "employer contributions" which are calculated as being equal to the Pension Input Amount (£296,360.91) less the employee contributions (£19,366.66) = £276,994.25 giving a total "adjusted income" of £432,508.13. The 'standard' annual allowance is reduced by £1 for every £2 of 'adjusted income' above £150,000 i.e. £40,000 – (£432,508.13 - £150,000.00 / 2) = - £101,254.06). However, this is subject to a minimum reduced annual allowance of £10,000. Thus, as the member's 'adjusted income' is above £210,000 and the reduction would otherwise take their tapered annual allowance below £10,000 for the tax year, their reduced annual allowance for the year is set at £10,000.

The PIA of £296,360.91 for 2016/17 has exceeded the annual allowance of £10,000 for that period and wipes out the 2015/16 carry forward of £21,336.06 and the 2014/15 carry forward of £7,366.89 leaving an amount of £257,657.96 subject to the annual allowance charge. The member elects for the Scheme to pay the annual allowance charge (with a corresponding reduction to benefits) under the 'Scheme pays' option. The effect of this election is explained below. The member is aged 40 at the Relevant Date (5 April 2017) and has a Normal Pension Age (NPA) of 67. The tax charge to be met under the 'Scheme pays' election is £257,657.96 x 40% = £103,063.18. The deduction from the annual pension to cover this payment is £13,369.55 (£103,063.18 / (8.76 x 88% = 7.7088).

The 'Scheme pays' offset is added back to PE when calculating the Closing Value for 2016/17 (and so the 'Scheme pays' election has no effect on the Pension Input Amount for 2016/17.

There is no remaining annual allowance to carry forward to 2017/18

Carry forward into 2017/18 of unused annual allowance

The member has no unused annual allowance that he can carry forward to 2017/18 i.e.

2016/17 - £0.00

2015/16 - £0.00

2014/15 - £0.00

Working out the opening value for the 2017/18 PIP

At the start of the member's PIP the opening value is calculated as the 2016/17 closing value of £731,861.39 + an annual allowance revaluation of 1.0% (September 2016). However, the opening value has to be adjusted on account of the 'Scheme pays' offset. The opening value is therefore calculated as:

			£
Amount of final salary annual pension			
10 / 80 * £155,513.88			= 19,439.24
6 / 60 * £155,513.88			= 15,551.39

[£155,513.88 = (£95,000 / 12 * 25/30) + (£160,000 / 12 * 11) + (£162,000 / 12 * 5/30)]

Amount of CARE pension			
2014/15: £1,918.82 * 1.01		= 1,938.01	
2015/16: £1,916.45 * 1.01		= 1,935.61	
2016/17:			
1 / 49 * £95,000 / 12 (1 April 2016 to 30 April 2016) +			
1 / 49 * £160,000 / 12 * 11 (1 May 2016 to 31 March 2017)			
= £3,154.76 * 1.01		= 3,186.31	
2017/18 (1 – 5 April 2017):			
1 / 49 * £162,000 / 12 * 5/30		= 45.92	
		7,105.85	7,105.85
			42,096.48
Less 'Scheme pays' offset			13,369.55
			28,726.93
Apply flat factor of 16			* 16
			459,630.88
Add lump sum	10 * 3 / 80 * £155,513.88		58,317.71
			517,948.59
Increase by AA revaluation rate			* 1.01
			523,128.07

The member's opening value is **£523,128.07**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

The member did not receive a pay increase during 2017/18.

At the end of the member's PIP the closing value is calculated as:

			£
Amount of final salary annual pension			
10 / 80 * £162,000.00			= 20,250.00
6 / 60 * £162,000.00			= 16,200.00
Amount of CARE pension			
2014/15: £1,938.01 * 1.01		= 1,957.39	
2015/16: £1,935.61 * 1.01		= 1,954.97	
2016/17: 1 / 49 * £162,000 (6 April 2017 to 31 March 2018)			
= £3,306.12 * 1.01		= 3,339.18	
2018/19 (1 – 5 April 2018):			
1 / 49 * £162,000 / 12 * 5/30		= 45.92	
		7,297.46	7,297.46

			43,747.46
Less ‘Scheme pays’ offset: £13,369.55 * 1.01	=		13,503.25
			30,244.21
Apply flat factor of 16			* 16
			483,907.36
Add lump sum		10 * 3 / 80 * £162,000.00	60,750.00
			544,657.36

The member's closing value is **£544,657.36**

Working out the pension input amount for the 2017/18 PIP

The increase in pension saving over the year is £544,657.36 - £523,128.07 = **£21,529.29**

Carry forward into 2018/19 of unused annual allowance

2017/18 - £0.00 (this is because the member is subject to the Tapered annual allowance and £10,000 less £21,529.29 = -£11,529.29)

2016/17 - £0.00

2015/16 - £0.00

Example 40: Member commences active employment in the LGPS and has a non-Club transfer in from a previous employer's pension scheme in a PIP, purchasing an amount of CARE pension

A member joins the LGPS on 1 June 2016. The member transfers in his benefits from the Gizmo Pension Scheme before the 31 March 2017 and is awarded an amount of earned CARE pension of £1,000.

The Consumer Prices Index (CPI) for September 2016 is assumed to be 1.0% and for September 2017 is assumed to be 1.5% (assumed values have been used as the actual values were not known at the time the example was prepared in June 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

At the end of the member's PIP the closing value is calculated as:

Amount of CARE pension earned		£
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52

To this has to be added the increase in the value of the £1,000 CARE pension initially bought by the transfer in i.e. (£1,000 x 1.01) - £1,000 = £10

Apply flat factor of 16	£10.00 * 16	=	160.00
			7,423.52

OR, another way of calculating the closing value is:

	£	
Amount of CARE pension:		
2016/17 (from transfer in): £1,000.00 * 1.01	=	1,010.00
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		1,463.97
Less £1,000 initially purchased by transfer in:		1,000.00
		463.97
Apply flat factor of 16		* 16
		7,423.52

The member's closing value is **£7,423.52**.

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year is £7,423.52 - £nil = **£7,423.52**.

As the pension input amount of £7,423.52 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the Gizmo Pension Scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £32,576.48).

Carry forward into 2017/18 of unused annual allowance

The member has £32,576.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £7,423.52 = £32,576.48) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value is calculated as:	£
Amount of CARE pension:	
2016/17 (from transfer in): £1,000.00 * 1.01	= 1,010.00
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	= 446.60
2017/18 (1 April 2017 to 5 April 2017):	= 7.37
	1,463.97
Apply flat factor of 16	* 16
	23,423.52
Increase by AA revaluation rate	* 1.01
	23,657.76

The member's opening value is **£23,657.76**.

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

The closing value is calculated as:

		£
Amount of CARE pension:		
From transfer in:	1,010.00	
2016/17 (to 31 March 2017):	446.60	
	1,456.60 * 1.015	1,478.45
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015		559.29
2018/19 (1 – 5 April 2018)		7.65
		2,045.39
Apply flat factor of 16		* 16
		32,726.24

The member's closing value is **£32,726.24**.

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£9,068.48**.

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,931.52 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £9,068.48 = £30,931.52).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £63,508.00 calculated as:

2017/18	£30,931.52 (i.e. £40,000 - £9,068.48)
2016/17	£32,576.48 (i.e. £40,000 - £7,423.52) less any annual allowance used up in the former scheme or schemes.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

Example 41: Member is in CARE scheme and a PSO is made during the PIP – member is an active member throughout the PIP

A member joins the LGPS on 1 June 2016. He had not previously been a member of a pension scheme.

The Consumer Prices Index (CPI) for September 2016 is assumed to be 1.0%, for September 2017 is assumed to be 1.5% and for September 2018 is assumed to be 1.2% (assumed values have been used as the actual values were not known at the time the example was prepared in June 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

During the 2017/18 PIP, the court awards 40% of the value of the member's benefits to the member's ex-spouse with the transfer date set to 25 August 2017. This equates to £267.60 of the member's accrued CARE pension at that date.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of CARE pension earned		
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52

The member's closing value is **£7,263.52**.

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year is £7,263.52 - £nil = **£7,263.52**.

As this is less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the member has not made contributions in the tax tear to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £32,736.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £7,263.52 = £32,736.48).

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £32,736.48 calculated as:

2016/17	£32,736.48 (i.e. £40,000 - £7,263.52)
2015/16	N/A (as was not a member of a pension scheme in that year)
2014/15	N/A (as was not a member of a pension scheme in that year)

Working out the opening value for the 2017/18 PIP

The Consumer Prices Index (CPI) for September 2016 is assumed to be 1.0% (assumed value has been used as the actual value was not known at the time the example was prepared in June 2016).

The opening value is calculated as:		£
Amount of CARE pension:		
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52
Increase by AA revaluation rate		* 1.01
		7,336.16

The member's opening value is **£7,336.16**.

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

During the 2017/18 PIP, the court awards 40% of the value of the member's benefits to the member's ex-spouse with the transfer date set to 25 August 2017. This equates to £267.60 of the member's accrued CARE pension at that date.

Section 236(2) of the Finance Act 2004 states that where a member's benefits have become subject to a Pension Debit during a PIP then the amount of reduction is to be added back into PE and LSE when determining the closing value. Where a member's benefits have become subject to a Pension Debit during a PIP, the debit amounts are effectively ignored for the purpose of calculating the closing value.

The closing value is calculated as:

		£
Amount of CARE pension:		
2016/17 (to 31 March 2017):	446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018):	551.02 * 1.015	559.29
2018/19 (1 – 5 April 2018)		7.65
		1,020.24
Apply flat factor of 16		* 16
		16,323.84

The member's closing value is **£16,323.84**

Pension Debit amount is £267.60 but is not applied at this stage.

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£8,987.68**

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £31,012.32 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £8,987.68 = £31,012.32).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £63,748.80 calculated as:

2017/18	£31,012.32 (i.e. £40,000 - £8,987.68)
2016/17	£32,736.48 (i.e. £40,000 - £7,263.52)
2015/16	N/A (as was not a member of a pension scheme in that year)

Working out the opening value for the 2018/19 PIP

Note, the opening and closing values for every PIP, **after** the PIP in which the PSO occurs, are net of the Pension Debit amounts. In accordance with the Secretary of State actuarial guidance the Pension Debit is held as a Pension Offset which is increased each year in line with the Pensions Increase (Review) Orders issued in accordance with the Pensions (Increase) Act 1971.

The Consumer Prices Index (CPI) for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in June 2016).

So, at the start of the PIP the opening value, using CPI for September 2017 of 1.5%, is calculated as:

		£
Amount of CARE pension:		
2016/17 (to 31 March 2017):	446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018):	551.02 * 1.015	559.29
2018/19 (1 – 5 April 2018)		7.65
		1,020.24
less Pension Debit		267.60
		752.64
Apply flat factor of 16		* 16
		12,042.24
Increase by AA revaluation rate (CPI)		* 1.015
		12,222.87

The member's opening value is **£12,222.87**

If the member’s pension and lump sum had been paid on 5 April 2018 no Pensions Increase (Review) Order would have been issued between 25 August 2017 (the PSO date) and 5 April 2018. Thus, only the flat pension debit amount is to be deducted.

Working out the closing value for the 2018/19 PIP

The April 2019 HM Treasury revaluation order = assumed value of 1.2% (applied on the first second after midnight of 31 March 2019). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

At the end of the PIP the closing value is calculated as:

Amount of CARE pension:		
2016/17 (to 31 March 2017):	453.30 * 1.012	458.74
2017/18 (1 April 2017 to 31 March 2018):	559.29 * 1.012	566.00
2018/19 (1 April 2018 to 31 March 2019):	566.21 * 1.102	573.00
2019/20 (1 – 5 April 2019)		8.04
		1,605.78
less Pension Debit (£267.60 * 1.0088 PI)		269.95 🚍
		1,335.83
Apply flat factor of 16		* 16
		21,373.28

The member's closing value is **£21,373.28**

🚍 If the member’s pension and lump sum had been paid on 5 April 2019, the Pensions Increase (Review) Order 2018 would have been issued between 25 August 2017 (the PSO date) and 5 April 2019. Thus, pension debit amounts to be deducted are the flat amounts as increase by the accumulative PI under the Pensions Increase (Review) Order 2018 using a PI date of 25 August 2017 (i.e. 0.88% based on an assumed full year’s PI of 1.5%).

Working out the pension input amount for the 2018/19 PIP

The PIA for the member is £21,373.28 - £12,222.87 = **£9,150.41**

As this is less than the annual allowance for 2018/19 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,849.59 of unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000.00 - £9,150.41 = £30,849.59).

Carry forward into 2019/20 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £94,598.39. This is broken down as:

2018/19	£30,849.59 (i.e. £40,000.00 - £9,150.41)
2017/18	£31,012.32 (i.e. £40,000 - £8,987.68)
2016/17	£32,736.48 (i.e. £40,000 - £7,263.52)

Example 42: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- **ceases active membership with only an entitlement to a refund of contributions and rejoins the Scheme in the same PIP (benefits are automatically aggregated in that PIP), or**
- **ceases active membership in a concurrent job with only an entitlement to a refund of contributions (benefits are automatically aggregated in that PIP with benefits from ongoing employment), or**
- **ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in the same PIP and elects in the same PIP not to retain separate benefits, or**
- **ceases active membership in a concurrent job with an entitlement to a deferred benefit and elects in the same PIP not to retain separate benefits**

i.e. leaves, rejoins and aggregates all in the same PIP.

The process to follow in the above cases can be by explained by the following example.

A member joined the LGPS in England or Wales on 1 June 2016. She had not previously been a member of a pension scheme.

She left on 30 September 2016 and rejoined the Scheme in a new Fund on 1 October 2016. Her benefits were automatically aggregated.

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of CARE pension earned		
2016/17 (1 June 2016 to 30 September 2016): £176.87 * 1.01	=	178.64
2016/17 (1 October 2016 to 31 March 2017): £265.31 * 1.01	=	267.96
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52

The member's closing value is **£7,263.52**.

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year is £7,263.52 - £nil = **£7,263.52**.

As this is less than the ‘standard’ annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the member has not made contributions in the tax tear to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £32,736.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £7,263.52 = £32,736.48).

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £32,736.48 calculated as:

2016/17	£32,736.48 (i.e. £40,000 - £7,263.52)
2015/16	N/A (as was not a member of a pension scheme in that year)
2014/15	N/A (as was not a member of a pension scheme in that year)

Example 43: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- **ceases active membership with only an entitlement to a refund of contributions and rejoins the Scheme in a subsequent PIP (benefits are automatically aggregated in that PIP), or**
- **ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in a subsequent PIP and elects in that PIP not to retain separate benefits.**

i.e. leaves, rejoins in a later PIP and aggregates in that later PIP.

A member joined the LGPS in England or Wales on 1 April 2014. She left on 31 December 2016 with a deferred CARE pension of £976.50. The member rejoined the Scheme in a new Fund on 1 October 2020 and elected during the 2020/21 PIP not to retain separate benefits (i.e. the benefits were then aggregated).

The Consumer Prices Index (CPI) for September 2019 is assumed to be 3.1% (an assumed value has been used as the actual value was not known at the time the example was prepared in June 2016).

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2020/21 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2019/20 - £40,000.00 } The member was a deferred member during these 3
2018/19 - £40,000.00 } Pension Input Periods and so there was no Pension
2017/18 - £40,000.00 } Input Amount in those years (assuming she had not been contributing to any other pension arrangement during those years).

Working out the opening value for the 2020/21 PIP

Although the member held a deferred benefit at 5 April 2020, it was not deferred for the whole of the 2020/21 Pension Input Period. Therefore, it has to be valued for the purposes of the 2020/21 Pension Input Period. The opening value is calculated as:

			£
Amount of annual deferred pension at date of leaving		=	976.50
Add pro-rated April 2017 HM Treasury revaluation (with revaluation tweak)		=	7.18
			983.68
Add PI 9.1%			89.51
			1073.19
Apply flat factor of 16			* 16
			17,171.04
Increase by AA revaluation rate (CPI)	£17,171.04 * 1.031	=	17,703.34

The member's opening value is **£17,703.34**

If the member's pension and lump sum had been paid on 5 April 2020, it would have been increased under the Pensions Increase (Review) Order 2019 using a PI date of 1 January 2017. The assumed accumulative PI was 9.1% (an assumed value has been used as the actual value was not known at the time this example was prepared in June 216).

Working out the closing value for the 2020/21 PIP

As the member aggregated membership in 2020/21 the closing value is calculated based on the value of the aggregated membership. However, because the member rejoined within 5 years the 'in-service' HM Treasury revaluation orders apply to the aggregated CARE pension and not PI. Thus the closing value is calculated as:

					£
Amount of annual deferred pension at date of leaving				=	976.50
Add HM Treasury revaluation for 1 April 2017 (in full), 1 April 2018, 1 April 2019, 1 April 2020 and 1 April 2021 (assume 11.2% in aggregate)				=	109.57
					1,086.07
Pension accrued (1 October 2020 to 31 March 2021)		=	265.31		
Add HM Treasury revaluation for 1 April 2021 (assume 1.2%)	265.31 * 1.2%	=	3.18		
			268.49	=	268.49
Pension accrued (1 – 5 April 2021)				=	7.37
					1,361.93
Apply flat factor of 16					* 16
					21,790.88

The member's closing value is **£21,790.88**

Working out the pension input amount for the 2020/21 PIP

The increase in the member's benefits over the PIP is £21,790.88 - £17,703.34 = **£4,087.54**

As this is less than the annual allowance for 2020/21 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £35,912.46 unused annual allowance from 2020/21 to carry forward to 2021/22 (i.e. £40,000 - £4,087.54 = £35,912.46).

Carry forward into 2021/22 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £115,912.46. This is broken down as:

2020/21 - £35,912.46 (i.e. £40,000 - £4,087.54)
2019/20 - £40,000.00 } The member was a deferred member during these 2
2018/19 - £40,000.00 } Pension Input Periods and so there was no Pension Input Amount in those years (assuming she had not been contributing to any other pension arrangement during those years).

Example 44: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- **ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in a subsequent PIP and elects in the following PIP not to retain separate benefits.**

i.e. leaves, rejoins in a later PIP and aggregates in the PIP following that in which the member rejoined.

A member joined the LGPS in England or Wales on 1 April 2014. She had not previously been a member of a pension scheme. She left on 31 December 2016 with a deferred CARE pension. The member rejoined the Scheme in a new Fund on 1 October 2017 but did not elect until 1 May 2018 not to retain separate benefits.

The Consumer Prices Index (CPI) for September 2015 is -0.1% (but for PI and for the annual allowance revaluation rate it is set at 0%). For September 2016 it is assumed to be 1.5% and for September 2017 it is assumed to be 1.7% (assumed values have been used as the actual values were not known at the time the example was prepared in June 2016).

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2016/17 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2015/16 - £6,432.10 (leaving a carry forward of £40,000 - £6,432.10 = £33,567.90)
2014/15 - £8,197.33 (leaving a carry forward of £40,000 - £8,197.33 = £31,802.67)

2013/14 – N/A (as was not a member of a pension scheme in that year)

Working out the opening value for the 2016/17 PIP

The opening value is calculated as:	£
CARE pension accrued to 31 March 2016 (including revaluation	
under April 2015 and April 2016 HM Treasury revaluation orders)	932.71
CARE pension accrued 1-5 April 2016	7.37
	940.08
Apply flat factor of 16	*16
	15,041.28
Increase by AA revaluation (CPI) : 0%	0.00
	15,041.28

The member's opening value is **£15,041.28**

Working out the closing value for the 2016/17 PIP

The closing value is calculated as:	£
CARE pension accrued to 31 March 2016 (including revaluation	
under April 2015, April 2016 and April 2017 HM Treasury revaluation orders)	946.70
CARE pension accrued 1 April 2016 to 31 December 2016 (including	
tweaked revaluation under April 2017 HM Treasury revaluation order)	403.92
	1,350.62
Apply flat factor of 16	* 16
	21,609.92

The member's closing value is **£21,609.92**

Working out the pension input amount for the 2016/17 PIP

The increase in the member's benefits over the PIP is £21,609.92 - £15,041.28 = **£6,568.64**

As this is less than the annual allowance for 2016/17 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £33,431.36 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £6,568.64 = £33,431.36).

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £98,801.93. This is broken down as:

2016/17	£33,431.36 (i.e. £40,000 - £6,568.64)
2015/16	£33,567.90 (i.e. £40,000 - £6,432.10)
2014/15	£31,802.67 (i.e. £40,000 - £8,197.33)

Working out the opening value for the 2017/18 PIP

As the member did not aggregate membership in the 2017/18 PIP, the value of the deferred benefit falls out of scope in 2017/18 (as it will increase only by CPI).

The opening value is therefore nil as, although there was a closing value for 2016/17, the member did not aggregate her benefits in 2017/18.

The member's opening value is **£nil**

Working out the closing value for the 2017/18 PIP

The closing value is calculated as:

	£
CARE pension accrued 1 October 2017 to 31 March 2018	
(including revaluation under April 2018 HM Treasury revaluation order)	275.000
CARE pension accrued 1 - 5 April 2018	7.65
	282.65
Apply flat factor of 16	* 16
	4,522.40

The member’s closing value is **£4,522.40**

Working out the pension input amount for the 2017/18 PIP

The increase in the member's benefits over the PIP is £4,522.40 - £nil = **£4,522.40**

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £35,477.60 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £4,522.40 = £35,477.60).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £102,476.86. This is broken down as:

2017/18	£35,477.60 (i.e. £40,000 - £4,522.40)
2016/17	£33,431.36 (i.e. £40,000 - £6,568.64)
2015/16	£33,567.90 (i.e. £40,000 - £6,432.10)

Working out the opening value for the 2018/19 PIP

Although the member held a deferred benefit at 5 April 2018, it was not deferred for the whole of the 2018/19 Pension Input Period. Therefore, it has to be valued for the purposes of the 2018/19 Pension Input Period. The opening value for this is calculated as:

			£
Amount of annual deferred pension at date of leaving		=	1335.69
Add pro-rated April 2017 HM Treasury revaluation (with revaluation tweak)		=	14.93
			1,350.62
Add PI 0.38%			5.13
			1,355.75
Apply flat factor of 16			* 16
			21,692.00
Increase by AA revaluation rate (CPI)	£21,692.00 * 1.017	=	22,060.76

The member's opening value for the deferred benefit is **£22,060.76**

If the member's pension and lump sum had been paid on 5 April 2018, it would have been increased under the Pensions Increase (Review) Order 2017 using a PI date of 1 January 2017. The accumulative PI was 0.38%

The member also has an opening value in respect of the period of membership from 1 October 2017. The opening value for this is calculated as:

		£
CARE pension accrued 1 October 2017 to 31 March 2018 (including revaluation under April 2018 HM Treasury revaluation order)		275.000
CARE pension accrued 1 - 5 April 2018		7.65
		282.65
Apply flat factor of 16		* 16
		4,522.40
Increase by AA revaluation rate (CPI)	£4,522.40 * 1.017	= 4,599.28

The member's total opening value is £22,060.76 (deferred benefit) + £4,599.28 (new employment) = **£26,660.04**

Working out the closing value for the 2018/19 PIP

The closing value is calculated as:

	£
CARE pension accrued to 31 March 2016 (including revaluation under April 2015, April 2016, April 2017, April 2018 and April 2019 HM Treasury revaluation orders)	1,378.77
CARE pension accrued 1 April 2016 to 31 December 2016 (including **full** revaluation under April 2017, and revaluation under April 2018 and April 2019 HM Treasury revaluation orders)	416.95

CARE pension accrued 1 October 2017 to 31 March 2018 (including revaluation under April 2018 and April 2019 HM Treasury revaluation orders)	275.000
CARE pension accrued 1 April 2018 to 31 March 2019 (including revaluation under April 2019 HM Treasury revaluation order)	556.75
CARE pension accrued 1 - 5 April 2019	7.65
	2,635.12
Apply flat factor of 16	* 16
	42,161.92

The member's closing value is **£42,161.92**

Working out the pension input amount for the 2018/19 PIP

The increase in the member's benefits over the PIP is £42,161.92 - £26,660.04 = **£15,501.88**

As this is less than the annual allowance for 2018/19 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £24,498.12 unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000 - £15,501.88 = £24,498.12).

Carry forward into 2019/20 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £109,691.31. This is broken down as:

2018/19	£24,498.12 (i.e. £40,000 - £15,501.88)
2017/18	£35,477.60 (i.e. £40,000 - £4,522.40)
2016/17	£33,431.36 (i.e. £40,000 - £6,568.64)

Example 45: Active member of the LGPS with post 31 March 2014 benefits (post 31 March 2015 in Scotland)

- **ceases active membership with an entitlement to a deferred benefit, rejoins the Scheme in the same PIP and elects in the subsequent PIP not to retain separate benefits, or**
- **ceases active membership in a concurrent job with an entitlement to a deferred benefit and elects in the subsequent PIP not to retain separate benefits**

i.e. leaves and rejoins in the same PIP but aggregates in the next PIP.

A member joined the LGPS in England or Wales on 1 April 2014. She had not previously been a member of a pension scheme. She left on 31 December 2016 with a deferred CARE pension. The member rejoined the Scheme in a new Fund on 1 January 2017 but did not elect until 1 May 2017 not to retain separate benefits.

The Consumer Prices Index (CPI) for September 2015 is -0.1% (but for PI and for the annual allowance revaluation rate it is set at 0%). For September 2016 it is assumed to be 1.5% (assumed value has been used as the actual value was not known at the time the example was prepared in June 2016).

The pension input amount is the increase in the value of her pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

Carry forward into 2016/17 of unused annual allowance

For the previous three years her Pension Input Amounts were:

2015/16 - £6,432.10 (leaving a carry forward of £40,000 - £6,432.10 = £33,567.90)
2014/15 - £8,197.33 (leaving a carry forward of £40,000 - £8,197.33 = £31,802.67)

2013/14 – N/A (as was not a member of a pension scheme in that year)

Working out the opening value for the 2016/17 PIP in Fund A

The opening value is calculated as:	£
CARE pension accrued to 31 March 2016 (including revaluation under April 2015 and April 2016 HM Treasury revaluation orders)	932.71
CARE pension accrued 1-5 April 2016	7.37
	940.08
Apply flat factor of 16	*16
	15,041.28
Increase by AA revaluation (CPI) : 0%	0.00
	15,041.28

The member's opening value in Fund A is **£15,041.28**

Working out the opening value for the 2016/17 PIP in Fund B

The member was not an active member in Fund B at the beginning of the 2016/17 PIP and so has an opening value in Fund B of **£nil**.

The total of the opening values in Fund A and Fund B is £15,041.28 + £nil = **£15,041.28**

Working out the closing value for the 2016/17 PIP in Fund A

The closing value in Fund A is calculated as:

	£
CARE pension accrued to 31 March 2016 (including revaluation under April 2015, April 2016 and April 2017 HM Treasury revaluation orders)	946.70
CARE pension accrued 1 April 2016 to 31 December 2016 (including **tweaked** revaluation under April 2017 HM Treasury revaluation order)	403.92
	1,350.62
Apply flat factor of 16	* 16
	21,609.92

The member's closing value in Fund A is **£21,609.92**

Working out the closing value for the 2016/17 PIP in Fund B

The closing value in Fund B is calculated as:

	£
CARE pension accrued 1 January 2017 to 31 March 2017 (including revaluation under April 2017 HM Treasury revaluation order)	139.83
Apply flat factor of 16	* 16
	2,237.28

The member's closing value in Fund B is **£2,237.28**

The total of the closing values in Fund A and Fund B is £21,609.92 + £2,237.28 = **£23,847.20**

Working out the pension input amount for the 2016/17 PIP

The increase in the member's benefits over the PIP is £23,847.20 - £15,041.28 = **£8,805.92**

As this is less than the annual allowance for 2016/17 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £31,194.08 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £8,805.92 = £31,194.08).

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £96,564.65. This is broken down as:

2016/17	£31,194.08 (i.e. £40,000 - £8,805.92)
2015/16	£33,567.90 (i.e. £40,000 - £6,432.10)
2014/15	£31,802.67 (i.e. £40,000 - £8,197.33)

Working out the opening value for the 2017/18 PIP

As the member aggregated in 2017/18 it is the value of the aggregated benefits that has to be valued. Note that whereas in calculating the closing value for 2016/17 in Fund A the value of the benefits had only included the tweaked HM Treasury revaluation for April 2017 the closing value for 2017/18 will include the full HM Treasury revaluation order for April 2017 (and for April 2018). At the point of calculating the opening value for 2017/18 no PI would have been applied to the deferred benefit in Fund A as, on 5 April 2017, the Pensions (Increase) Review Order 2017 had not come into effect.

The total of the closing values in Fund A and Fund B for 2016/17 was £23,847.20

Add AA revaluation (CPI for September 16): 1.5%	£ 357.71
	£24,204.91

The member's opening value is **£24,204.91**

Working out the closing value for the 2017/18 PIP

The closing value is calculated as:

	£
CARE pension accrued to 31 March 2016 (including revaluation under April 2015, April 2016, April 2017 and April 2018 HM Treasury revaluation orders)	960.90
CARE pension accrued 1 April 2016 to 31 December 2016 (including **full** revaluation under April 2017 and April 2018 HM Treasury revaluation orders)	411.58
CARE pension accrued 1 January 2017 to 31 March 2017 (including revaluation under April 2017 and April 2018 HM Treasury revaluation orders)	141.93
CARE pension accrued 1 April 2017 to 31 March 2018 (including revaluation under April 2018 HM Treasury revaluation order)	559.29
CARE pension accrued 1 – 5 April 2018	7.65
	2,081.35
Apply flat factor of 16	* 16
	33,301.60

The member's closing value is **£33,301.60**

Working out the pension input amount for the 2017/18 PIP

The increase in the member's benefits over the PIP is £33,301.60 - £24,204.91 = **£9,096.69**

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,903.31 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £9,096.69 = £30,903.31).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that she can carry forward is £95,665.29. This is broken down as:

2017/18	£30,903.31 (i.e. £40,000 - £9,096.69)
2016/17	£31,194.08 (i.e. £40,000 - £8,805.92)
2015/16	£33,567.90 (i.e. £40,000 - £6,432.10)

Example 46: Member commences active employment in the LGPS in 2016/17 and notifies the administering authority that he has flexibly accessed money purchase benefits. He pays more than £10,000 in AVCs (after having flexibly accessed benefits).

A member joins the LGPS on 1 June 2016 having left a previous scheme during 2015/16 and immediately commences paying AVCs.

He subsequently notifies the administering authority that, as from 1 August 2016, he has flexibly accessed money purchase benefits from the other pension scheme. The amount of AVCs paid after flexibly accessing benefits exceeds £10,000 during 206/17.

The Consumer Prices Index (CPI) for September 2016 is assumed to be 1.0% and for September 2017 is assumed to be 1.5% (assumed values have been used as the actual values were not known at the time the example was prepared in June 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits.

The member is not subject to the tapered annual allowance.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the pension input for the defined benefits arrangement

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

At the end of the member's PIP the closing value is calculated as:

		£
Amount of CARE pension earned		
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52

The member's closing value is **£7,263.52**

The PIA for the defined benefits part of the pension saving is £7,263.52 (£7,263.52 - £0.00).

Working out the pension input for the money purchase arrangement

The member pays AVCs from 1 June 2016. The member's employer did not make any contributions to the member's AVC fund. Over the PIP the member contributes £4,500 in AVCs between 1 June 2016 and 31 July 2016 and £10,200 between 1 August 2016 and 5 April 2017. The total AVCs paid during the 2016/17 PIP amounted to £14,700.

Working out the member's total pension input amount for the 2016/17 PIP

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. i.e. :

(£7,263.52 - £0.00) + £14,700 = **£21,963.52**

Of this, £10,200 is tested against the money purchase annual allowance of £10,000 and the balance of £11,763.52 is tested against the 'alternative' annual allowance figure of £30,000

As the AVCs paid after flexibly accessing benefits is greater than £10,000 the member has to pay an annual allowance charge on £200 of his pension input amount for 2016/17 (assuming the member has not made money purchase contributions to any other pension arrangements post flexibly accessing benefits which cause the money purchase contributions tested against the money purchase annual allowance to be even greater). The member paid the tax charge direct to HMRC (i.e. the member did not use the 'Scheme pays' option).

As the member's 'other pension inputs' (i.e. the £7,263.52 defined benefit pension input and the £4,500 AVCs paid in 2016/17 prior to flexibly accessing benefits) do not exceed the 'alternative' annual allowance of £30,000 there is no annual allowance charge in respect of the 'other pension inputs' (and the member has not made any 'other pension inputs' in the tax year to any other pension arrangement which would have caused the total 'other pension inputs' to exceed the 'alternative' annual allowance) and the member therefore has £18,236.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £30,000 - £7,263.52 - £4,500).

Note that the annual allowance tax charge on £200 of his pension input amount for 2016/17 is more than the tax charge that would have been due had the calculation be performed against the 'standard' annual allowance figure of £40,000 (i.e. the total Pension Input Amount of £21,963.52 did not exceed £40,000 and so there would have been no annual allowance tax charge). Therefore, this alternative calculation does not apply. If, however, the alternative calculation had produced a higher tax charge, the alternative calculation would have applied.

Carry forward into 2017/18 of unused annual allowance

The member has £18,236.48 unused 'other inputs' annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £30,000 - £7,263.52 - £4,500).

Working out the pension input for the defined benefits arrangement

Working out the opening value for the 2017/18 PIP

The opening value is calculated as:		£
Amount of CARE pension earned:		
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	=	446.60
2017/18 (1 April 2017 to 5 April 2017):	=	7.37
		453.97
Apply flat factor of 16		* 16
		7,263.52
Increase by AA revaluation rate		* 1.01
		7,336.16

The member's opening value is **£7,336.16**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in June 2016.

The closing value is calculated as:

		£
Amount of CARE pension:		
2016/17 (to 31 March 2017):	446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018):	551.02 * 1.015	559.29
2018/19 (1 – 5 April 2018)		7.65
		1,020.24
Apply flat factor of 16		* 16
		16,323.84

The member's closing value is **£16,323.84**

Working out the pension input for the money purchase arrangement

The member only contributes £3,000 in AVCs during the 2017/18 PIP. The member's employer did not make any contributions to the member's AVC fund. The member's AVCs are the money purchase pension input amount for the PIP. Although the member paid AVCs in the previous PIP it is only the AVCs paid in the current PIP that have to be taken into account.

Working out the member's total pension input amount for tax year 2017/18

The total pension input amount equals the pension inputs from the defined benefits and money purchase arrangements. i.e. :

(£16,323.84 - £7,336.16) + £3,000 = **£11,987.68**

As the member's AVCs during 2017/18 did not exceed £4,000 the member's annual allowance is the 'standard' annual allowance of £40,000. As the Pension Input Amount of £11,987.68 is less than this there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £28,012.32 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £11,987.68 = £28,012.32).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £46,248.80 calculated as:

2017/18	£28,012.32 (i.e. £40,000 - £11,987.68)
2016/17	£18,236.48 (i.e. £30,000 - £7,263.52 - £4,500)
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

Example 47: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement in the same PIP. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer purchases an amount of CARE pension. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250.

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second of 1 April 2017).

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67.

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47
Less £5,250 initially purchased by transfer in:	5,250.00
	590.47
Apply flat factor of 16	* 16
	9,447.52

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member's closing value on 5 April 2017 is **£9,447.52**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £9,447.52 - £nil = **£9,447.52**

As the pension input amount of £9,447.52 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £30,552.48).

Carry forward into 2017/18 of unused annual allowance

The member has £30,552.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £9,447.52 = £30,552.48) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.

Working out the opening value for the 2017/18 PIP

The CARE pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47

Apply flat factor of 16	* 16
	93,447.52
Increase by AA revaluation rate (derived from rate of CPI at the end of September 2016)	* 1.01
	94,382.00

⛟ Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member's opening value is **£94,382.00**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in September 2016.

The closing value on 5 April 2018 is calculated as:

	£
Amount of CARE pension:	
From transfer in: 5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%)	5,553.48
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,573.72
Apply flat factor of 16	* 16
	105,179.52

The member's closing value on 5 April 2018 is **£105,179.52**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,797.52** (£105,179.52 - £94,382.00)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,202.48 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,797.52 = £29,202.48).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £59,754.96 calculated as:

2017/18	£29,202.48 (i.e. £40,000 - £10,797.52) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£30,552.48 (i.e. £40,000 - £9,447.52) less any annual allowance used up in the former scheme or schemes during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS NEGATIVE INFLATION) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 48: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement in the same PIP. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer purchases an amount of CARE pension. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

This example only differs from example 47 in that it covers the situation where there is negative inflation.

A member left the Teachers' Pension Scheme on 31 May 2015 and joined the LGPS on 1 June 2015. The member transfers in his benefits (under the Club arrangements) at the end of 2015 (i.e. before 31 March 2016) and is awarded an amount of earned CARE pension of £5,250.

The Consumer Prices Index (CPI) for September 2015 is -0.1% and for September 2016 is 1.0%.

The pension input amount for 2015/16 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2015 to 31 May 2015 (as that revaluation would not have occurred until the first second after midnight of 31 March 2016).

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67.

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

Working out the opening value for the 2015/16 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2015/16 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)** .

The April 2016 HM Treasury revaluation order is -0.1% (applied on the first second after midnight of 31 March 2016).

At the end of the member's PIP (5 April 2016) the closing value is calculated as:

	£
Amount of CARE pension:	
2015/16 (from transfer in): £5,250.00 * 1.015 (i.e. CPI of -0.1% + TPS in service revaluation of 1.6%)	5,328.75
2015/16 (1 June 2015 to 31 March 2016): £442.18 * 0.999	441.74
2016/17 (1 April 2016 to 5 April 2016):	7.37
	5,777.86
Less £5,250 initially purchased by transfer in:	5,250.00
	527.86
Apply flat factor of 16	* 16
	8,445.76

Note that a full year's in scheme revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2015 to 31 May 2015).

The member's closing value on 5 April 2016 is **£8,445.76**

Working out the pension input amount for the 2015/16 PIP

The increase in pension saving over the year in the LGPS is £8,445.76 - £nil = **£8,445.76**

Of this amount, the following relates to the period 1 June 2015 to 8 July 2015
38/310 x £8,445.76 = £1,035.29
And the following relates to the period 9 July 2015 to 5 April 2016
272/310 x £8,445.76 = £7,410.47

[Note: see paragraph 126 for details of the special rules for working out the apportionment between the pre and post-alignment mini tax years for the 2015/16 PIP in cases where a member joined the LGPS on or after 1 April 2015 and before 6 April 2016]

Annual allowance for period 1 April 2015 to 8 July 2015 is £80,000.00

The PIA for the mini pre-alignment PIP period 1 April 2015 to 8 July 2015 was £1,035.29 so the member has not exceeded the annual allowance for that period and there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance). He can carry forward any unused balance into the mini post-alignment PIP for 9

July 2015 to 5 April 2016, subject to a maximum of £40,000 (i.e. £80,000 - £1,035.29 = £78,964.71 but with a maximum carry forward of £40,000)

The annual allowance for the mini post-alignment PIP period 9 July 2015 to 5 April 2016 is £nil.

The member's PIA for the period 9 July 2015 to 5 April 2016 was £7,410.47 but there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, has not caused the total Pension Input Amount to exceed the annual allowance).because the excess of £7,410.47 is more than covered by the carry forward amount of £40,000 from the mini pre-alignment PIP.

The member has £32,589.53 of unused annual allowance from 2015/16 to carry forward to 2016/17 (i.e. £40,000.00 - £7,410.47 = £32,589.53).

Carry forward into 2016/17 of unused annual allowance

The member has £32,589.53 unused annual allowance from 2015/16 to carry forward to 2016/17 (i.e. £40,000 - £7,410.47 = £32,589.53) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2015/16.

Working out the opening value for the 2016/17 PIP

The CARE pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2016 is calculated as:	£
Amount of CARE pension:	
2015/16 (from transfer in): £5,250.00 * 1.015 (i.e. CPI of -0.1% + TPS	
in service revaluation of 1.6%⛟)	5,328.75
2015/16 (1 June 2015 to 31 March 2016): £442.18 * 0.999	441.74
2016/17 (1 April 2016 to 5 April 2016):	7.37
	5,777.86
Apply flat factor of 16	* 16
	92,445.76
Increase by AA revaluation rate ⟟	* 1.00
	92,445.76

The member's opening value on 6 April 2016 is **£92,445.76**

⛟ Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2015 to 31 May 2015).

⟟ Although the September 2015 CPI was -0.1% the AA revaluation rate is 0.0% by virtue of section 235(3) of the Finance Act 2004 which stipulates that "*The appropriate percentage is the percentage **(if any)** by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September*". As the appropriate % was negative the value defaults to nil.

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order is 1.0% (applied on the first second after midnight of 31 March 2018).

The closing value on 5 April 2017 is calculated as:	£
Amount of CARE pension:	
From transfer in: 5,328.75 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%)	5,467.30
2016/17 (1 June 2016 to 31 March 2017): 441.74 * 1.01	446.16
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.01	556.53
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,477.64
Apply flat factor of 16	* 16
	103,642.24

The member's closing value on 5 April 2017 is **£103,642.24**

Working out the pension input amount for tax year 2016/17

The difference between the closing value and the opening value is **£11,196.48** (£103,642.24 - £92,445.76)

As this is less than the annual allowance for 2016/17 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £28,803.52 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £11,196.48 = £28,803.52).

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £61,393.05 calculated as:

2016/17	£28,803.52 (i.e. £40,000 - £11,196.48) less any annual allowance used up if the member has contributed to any other scheme during 2016/17
2015/16	£32,589.53 (i.e. £40,000 - £7,410.47) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2015/16.
2014/15	£whatever unused allowance there was from the former scheme or schemes in that year

Example 49: Member commences active employment in the LGPS after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement in the same PIP. However, there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer purchases an amount of CARE pension. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

A member left the Teachers' Pension Scheme on 31 August 2016 and joined the LGPS on 1 June 2018. The member transfers in his benefits (under the Club arrangements) before 31 March 2019.

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67.

The amount of CARE pension bought in the LGPS by the Club transfer is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 it is assumed to be 1.5%, for September 2018 it is assumed to be 1.0% and for September 2019 it is assumed to be 1.5% (assumed values have been used as the actual values were not known at the time the example was prepared).

Sending scheme: Teachers' Pension Scheme (TPS)

a **General information**

i	Gender	male
ii	Date of birth	14 March 1971
iii	State pension age	67
iv	Guarantee date	11/10/2018
v.	Age at guarantee date	47
vi.	Date of leaving TPS	31/08/2016

b **Preserved benefits**

i. Pension at date of leaving TPS (including TPS in-service revaluation rate using HM Treasury revaluation order for year ending 31/03/2016): £2,100.00

ii. Pension (including 5/12ths of TPS in service revaluation for year ending 31/03/2017 i.e. 5/12 x (1% + 1.6%) = 1.08% for period 01/04/2016 to 31/08/2016): £2,122.68

iii. Pension (as revalued between the PI Date of 01/09/2016 and the guarantee date of 11/10/2018 by the 2017 and 2018 Pensions Increase Orders i.e. (7/12 x 1%) + 1.5%: £2,167.02

iv. Pension (as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date i.e. revaluation up to year ending 31/03/2018, as the 2019 revaluation order had not been effective at the guarantee date): £2,221.39

c **Sending Scheme details (TPS)**

i	Spouses proportion	37.5%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI + 1.6%
iv	Deferred revaluation	CPI

d **Receiving scheme details (LGPS)**

i	Spouses proportion	30.625%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI

Inner Club (i.e. CARE) transfer value calculation:

Member's Pension in TPS (MP) = £2,167.02

Contingent spouse's pension (CWP) = £2,167.02 x 0.375 = £812.63

Factor for pension (Fp) = 9.65

Factor for widow's pension (Fwid) = 2.21

Club transfer value (before adjustment) = (2,167.02 x 9.65) + (812.63 x 2.21) = £20,911.74 + £1,795.91 = £22,707.65

Complete years to receiving scheme's NPA* = 19
*from the guarantee date

CARE adjustment factor = 1.169

Club transfer value = £22,707.65 x 1.169 = **£26,545.24**

Inner Club (i.e. CARE) transfer credit using the details above:

Pension in TPS as revalued in accordance with the TPS <u>in-service</u> revaluation rate up to the guarantee date: £2,221,39
£2,221.39 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] =
£2,221.39 x [9.65 + 0.82875] / [9.65 + 0.67681] =
£2,221.39 x [10.47875 / 10.32681] =
£2,254.07

The pension input amount for 2018/19 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) of Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

Working out the opening value for the 2018/19 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2018/19 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in**

the value of the benefits bought by the transfer, are to be included and not deducted from the closing value).

The April 2019 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2019). An assumed value has been used as the actual value was not known at the date this example was produced.

At the end of the member's PIP (5 April 2019) the closing value is calculated as:

	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%)	2,312.68
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,766.65
Less the value of the deferred benefits that had been held in	
the TPS prior to transfer adjusted on account of the differences	
in the LGPS i.e.	
£2,167.02 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)]	2,198.90
	567.75
Apply flat factor of 16	* 16
	9,084.00

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, in-scheme revaluation had only been taken account of for the period to 31 March 2018).

The value of the deferred benefits held in the TPS (as increase by PI) is used here as it is necessary, when calculating the closing value, to account for the increase in value resulting from the change from PI to the TPS in service revaluation rate (for the period of deferment) as a result of the Club transfer.

The member's closing value on 5 April 2019 is **£9,084.00**

Working out the pension input amount for the 2018/19 PIP

The increase in pension saving over the year in the LGPS is £9,084.00 - £nil = **£9,084.00**

As the pension input amount of £9,084.00 was less than the 'standard' annual allowance for the period 6 April 2018 to 5 April 2019 of £40,000.00 there is no annual allowance charge (assuming the PIA for any other schemes contributed to in the tax year, was less than £30,916.00).

Carry forward into 2019/20 of unused annual allowance

The member has £30,916.00 unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000 - £9,084.00 = £30,916.00) less any annual allowance used up in any other schemes the member made contributions to during that tax year).

Working out the opening value for the 2019/20 PIP

The CARE pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2019 is calculated as:	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%)	2,312.68
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,766.65
Apply flat factor of 16	* 16
	44,266.40
Increase by AA revaluation rate (derived from September 2018 CPI)	* 1.01
	44,709.06

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, in-scheme revaluation had only been taken account of for the period to 31 March 2018).

The member's opening value on 6 April 2019 is **£44,709.06**

Working out the closing value for the 2019/20 PIP

The April 2020 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2020). An assumed value has been used as the actual value was not known at the date this example was produced.

The closing value on 5 April 2020 is calculated as:	£
Amount of CARE pension:	
From transfer in: 2,312.68 * 1.031 (i.e. CPI of 1.5% + TPS	
in service revaluation of 1.6%)	2,384.37
2018/19 (1 June 2018 to 31 March 2019): 446.60 * 1.015	453.30
2019/20 (1 April 2019 to 31 March 2020): 551.02 * 1.015	559.29
2020/21 (1 April 2020 – 5 April 2020)	7.65
	3,404.61
Apply flat factor of 16	* 16
	54,473.76

The member's closing value on 5 April 2020 is **£54,473.76**

Working out the pension input amount for tax year 2019/20

The difference between the closing value and the opening value is **£9,764.70** (£54,473.76 - £44,709.06)

As this is less than the annual allowance for 2019/20 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,235.30 unused annual allowance from 2019/20 to carry forward to 2020/21 (i.e. £40,000 - £9,764.70 = £30,235.30).

Carry forward into 2020/21 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £61,191.30 calculated as:

2019/20	£30,235.30 (i.e. £40,000 - £9,764.70) less any annual allowance used up if the member has contributed to any other scheme during 2019/20
2018/19	£30,916.00 (i.e. £40,000 - £9,084.00) less any annual allowance used up in any other schemes the member made contributions to during that tax year)
2017/18	£whatever unused allowance there was from any former schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THE GUARANTEE DATE FOR THE TRANSFER IS IN ONE PIP BUT THE TRANSFER PAYMENT IS MADE IN THE FOLLOWING PIP) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 50: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme's CARE arrangement. The guarantee date for the Club CETV and the transfer date are in different PIPs. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer purchases an amount of CARE pension. The sending Club scheme's NPA is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements). However, although the guarantee date used by the TPS for the CETV was 8 March 2017 the member did not elect for the transfer until 15 April 2017 and the transfer was not paid until 21 May 2017.

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67.

The amount of CARE pension bought in the LGPS by the Club transfer is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

Sending scheme: Teachers' Pension Scheme (TPS)

a **General information**

i	Gender	male
ii	Date of birth	14 August 1969
iii	State pension age	67
iv	Guarantee date	08/03/2017
v.	Age at guarantee date	47
vi.	Date of leaving TPS	31/05/2016

b **Preserved benefits**

i. Pension at date of leaving TPS (including TPS in-service revaluation rate using HM Treasury revaluation order for year ending 31/03/2016): £2,100.00
ii. Pension at guarantee date (as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date i.e. revaluation up to year ending 31/03/2016, as the 2017 revaluation order was not effective at the guarantee date): £2,100.00 i.e. same as (i) above
iii. Notional pension amount at the transfer date (including 2/12^{ths} of TPS in service revaluation for year ending 31/03/2017 i.e. 2/12 x (1% + 1.6%) = 0.43% for period 01/04/2016 to 31/05/2016): £2,109.03

iv. Notional pension amount in (iii) as revalued between the PI Date of 01/06/2016 and the transfer date by the 2017 Pensions Increase Order i.e. 10/12 x 1% = 0.83% for the period 01/06/2016 to 09/04/2017: £2,126.53

c **Sending Scheme details (TPS)**

i	Spouses proportion	37.5%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI + 1.6%
iv	Deferred revaluation	CPI

d **Receiving scheme details (LGPS)**

i	Spouses proportion	30.625%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI

Inner Club (i.e. CARE) transfer value calculation:

Member's Pension in TPS (MP) = £2,100.00

Contingent spouse's pension (CWP) = £2,100.00 x 0.375 = £787.50

Factor for pension (Fp) = 9.65

Factor for widow's pension (Fwid) = 2.21

Club transfer value (before adjustment) = (2,100.00 x 9.65) + (787.50 x 2.21) = £20,265.00 + £1,740.38 = £22,005.38

Complete years to receiving scheme's NPA* = 19
*from the guarantee date

CARE adjustment factor = 1.169

Club transfer value = £22,005.38 x 1.169 = **£25,724.29**

Inner Club (i.e. CARE) transfer credit using the details above:

Pension in TPS as revalued in accordance with the TPS <u>in-service</u> revaluation rate up to the guarantee date: £2,100.00
£2,100.00 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] =
£2,100.00 x [9.65 + 0.82875] / [9.65 + 0.67681] =
£2,100.00 x [10.47875 / 10.32681] =
£2,130.90 (but see below)

Note that the above simply reflects the amount of the CETV calculated and paid by the TPS and the initial amount of CARE pension to be credited in the member's LGPS active account in 2017/18). However, although the transfer value was not paid by the TPS until after the applicable date for the 2017 HM Treasury revaluation order, it did not include any increase under that order (because the transfer value was based on the guarantee date which was before the applicable date for the 2017 HM Treasury revaluation order). Despite that, the LGPS must immediately increase the transfer credit of £2,130.90 by the TPS in-service revaluation the member would have been entitled to under the 2017 HM Treasury revaluation order (so that the member does not miss out on that increase merely because the transfer was paid after, rather than before, the effective date of that order). The amount of CARE pension derived from the transfer is therefore immediately increased to £2,186.30 i.e. £2,130.90 + (1% + 1.6%).

The LGPS has, therefore, been “short-changed” by the sending scheme (particularly where the number of complete years between the guarantee date and the member’s Normal Pension Age does not differ from the number of complete years between the transfer date and the member’s Normal Pension Age).

As a result of the above complication the calculation for annual allowance purposes is as shown below.

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member’s promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) of Finance Act 2004)** .

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member’s opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced.

At the end of the member's PIP the closing value (on 5 April 2017) is calculated as:

	£
Amount of CARE pension:	
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	453.97
Apply flat factor of 16	* 16
	7,263.52

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £7,263.52 - £nil = **£7,263.52**

As the pension input amount of £7,263.52 was less than the ‘standard’ annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £32,736.48).

Carry forward into 2017/18 of unused annual allowance

The member has £32,736.48 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £7,263.52 = £32,736.48) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.

Working out the opening value for the 2017/18 PIP

The opening value on 6 April 2017 is calculated as:	£
Amount of CARE pension:	
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	453.97
Apply flat factor of 16	* 16
	7,263.52
Increase by AA revaluation rate (derived from rate of CPI at the end of September 2016)	* 1.01
	7,336.16

The member's opening value on 6 April 2017 is **£7,336.16**

Working out the closing value for the 2017/18 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced.

The closing value on 5 April 2018 is calculated as:	£
Amount of CARE pension:	
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
2017/18 (from transfer in): (£2,130.90 * 1.026 (i.e. CPI of 1.0% + 1.6%) = 2,186.30) * 1.031 (i.e. CPI of 1.5% + 1.6%)	2,254.08
Less the notional value of the deferred benefits that had been held in the TPS at the transfer date adjusted on account of the differences in the LGPS i.e. £2,126.53* x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)]	2,157.82
	1,116.50
Apply flat factor of 16	* 16
	17,864.00

The member's closing value on 5 April 2018 is **£17,864.00**

*** The figure of £2,126.53 includes both the 1 April 2017 TPS in service revaluation (for the part-year period of active membership in the TPS to 31 May 2016) and the April 2017 PI (Review) Order (for the part-year period of deferred benefits in the TPS). This is because had the member's benefits remained in the TPS, this would have been the**

value of those benefits on the transfer day. As we have previously mentioned, the LGPS has been short-changed by the sending scheme because the transfer has been calculated on the guarantee date (8 March 2017), though this discrepancy cannot be reflected when working out the member's annual allowance.

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,527.84** (£17,864.00 – £7,336.16)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,472.16 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,527.84 = £29,472.16).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £62,208.64 calculated as:

2017/18	£29,472.16 (i.e. £40,000 - £10,527.84) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£32,736.48 (i.e. £40,000 - £7,263.52) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

Working out the opening value on 6 April 2018 for the 2018/19 PIP

The CARE pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value is calculated as:	£
Amount of CARE pension:	
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
2017/18 (from transfer in):	
£2,130.90 * 1.026 (i.e. CPI of 1.0% + 1.6%) = 2,186.30 * 1.031	
(i.e. CPI of 1.5% + 1.6%)	2,254.08
	3,274.32
Apply flat factor of 16	* 16
	52,389.12
Increase by AA revaluation rate (derived from rate of CPI at the end of September 2017)	* 1.015
	53,174.96

The member's opening value on 6 April 2018 is **£53,174.96**

Working out the closing value (5 April 2019) for the 2018/19 PIP

The April 2019 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second of 1 April 2019). An assumed value has been used as the actual value was not known at the date this example was produced.

The closing value is calculated as:	£
Amount of CARE pension:	
From transfer in: 2,254.08 * 1.026 (i.e. CPI of 1% + TP in service revaluation of 1.6%)	2,312.69
2016/17 (1 June 2016 to 31 March 2017): 453.30 * 1.01	457.83
2017/18 (1 April 2017 to 31 March 2018): 559.29 * 1.01	564.88
2018/19 (1 April 2018 to 31 March 2019): 582.67 * 1.01	588.50
2019/20 (1 April 2019 to 5 April 2019)	8.05
	3,931.95
Apply flat factor of 16	* 16
	62,911.20

The member's closing value on 5 April 2019 is **£62,911.20**

Working out the pension input amount for tax year 2018/19

The difference between the closing value and the opening value is **£9,736.24** (£62,911.20 - £53,174.96)

As this is less than the annual allowance for 2018/19 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,263.76 unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000 - £9,736.24 = £30,263.76).

Carry forward into 2019/20 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £92,472.40 calculated as:

2018/19	£30,263.76 (i.e. £40,000 - £9,736.24) less any annual allowance used up if the member has contributed to any other scheme during 2018/19
2017/18	£29,472.16 (i.e. £40,000 - £10,527.84) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£32,736.48 (i.e. £40,000 - £7,263.52) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.

Example 51: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250 and a 'pre-14' final salary service credit of 2 years 150 days.

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160).

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

[(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09)] = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%☺)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47
Less £5,250 initially purchased by transfer in:	5,250.00
	590.47
Plus closing value of final salary benefit from transfer in (assuming	
an increase in final pay to £40,102)	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60	1,205.48
	996.39
Apply flat factor of 16	* 16
	15,942.24

☺Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member's closing value on 5 April 2017 is **£15,942.24**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,942.24 - £nil = **£15,942.24**

As the pension input amount of £15,942.24 was less than the ‘standard’ annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,057.76).

Carry forward into 2017/18 of unused annual allowance

The member has £24,057.76 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,942.24 = £24,057.76) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer’s occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%🚌)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47
Plus final salary benefit	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
	7,451.87
Apply flat factor of 16	* 16
	119,229.92
Increase by AA revaluation rate (derived from September 2016 CPI)	* 1.01
	120,422.21

🚌Note that a full year’s in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member’s opening value on 6 April 2017 is **£120,422.21**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in September 2016.

The closing value on 5 April 2018 is calculated as:	£
Amount of CARE pension:	
From transfer in: 5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%)	5,553.48
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,573.72
Plus final salary benefit (assuming an increase in final pay to £40,500)	
£40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	8,201.12
Apply flat factor of 16	* 16
	131,217.92

The member's closing value on 5 April 2018 is **£131,217.92**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,795.71** (£131,217.92 - £120,422.21)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,204.29 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,795.71 = £29,204.29).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £59,754.96 calculated as:

2017/18	£29,204.29 (i.e. £40,000 - £10,795.71) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,057.76 (i.e. £40,000 - £15,942.24) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION DEBIT AS A RESULT OF A PENSION SHARING ORDER) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 52: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a Pension Debit against his final salary benefits in the sending public service pension scheme on account of a Pension Sharing Order (with the transfer date for the Pension Sharing Order being 1 January 2015 i.e. in a previous PIP).

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250 and a 'pre-14' final salary service credit of 2 years 150 days but the final salary service credit is subject to a Pension Debit on account of a Pension Sharing Order applied under the TPS with the transfer date for the Pension Sharing Order being 1 January 2015.

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160).

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer (before application of the Pension Debit) is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights (before application of the Pension Debit) is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09) = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

However, as the member was subject to a Pension Debit in the TPS, a Pension Debit in the form of a Pension Offset (which will be subject to increase under the Pensions (Increase) Act 1971) has to be held against the service credit.

The TPS advises that the transfer value for the Pension Debit in the TPS (which stands at £482.19 including PI up to and including the April 2016 Pensions Increase (Review) Order) is £4,421.68 i.e.

[(£482.19 x 8.24 = £3,973.25) + (£482.19 x 0.375 x 2.48 = £448.43)] = £4,421.68

The Pension Debit to be held in the LGPS (using an NPA for the debit in the LGPS of age 65) is calculated as:

£4,421.68 x [8.24 + (0.375 x 2.48) / 8.24 + (0.375 x 2.48)] = £482.19 (i.e. the same debit as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47
Less £5,250 initially purchased by transfer in:	5,250.00
	590.47
Plus closing value of final salary benefit from transfer in (assuming	
an increase in final pay to £40,102) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60 = £1,611.40	
as reduced by the Pension Debit of £482.19	1,129.21
Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60 = £1,205.48	
as reduced by opening value of Pension Debit from transfer in	
of £482.19	723.29
	996.39
Apply flat factor of 16	* 16
	15,942.24

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The Pension Debit is applied for the purposes of the annual allowance calculation because it relates to a Pension Debit that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the Pension Debit and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial Pension Debit in the LGPS of £482.19.

If this had been a non-Club transfer in which had bought a service credit of 1 year 163 days (generating a pension of £30,000 x 1 year 163/365 x 1/60 = £723.29), the value of that transfer would have increased by the end of the PIP to £40,102.00 x 1 year 163/365 x 1/60 = £966.84. The increase in the final salary benefit would therefore have been £966.84 - £723.29 = £243.55. This differs from the figure of £405.92 shown in the calculation above (i.e. £1,129.21 - £723.29) because, by reducing the service credit bought by the non-Club transfer by 352 days (difference between 2 years 150 days and 1 year 163 days), the pension that would have been derived from that period received no increase as a result of the increase in pay from £30,000 to £40,102.00 i.e. £10,102.00 x 352/365 x 1/60 = £162.37. If that figure is added back in we would arrive at the sum of £243.55 + £162.37 = £405.92 (the same figure as shown in the calculation above). In the case of the Club transfer, the full transfer is increased on account of the increase in salary and only the flat sum of £482.19 is deducted. Thus the sum of £482.19 has, in effect, been increased by the rise in final salary i.e. by £162.37, resulting in the total final salary increase of £405.92.

The member's closing value on 5 April 2017 is **£15,942.24**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,942.24 - £nil = **£15,942.24**

As the pension input amount of £15,942.24 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,057.76).

Carry forward into 2017/18 of unused annual allowance

The member has £24,057.76 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,942.24 = £24,057.76) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:		£
Amount of CARE pension:		
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation 1.6%)		5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01		446.60
2017/18 (1 April 2017 to 5 April 2017):		7.37
		5,840.47
Plus final salary benefit		
£40,102.00 x service credit 2 years 150/365 x 1/60 = £1,611.40		
as reduced by the Pension Debit of £482.19⃠	1,129.21	
		6,969.68
Apply flat factor of 16		* 16
		111,514.88
Increase by AA revaluation rate (derived from September 2016 CPI)		* 1.01
		112,630.02

⃠The Pension Debit is applied for the purposes of the annual allowance calculation because it relates to a Pension Debit that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the previous Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the Pension Debit and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial Pension Debit in the LGPS of £482.19.

The member's opening value on 6 April 2017 is **£112,630.02**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in September 2016.

		£
The closing value on 5 April 2018 is calculated as:		
Amount of CARE pension:		
From transfer in:	5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS	
in service revaluation of 1.6%)		5,553.48
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015		453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015		559.29
2018/19 (1 April 2018 – 5 April 2018)		7.65
		6,573.72
Plus final salary benefit (assuming increase in final pay to £40,500)		
£40,500.00 x service credit 2 years 150/365 x 1/60 = £1,627.40		
as reduced by the Pension Debit of £487.01⊖		1,140.39
		7,714.11
Apply flat factor of 16		* 16
		123,425.76

⊖ Note that if the member's pension had been paid on 5 April 2018 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order of 1% would have been applied in full to the Pension Debit bringing the Pension Debit to £487.01 i.e. £482.19 x 1.01 = £487.01. It would have been applied in full because, although the person did not join the LGPS until 1 June 2016 and the transfer did not occur until the end of 2016, the Pension Debit transferred from the TPS had only included PI up to and including the 2016 Pensions Increase (Review) Order and so a further full year of PI is due under the 2017 Pensions Increase (Review) Order.

The member's closing value on 5 April 2018 is **£123,425.76**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,795.74** (£123,425.76 - £112,630.02)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,204.26 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,795.74 = £29,204.26).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £53,262.02 calculated as:

2017/18	£29,204.26 (i.e. £40,000 - £10,795.74) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,057.76 (i.e. £40,000 - £15,942.24) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION DEBIT AS A RESULT OF A PENSION SHARING ORDER) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 53: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a Pension Debit against his CARE benefits in the sending public service pension scheme on account of a Pension Sharing Order (with the transfer date for the Pension Sharing Order being 1 May 2016 i.e. in the same PIP).

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Note that this example is basically the same as example 52 but with the differences being that the Pension Sharing Order was applied by the sending scheme against the member's CARE pension and it was applied in the same PIP in which the transfer occurred.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250 and a 'pre-14' final salary service credit of 2 years 150 days but the CARE pension credit is subject to a Pension Debit on account of a Pension Sharing Order applied under the TPS with the transfer date for the Pension Sharing Order being 1 May 2016.

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160).

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

However, as the member was subject to a Pension Debit in the TPS, a Pension Debit in the form of a Pension Offset (which will be subject to increase under the Pensions (Increase) Act 1971) has to be held against the amount of CARE pension credited in the LGPS.

The TPS advises that the transfer value for the Pension Debit in the TPS (which stands at £482.19 including PI up to and including the April 2016 Pensions Increase (Review) Order) is £4,421.68 i.e.

[(£482.19 x 7.35) + (£482.19 x 0.375 x 2.48)] = £3,992.53

The CARE Pension Debit to be applied in the LGPS (using an NPA for the debit in the LGPS of age 67) is:

£482.19 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £492.33 (i.e. not the same as in the TPS because although the NPA in both schemes is the same, the spouse’s pension proportion in the TPS and the LGPS to which the debit is applied are different).

No CARE adjustment factor is applied by the sending scheme because the Pension Debit in the sending scheme is increased in line with Pension Increase (Review) Orders and not by the in-scheme revaluation rate.

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer (before application of the Pension Debit) is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers’ Pension Scheme) was age 65 (the same as in the LGPS) and the spouse’s pension was 37.5% of the member’s pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09) = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse’s pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member’s opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%🚍) as reduced by the Pension Debit of £492.33 🕯	4,894.17
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,348.14
Less £5,250 initially purchased by transfer in as reduced by the Pension Debit of £492.33:	4,757.67
	590.47⊘
Plus closing value of final salary benefit from transfer in (assuming an increase in final pay to £40,102) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60	1,205.48
	996.39
Apply flat factor of 16	* 16
	15,942.24

🚍Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

🕯 Although a Pension Debit has to be added back into the Closing Value for the Pension Input Period in which the member's pension benefits are reduced by having become subject to a Pension Debit, it is, in the circumstances set out in this example, the sending scheme that has to add it back into their Closing Value. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the Pension Debit and so no PI has been added to the figure of £492.33. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial Pension Debit in the LGPS of £492.33.

⊘If this had been a non-Club transfer in which had bought a pension of £4,757.67 (£5,250.00 - £492.33), the value of that transfer would have increased by the end of the PIP by 1.026 (to use a like for like comparison) i.e. it would have increased to £4,881.37. The total CARE pension would then have increased by the end of the PIP by (£4,881.37 + £446.60 + £7.37) - £4,757.67 = £577.67. This differs from the figure of £590.47 shown in the calculation above because, by reducing the pension bought by the non-Club transfer by £492.33, that figure had, in effect, not been increased i.e. £492.33 x 2.6% = £12.80. If that figure is added back in we arrive at the sum of £577.67 + £12.80 = £590.47 (the same figure as shown in the calculation above). In the case of the Club transfer, the full transfer is increased by 2.6% and only the flat sum of £492.33 is deducted. Thus the sum of £492.33 has, in effect, been increased by 2.6% i.e. by £12.80, resulting in the total CARE increase of £590.47.

The member's closing value on 5 April 2017 is **£15,942.24**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,942.24 - £nil = **£15,942.24**

As the pension input amount of £15,942.24 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,057.76).

Carry forward into 2017/18 of unused annual allowance

The member has £24,057.76 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,942.24 = £24,057.76) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:		£
Amount of CARE pension:		
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%) as reduced by the Pension Debit of £492.33⊖	4,894.17	
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01		446.60
2017/18 (1 April 2017 to 5 April 2017):		7.37
		5,348.14
Plus final salary benefit		
£40,102.00 x service credit 2 years 150/365 x 1/60		1,611.40
		6,959.54
Apply flat factor of 16		* 16
		111,352.64
Increase by AA revaluation rate (derived from September 2016 CPI)		* 1.01
		112,466.16

⊖The Pension Debit is applied for the purposes of the annual allowance calculation because it relates to a Pension Debit that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the previous Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the Pension Debit and so no PI has been added to the figure of £492.33. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial Pension Debit in the LGPS of £492.33.

The member's opening value on 6 April 2017 is **£112,466.16**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

The closing value on 5 April 2018 is calculated as: £

Amount of CARE pension:

From transfer in: 5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) as reduced by the Pension Debit of £497.25⊗	5,056.23
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,076.47
Plus final salary benefit (assuming increase in final pay to £40,500)	
£40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	7,703.87
Apply flat factor of 16	* 16
	123,261.92

⊗ Note that if the member's pension had been paid on 5 April 2018 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order of 1% would have been applied in full to the Pension Debit bringing the Pension Debit to £497.25 i.e. £492.33 x 1.01 = £497.25. It would have been applied in full because, although the person did not join the LGPS until 1 June 2016 and the transfer did not occur until the end of 2016, the Pension Debit transferred from the TPS had only included PI up to and including the 2016 Pensions Increase (Review) Order and so a further full year of PI is due under the 2017 Pensions Increase (Review) Order.

The member's closing value on 5 April 2018 is **£123,261.92**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,795.76** (£123,261.92 - £112,466.16)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,204.24 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,795.76 = £29,204.24).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £53,262.00 calculated as:

2017/18	£29,204.24 (i.e. £40,000 - £10,795.76) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,057.76 (i.e. £40,000 - £15,942.24) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION OFFSET AS A RESULT OF AN ANNUAL ALLOWANCE 'SCHEME PAYS' ELECTION APPLIED AGAINST FINAL SALARY BENEFITS) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 54: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a 'Scheme pays' offset against his final salary benefits in the sending public service pension scheme on account of making an annual allowance 'Scheme pays' election.

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250 and a 'pre-14' final salary service credit of 2 years 150 days but the final salary service credit is subject to a 'Scheme pays' offset applied under the TPS.

NB: when receiving a Club transfer with a 'Scheme pays' offset it is important that the LGPS administering authority ascertains from the sending scheme whether the 'Scheme pays' offset in the sending scheme is applied by the sending scheme to the member's final salary benefit in that scheme (in which case, this Example 54 applies) or is applied to the member's CARE benefit in that scheme (in which case see examples 55A to 56B).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the

LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160).

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer (before application of the 'Scheme pays' offset) is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights (before application of the 'Scheme pays' offset) is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09) = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

However, as the member was subject to a 'Scheme pays' offset in the TPS, a 'Scheme pays' offset in the form of a Pension adjustment (which will be subject to increase under the Pensions (Increase) Act 1971 in accordance with, for example in England and Wales, paragraph 2.11 of the GAD guidance Annual allowance charges: calculation of scheme pays offset – Elections before 1 April 2014) has to be held against the service credit.

The TPS advises that the transfer value for the 'Scheme pays' offset in the TPS (which stands at £482.19 including PI up to and including the April 2016 Pensions Increase (Review) Order) is £3,973.25 i.e.

[(£482.19 x 8.24) + (£0 as 'Scheme pays' has no effect on the level of a survivor's pension)] = £3,973.25

The 'Scheme pays' offset to be held in the LGPS (using an NPA for the offset in the LGPS of age 65) is calculated as:

£482.19 x [8.24 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension) / 8.24 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension)] = £482.19 (i.e. the same offset as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the**

sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value).

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%)	5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,840.47
Less £5,250 initially purchased by transfer in:	5,250.00
	590.47
Plus closing value of final salary benefit from transfer in (assuming	
an increase in final pay to £40,102) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60 = £1,611.40	
as reduced by the 'Scheme pays' offset of £482.19	1,129.21
Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60 = £1,205.48	
as reduced by notional opening value of 'Scheme pays' offset from	
transfer in of £482.19	723.29
	996.39
Apply flat factor of 16	* 16
	15,942.24

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The 'Scheme pays' offset is applied for the purposes of the annual allowance calculation because it relates to a 'Scheme pays' offset that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the 'Scheme pays' offset and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

If this had been a non-Club transfer in which had bought a service credit of 1 year 163 days (generating a pension of £30,000 x 1 year 163/365 x 1/60 = £723.29), the value of that transfer would have increased by the end of the PIP to £40,102.00 x 1 year 163/365 x 1/60 = £966.84. The increase in the final salary benefit would therefore have been £966.84 - £723.29 = £243.55. This differs from the figure of £405.92 shown in the calculation above (i.e. £1,129.21 - £723.29) because, by reducing the service credit bought by the non-Club transfer by 352 days (difference between 2 years 150 days and 1 year 163 days), the pension that would have been derived from that period received no increase as a result of the increase in pay from £30,000 to £40,102.00 i.e. £10,102.00 x 352/365 x 1/60 = £162.37. If that figure is added back in we would arrive at the sum of £243.55 + £162.37 = £405.92 (the same figure as shown in the calculation above). In the case of the Club transfer, the full transfer is increased on account of the increase in salary and only the flat sum of £482.19 is deducted. Thus the sum of £482.19 has, in effect, been increased by the rise in final salary i.e. by £162.37, resulting in the total final salary increase of £405.92.

The member's closing value on 5 April 2017 is **£15,942.24**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,942.24 - £nil = **£15,942.24**

As the pension input amount of £15,942.24 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,057.76).

Carry forward into 2017/18 of unused annual allowance

The member has £24,057.76 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,942.24 = £24,057.76) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:		£
Amount of CARE pension:		
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% +		
TPS in service revaluation of 1.6%)		5,386.50
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01		446.60
2017/18 (1 April 2017 to 5 April 2017):		7.37
		5,840.47
Plus final salary benefit		
£40,102.00 x service credit 2 years 150/365 x 1/60 = £1,611.40		
as reduced by the 'Scheme pays' offset of £482.19⦸	1,129.21	
		6,969.68
Apply flat factor of 16		* 16
		111,514.88
Increase by AA revaluation rate (derived from September 2016 CPI)		* 1.01
		112,630.02

⦸The 'Scheme pays' offset is applied for the purposes of the annual allowance calculation because it relates to a 'Scheme pays' offset that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the previous Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the 'Scheme pays' offset and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

The member's opening value on 6 April 2017 is **£112,630.02**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in September 2016.

The closing value on 5 April 2018 is calculated as:

	£
Amount of CARE pension:	
From transfer in: 5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%)	5,553.48
2016/17 (1 June 2016 to 31 March 2017): 446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): 551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,573.72
Plus final salary benefit (assuming increase in final pay to £40,500) £40,500.00 x service credit 2 years 150/365 x 1/60 = £1,627.40 as reduced by the 'Scheme pays' offset of £487.01⊖	1,140.39
	7,714.11
Apply flat factor of 16	* 16
	123,425.76

⊖ Note that if the member's pension had been paid on 5 April 2018 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order of 1% would have been applied in full to the 'Scheme pays' offset bringing the 'Scheme pays' offset to £487.01 i.e. £482.19 x 1.01 = £487.01. It would have been applied in full because, although the person did not join the LGPS until 1 June 2016 and the transfer did not occur until the end of 2016, the 'Scheme pays' offset transferred from the TPS had only included PI up to and including the 2016 Pensions Increase (Review) Order and so a further full year of PI is due under the 2017 Pensions Increase (Review) Order.

The member's closing value on 5 April 2018 is **£123,425.76**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,795.74** (£123,425.76 - £112,630.02)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,204.26 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,795.74 = £29,204.26).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £53,262.02 calculated as:

2017/18	£29,204.26 (i.e. £40,000 - £10,795.74) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,057.76 (i.e. £40,000 - £15,942.24) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION OFFSET AS A RESULT OF AN ANNUAL ALLOWANCE 'SCHEME PAYS' ELECTION APPLIED AGAINST CARE BENEFITS WHERE THE SENDING SCHEME REVALUES THE 'SCHEME PAYS' OFFSET FOR ACTIVE MEMBERS BY PI) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 55A: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a 'Scheme pays' offset against his CARE benefits in the sending public service pension scheme on account of making an annual allowance 'Scheme pays' election.

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Note that this example is basically the same as example 54 but with the difference being that the 'Scheme pays' offset was applied by the sending scheme against the member's CARE pension.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250.00 and a 'pre-14' final salary service credit of 2 years 150 days but the CARE pension credit is subject to a 'Scheme pays' offset applied under the TPS.

NB: when receiving a Club transfer with a 'Scheme pays' offset it is important that the LGPS administering authority ascertains from the sending scheme whether the 'Scheme pays' offset in the sending scheme is applied by the sending scheme to the member's final salary benefit in that scheme (in which case, Example 54 applies) or is applied to the member's CARE benefit in that scheme (in which case see examples 55A to 56B).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). Note, however, that a 'Scheme pays' offset in the TPS is revalued by PI under the Pensions (Increase) Act 1971 and not by the in-service revaluation rate.

The amount of the gross CARE pension which is bought in the LGPS by the Club transfer (before application of the 'Scheme pays' offset) is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

Amount of CARE pension in TPS (before application of the 'Scheme pays' offset) £5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00 (amount of CARE pension bought).

However, as the member was subject to a 'Scheme pays' offset in the TPS, a 'Scheme pays' offset in the form of a Pension adjustment has to be held against the amount of CARE pension credited in the LGPS. This will be subject to increase under the Pensions (Increase) Act 1971 (i.e. it must continue to be increased by the same rate that it would have been increased under the TPS). The TPS advises that the transfer value for the 'Scheme pays' offset in the TPS (which stands at £482.19 including PI up to and including the April 2016 Pensions Increase (Review) Order) is £3,544.10 i.e.

[(£482.19 x 7.35) + (£0 as 'Scheme pays' has no effect on the level of a survivor's pension)] = £3,544.10

The CARE 'Scheme pays' offset to be applied in the LGPS (using an NPA for the offset in the LGPS of age 67) is:

£482.19 x [7.35 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension) / 7.35 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension)] = £482.19 (i.e. the same as in the TPS because the NPA in both schemes is the same and although the spouse's pension proportions in the TPS and the LGPS are different, a 'Scheme pays' offset is not applied to any survivor's pension).

No CARE adjustment factor is applied by the sending scheme because the 'Scheme pays' offset in the sending scheme is increased in line with Pension Increase (Review) Orders and not by the in service revaluation rate.

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

[(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09)] = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% +TPS in service revaluation of 1.6%🚌)= £5,386.50 as reduced by the 'Scheme pays' offset of £482.19 ⌛	4,904.31
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,358.28
Less £5,250 initially purchased by transfer in as reduced by the 'Scheme pays' offset of £482.19 ⌛ :	4,767.81
	590.47⊘
Plus closing value of final salary benefit from transfer in (taking account of a slight increase in the £40,000 starting salary due to an increment on 1 April 2017) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60	1,205.48
	996.39
Apply flat factor of 16	* 16
	15,942.24

🚌Note that a full year's in service revaluation is applied at one second after midnight of 31 March 2017 (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

⌛ Although a 'Scheme pays' offset has to be added back into the Closing Value for the Pension Input Period in which the member's pension benefits are reduced by having become subject to a 'Scheme pays' offset, it is, in the circumstances set out in this example, the sending scheme that has to add it back into their Closing Value. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the 'Scheme pays' offset and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

⃠If this had been a non-Club transfer in which had bought a pension of £4,767.81 (£5,250.00 - £482.19), the value of that transfer would have increased by the end of the PIP by 1.026 (to use a like for like comparison) i.e. it would have increased to £4,891.77. The total CARE pension would then have increased by the end of the PIP by (£4,891.77 + £446.60 + £7.37) - £4,767.81 = £577.93. This differs from the figure of £590.47 shown in the calculation above because, by reducing the pension bought by the non-Club transfer by £482.19, that figure had, in effect, not been increased i.e. £482.19 x 2.6% = £12.54. If that figure of £12.54 is added back in we arrive at the sum of £577.93 + £12.54 = £590.47 (the same figure as shown in the calculation above). In the case of the Club transfer, the full transfer is increased by 2.6% and only the flat sum of £482.19 is deducted. Thus the sum of £482.19 has, in effect, been increased by 2.6% i.e. by £12.54, resulting in the total CARE increase of £590.47.

The member's closing value on 5 April 2017 is **£15,942.24**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,942.24 - £nil = **£15,942.24**

As the pension input amount of £15,942.24 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,057.76).

Carry forward into 2017/18 of unused annual allowance

The member has £24,057.76 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,942.24 = £24,057.76) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

		£
The opening value on 6 April 2017 is calculated as:		£
Amount of CARE pension:		
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%) = £5,386.50 as reduced by the 'Scheme pays' offset of £482.19⊖	4,904.31	
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01		446.60
2017/18 (1 April 2017 to 5 April 2017):		7.37
		5,358.28
Plus final salary benefit		
£40,102.00 x service credit 2 years 150/365 x 1/60		1,611.40
		6,969.68
Apply flat factor of 16		* 16
		111,514.88
Increase by AA revaluation rate (derived from September 2016 CPI)		* 1.01
		112,630.02

⊖The 'Scheme pays' offset is applied for the purposes of the annual allowance calculation because it relates to a 'Scheme pays' offset that had occurred in a previous Pension Input

Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the previous Pensions Input Period), the 2017 Pensions Increase (Review) Order would not have been applied to the 'Scheme pays' offset and so no PI has been added to the figure of £482.19. The 2016 Pensions Increase (Review) Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

The member's opening value on 6 April 2017 is **£112,630.02**

Working out the closing value (5 April 2018) for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

The closing value on 5 April 2018 is calculated as:

	£
Amount of CARE pension:	
From transfer in: £5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) = £5,553.48 as reduced by the 'Scheme pays' offset of (£482.19 * 2017 PI 1.01) = £487.01⊖	5,066.47
2016/17 (1 June 2016 to 31 March 2017): £446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): £551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,086.71
Plus final salary benefit (assuming increase in final pay to £40,500)	
£40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	7,714.11
Apply flat factor of 16	* 16
	123,425.76

⊖ Note that if the member's pension had been paid on 5 April 2018 (the end of the Pensions Input Period), the 2017 Pensions Increase (Review) Order of 1% would have been applied in full to the 'Scheme pays' offset bringing the 'Scheme pays' offset to £487.01 i.e. £482.19 x 1.01 = £487.01. It would have been applied in full because, although the person did not join the LGPS until 1 June 2016 and the transfer did not occur until the end of 2016, the 'Scheme pays' offset transferred from the TPS had only included PI up to and including the 2016 Pensions Increase (Review) Order and so a further full year of PI is due under the 2017 Pensions Increase (Review) Order.

The member's closing value on 5 April 2018 is **£123,425.76**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,795.74** (i.e. £123,425.76 - £112,630.02)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,204.26 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,795.74 = £29,204.26).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £53,262.02 calculated as:

2017/18	£29,204.26 (i.e. £40,000 - £10,795.74) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,057.76 (i.e. £40,000 - £15,942.24) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION OFFSET AS A RESULT OF AN ANNUAL ALLOWANCE 'SCHEME PAYS' ELECTION APPLIED AGAINST CARE BENEFITS WHERE THE SENDING SCHEME REVALUES THE 'SCHEME PAYS' OFFSET FOR ACTIVE MEMBERS BY THEIR IN SERVICE REVALUATION RATE) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 55B: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The member has a 'Scheme pays' offset against his CARE benefits in the sending public service pension scheme on account of making an annual allowance 'Scheme pays' election.

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Note that this example is basically the same as example 54 but with the difference being that the 'Scheme pays' offset was applied by the sending scheme against the member's CARE pension. [Note that Example 55B differs from Example 55A in that Example 55B assumes the sending Scheme revalues 'Scheme pays' offsets for active members by the in service revaluation rate (rather than by PI) whereas Example 55A assumes the sending Scheme revalues 'Scheme pays' offsets for active members by PI (and not by the in service revaluation rate). This produces the differences highlighted in yellow below].

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250.00 and a 'pre-14' final salary service credit of 2 years 150 days but the CARE pension credit is subject to a 'Scheme pays' offset applied under the TPS.

NB: when receiving a Club transfer with a 'Scheme pays' offset it is important that the LGPS administering authority ascertains from the sending scheme whether the 'Scheme pays' offset in the sending scheme is applied by the sending scheme to the member's final salary benefit in that scheme (in which case, Example 54 applies) or is applied to the member's CARE benefit in that scheme (in which case see examples 55A to 56B).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £5,141.89. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). Note that a 'Scheme pays' offset made by an active member in the TPS is revalued whilst the member is an active member by the in service revaluation rate and not by PI under the Pensions (Increase) Act 1971.

The amount of the gross CARE pension which is bought in the LGPS by the Club transfer (before application of the 'Scheme pays' offset) is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

Amount of CARE pension in TPS (before application of the 'Scheme pays' offset) £5,141.89 x [7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £5,250.00 (amount of CARE pension bought).

However, as the member was subject to a 'Scheme pays' offset in the TPS, a 'Scheme pays' offset in the form of a Pension adjustment has to be held against the amount of CARE pension credited in the LGPS. This will be subject to increase in accordance with the TPS in service revaluation rate (i.e. it must continue to be increased by the same rate that it would have been increased under the TPS). The TPS advises that the transfer value for the 'Scheme pays' offset in the TPS (which stands at £482.19 including in service revaluation up to and including the April 2016 HM Treasury Revaluation Order) is £4,385.76 i.e.

Factor for pension (Fp) = 7.35

Factor for widow's pension (Fwid) = 0 (as 'Scheme pays' has no effect on the level of a survivor's pension

Club transfer value (before adjustment) = [(£482.19 x 7.35) + (£0 as 'Scheme pays' has no effect on the level of a survivor's pension)] = £3,544.10

Complete years to receiving scheme's NPA* = 26
*from the guarantee date

CARE adjustment factor = 1.234

Club transfer value = £22,707.65 x 1.169 = **£4,385.76**

The CARE 'Scheme pays' offset to be applied in the LGPS (using an NPA for the offset in the LGPS of age 67) is:

£482.19 x [7.35 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension) / 7.35 + 0 (as 'Scheme pays' has no effect on the level of a survivor's pension)] = £482.19 (i.e. the same as in the TPS because the NPA in both schemes is the same and although the spouse's pension proportions in the TPS and the LGPS are different, a 'Scheme pays' offset is not applied to any survivor's pension).

A CARE adjustment factor is applied by the sending scheme because the 'Scheme pays' offset in the sending scheme is increased in line with the sending scheme's in service revaluation rate and not by Pension Increase (Review) Orders.

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £30,000 = £1,205.48

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

[(£1,205.48 x 8.24 = £9,933.16) + (£1,205.48 x 0.375 x 2.48 = £1,121.09)] = £11,054.25

The service credit based on the pensionable pay figure of £30,000 used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£11,054.25 / [(£30,000 x 1/60 x 8.24 = £4,120) + (£30,000 x 1/60 x 0.375 x 2.48 = £465)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% +TPS in service revaluation of 1.6%)= £5,386.50 as reduced by the 'Scheme pays' offset of £482.19 * 1.026 = £494.73	4,891.77
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01	446.60
2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,345.74
Less £5,250 initially purchased by transfer in as reduced by the 'Scheme pays' offset of £482.19:	4,767.81
	577.93
Plus closing value of final salary benefit from transfer in (taking account of a slight increase in the £40,000 starting salary due to an increment on 1 April 2017) i.e. £40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40

Less notional opening value of final salary benefit from transfer in	
£30,000 x service credit 2 years 150/365 x 1/60	1,205.48
	983.85
Apply flat factor of 16	* 16
	15,741.60

🚍 Note that a full year's in service revaluation is applied at one second after midnight of 31 March 2017 (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

⟟ Although a 'Scheme pays' offset has to be added back into the Closing Value for the Pension Input Period in which the member's pension benefits are reduced by having become subject to a 'Scheme pays' offset, it is, in the circumstances set out in this example, the sending scheme that has to add it back into their Closing Value. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the April 2017 HM Treasury Revaluation Order will have been applied to the 'Scheme pays' offset and so the offset has increased by 1.026 to £494.73 by applying the April 2017 HM Treasury Revaluation Order of 1% + the TPS in service revaluation of 1.6%. The April 2016 HM Treasury Revaluation Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

⦸ If this had been a non-Club transfer in which had bought a pension of £4,767.81 (£5,250.00 - £482.19), the value of that transfer would have increased by the end of the PIP by 1.026 (to use a like for like comparison) i.e. it would have increased to £4,891.77. The total CARE pension would then have increased by the end of the PIP by (£4,891.77 + £446.60 + £7.37) - £4,767.81 = £577.93 (the same figure as shown in the Club calculation above).

The member's closing value is **£15,741.60**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £15,741.60 - £nil = **£15,741.60**

As the pension input amount of £15,741.60 was less than the 'standard' annual allowance for the period 6 April 2016 to 5 April 2017 of £40,000.00 there is no annual allowance charge (assuming the PIA in the sending Club scheme for the tax year, plus for any other schemes contributed to in the tax year, was less than £24,258.40).

Carry forward into 2017/18 of unused annual allowance

The member has £24,258.40 unused annual allowance from 2016/17 to carry forward to 2017/18 (i.e. £40,000 - £15,741.60 = £24,258.40) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well).

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:		£
Amount of CARE pension:		
2016/17 (from transfer in): £5,250.00 * 1.026 (i.e. CPI of 1% + TPS		
in service revaluation of 1.6%) = £5,386.50 as reduced by the		
'Scheme pays' offset of £494.73⊖	4,891.77	
2016/17 (1 June 2016 to 31 March 2017): £442.18 * 1.01		446.60

2017/18 (1 April 2017 to 5 April 2017):	7.37
	5,345.74
Plus final salary benefit	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
	6,957.14
Apply flat factor of 16	* 16
	111,314.24
Increase by AA revaluation rate (derived from September 2016 CPI)	* 1.01
	112,427.38

⊖The 'Scheme pays' offset is applied for the purposes of the annual allowance calculation because it relates to a 'Scheme pays' offset that had occurred in a previous Pension Input Period and which had been an element of the Club transfer. Note that if the member's pension had been paid on 5 April 2017 (the end of the Pensions Input Period), the April 2017 HM Treasury Revaluation Order will have been applied to the 'Scheme pays' offset and so the offset has increased by 1.026 to £494.73 by applying the April 2017 HM Treasury Revaluation Order of 1% + the TPS in service revaluation of 1.6%. The April 2016 HM Treasury Revaluation Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

The member's opening value on 6 April 2017 is **£112,427.38**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

The closing value on 5 April 2018 is calculated as:

	£
Amount of CARE pension:	
From transfer in: £5,386.50 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) = £5,553.48 as reduced by the 'Scheme pays' offset of £494.73 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) = £510.07⊖	5,043.41
2016/17 (1 June 2016 to 31 March 2017): £446.60 * 1.015	453.30
2017/18 (1 April 2017 to 31 March 2018): £551.02 * 1.015	559.29
2018/19 (1 April 2018 – 5 April 2018)	7.65
	6,063.65
Plus final salary benefit (assuming increase in final pay to £40,500)	
£40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	7,691.05
Apply flat factor of 16	* 16
	123,056.80

⊖ Note that if the member's pension had been paid on 5 April 2018 (the end of the Pensions Input Period), the April 2018 HM Treasury Revaluation Order will have been applied to the 'Scheme pays' offset and so the offset has increased by 1.031 to £510.07 by applying the April 2018 HM Treasury Revaluation Order of 1.5% + the TPS in service revaluation of 1.6%.

The member's closing value on 5 April 2018 is **£123,056.80**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£10,629.42** (i.e. £123,056.80 - £112,427.38)

As this is less than the annual allowance for 2017/18 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £29,370.58 unused annual allowance from 2017/18 to carry forward to 2018/19 (i.e. £40,000 - £10,629.42 = £29,370.58).

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £53,628.98 calculated as:

2017/18	£29,370.58 (i.e. £40,000 - £10,629.42) less any annual allowance used up if the member has contributed to any other scheme during 2017/18
2016/17	£24,258.40 (i.e. £40,000 - £15,741.60) less any annual allowance used up in the former scheme (or schemes if the member made contributions to other pension schemes as well) during 2016/17.
2015/16	£whatever unused allowance there was from the former scheme or schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION OFFSET AS A RESULT OF AN ANNUAL ALLOWANCE 'SCHEME PAYS' ELECTION APPLIED AGAINST CARE BENEFITS WHERE THE SENDING SCHEME REVALUES THE 'SCHEME PAYS' OFFSET FOR ACTIVE MEMBERS BY PI AND THERE HAS BEEN A BREAK IN SERVICE) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 56A: Member commences active employment in the LGPS after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. However, there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS. The member has a 'Scheme pays' offset against his CARE benefits in the sending public service pension scheme on account of making an annual allowance 'Scheme pays' election.

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Note that this example is basically the same as example 55A except that in this example there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS.

A member left the Teachers' Pension Scheme on 31 August 2016 and joined the LGPS on 1 June 2018. The member transfers in his benefits (under the Club arrangements) before 31 March 2019 and is awarded an amount of earned CARE pension and a 'pre-14' final salary service credit of 2 years 150 days but the CARE pension credit is subject to a 'Scheme pays' offset applied under the TPS.

NB: when receiving a Club transfer with a 'Scheme pays' offset it is important that the LGPS administering authority ascertains from the sending scheme whether the 'Scheme pays' offset in the sending scheme is applied by the sending scheme to the member's final salary benefit in that scheme (in which case, Example 54 applies) or is applied to the member's CARE benefit in that scheme (in which case see examples 55A to 56B).

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67. Note, however, that a 'Scheme pays' offset in the TPS is revalued during active membership by PI under the Pensions (Increase) Act 1971 and not by the in-service revaluation rate; and after leaving it is revalued by PI under the Pensions (Increase) Act 1971.

The amount of CARE pension bought in the LGPS by the Club transfer is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 it is assumed to be 1.5%, for September 2018 it is assumed to be 1.0% and for September 2019 it is assumed to be 1.5% (assumed values have been used as the actual values were not known at the time the example was prepared).

Sending scheme: Teachers' Pension Scheme (TPS)

a	**General information**	
i	Gender	male
ii	Date of birth	14 March 1971
iii	State pension age	67
iv	Guarantee date	11/10/2018
v.	Age at guarantee date	47
vi.	Date of leaving TPS	31/08/2016

b CARE Preserved benefits (before application of the 'Scheme pays' offset)

i. CARE pension at date of leaving TPS (including TPS in-service revaluation rate using HM Treasury revaluation order for year ending 31/03/2016): £2,100.00

ii. CARE pension (including 5/12ths of TPS in service revaluation for year ending 31/03/2017 i.e. 5/12 x (1% + 1.6%) = 1.08% for period 01/04/2016 to 31/08/2016): £2,122.68

iii. CARE pension (as revalued between the PI Date of 01/09/2016 and the guarantee date of 11/10/2018 by the 2017 and 2018 Pensions Increase Orders i.e. (7/12 x 1%) + 1.5%: £2,167.02

iv. CARE pension (as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date i.e. revaluation up to year ending 31/03/2018, as the 2019 revaluation order had not been effective at the guarantee date): £2,221.39

c	**Sending Scheme CARE details (TPS)**	
i	Spouses proportion	37.5%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI + 1.6%
iv	Deferred revaluation	CPI

d	**Receiving scheme CARE details (LGPS)**	
i	Spouses proportion	30.625%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI

Inner Club (i.e. CARE) transfer value calculation (ignoring 'Scheme pays' offset):

Member's Pension in TPS (MP) = £2,167.02

Contingent spouse's pension (CWP) = £2,167.02 x 0.375 = £812.63

Factor for pension (Fp) = 9.65

Factor for widow's pension (Fwid) = 2.21

Club transfer value (before adjustment by CARE adjustment factor) =

(2,167.02 x 9.65) + (812.63 x 2.21) = £20,911.74 + £1,795.91 = £22,707.65

Complete years to receiving scheme's NPA* = 19

*from the guarantee date

CARE adjustment factor = 1.169

Gross Club transfer value = £22,707.65 x 1.169 = **£26,545.24**

Inner Club (i.e. CARE) transfer value calculation for ‘Scheme pays’ offset:

‘Scheme pays’ offset to member’s pension in TPS = £482.19 including PI up to and including the April 2018 Pensions Increase (Review) Order)

‘Scheme pays’ offset to contingent spouse’s pension = £0 (as ‘Scheme pays’ has no effect on the level of a survivor’s pension)

Factor for pension = 9.65

Factor for widow’s pension = N/A

Club transfer value (before adjustment by CARE adjustment factor) =

(£482.19 x 9.65) + (£0 as ‘Scheme pays’ has no effect on the level of a survivor’s pension)]= £4,653.13

Complete years to receiving scheme’s NPA* = 19

*from the guarantee date

CARE adjustment factor = 1.169

Club transfer value = £4,653.13 x 1 = **£4,653.13**

No CARE adjustment factor is applied by the sending scheme because the ‘Scheme pays’ offset in the sending scheme is increased in line with Pension Increase (Review) Orders and not by the in service revaluation rate.

Net transfer value payable

Gross transfer value £26,545.24 – transfer value in respect of pension offset £4,653.13 = **£21,892.11**

Inner Club (i.e. CARE) transfer credit using the details above:

The amount of the gross CARE pension which is bought in the LGPS by the inner Club transfer (before application of the ‘Scheme pays’ offset) is as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that were in effect after 1 March 2017):

Amount of CARE pension in TPS as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date: £2,221.39

£2,221.39 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] =

£2,221.39 x [9.65 + 0.82875] / [9.65 + 0.67681] =

£2,221.39 x [10.47875 / 10.32681] =

£2,254.07 (amount of CARE pension bought in the LGPS before application of the ‘Scheme pays’ offset).

However, as the member was subject to a ‘Scheme pays’ offset in the TPS, a ‘Scheme pays’ offset in the form of a Pension adjustment has to be held against the amount of CARE pension credited in the LGPS. This will be subject to increase under the Pensions (Increase) Act 1971 (i.e. it must continue to be increased by the same rate that it would have been increased under the TPS).

The CARE ‘Scheme pays’ offset to be applied in the LGPS (using an NPA for the offset in the LGPS of age 67) is:

£482.19 x [9.65 + 0 (as ‘Scheme pays’ has no effect on the level of a survivor’s pension) / 9.65 + 0 (as ‘Scheme pays’ has no effect on the level of a survivor’s pension)] = £482.19 (i.e. the same as in the TPS because the NPA in both schemes is the same and although the spouse’s pension proportions in the TPS and the LGPS are different, a ‘Scheme pays’ offset is not applied to any survivor’s pension).

Final salary benefits

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £30,000 = £1,205.48 + 1% (April 2017 PI) + 1.5% (April 2018 PI) = £1,235.79

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017):

[(£1,235.79 x 10.77 = £13,309.46) + (£1,235.79 x 0.375 x 2.20 = £1,019.53)] = £14,328.99

The service credit based on the pensionable pay figure of £30,754.50 (£30,000 inflated by PI of 1% under the April 2017 PI Order and 1.5% under the April 2018 PI Order) used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£14,328.99 / [(£30,754.50 x 1/60 x 10.77 = £5,520.43) + (£30,754.50 x 1/60 x 0.375 x 2.20 = £422.87)] = 2.4109

= 2 years 150 days which is equivalent to the same service as in the TPS of 2 years 150 days (because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

The pension input amount for 2018/19 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) of Finance Act 2004).**

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

Working out the opening value for the 2018/19 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is £0.00.

Working out the closing value for the 2018/19 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value).**

The April 2019 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2019). An assumed value has been used as the actual value was not known at the date this example was produced.

At the end of the member's PIP (5 April 2019) the closing value is calculated as:

	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%☎)= £2,312.68 as reduced by the 'Scheme pays' offset of £482.19🚍	1,830.49
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,284.46
Less the value of the deferred benefits that had been held in the TPS prior to transfer adjusted on account of the differences in the LGPS i.e.	
£2,167.02 🕯 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] = £2,198.90 as reduced by the 'Scheme pays' offset of £482.19🚍:	1,716.71
	567.75⊘
Plus closing value of final salary benefit from transfer in (taking account of a slight increase in the £40,000 starting salary due to an increment on 1 April 2019) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
Less notional opening value of final salary benefit from transfer in	
£30,754.50 x service credit 2 years 150/365 x 1/60	1,235.80
	943.35
Apply flat factor of 16	* 16
	15,093.60

☎Note that a full year's in service revaluation is applied (as, when the transfer value was paid, in-scheme revaluation had only been taken account of for the period to 31 March 2018).

🚍Note that if the member's pension had been paid on 5 April 2019 (the end of the Pensions Input Period), the 2019 Pensions Increase (Review) Order would not have been applied to the 'Scheme pays' offset and so no PI has been added to the figure of £482.19. The 2018 Pensions Increase (Review) Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £482.19.

🕯 The value of the deferred benefits held in the TPS (as increase by PI) is used here as it is necessary, when calculating the closing value, to account for the increase in value resulting from the change from PI to the TPS in service revaluation rate (for the period of deferment) as a result of the Club transfer.

⊘If this had been a non-Club transfer in which had bought a pension of £1,771.88 (£2,254.07 - £482.19), the value of that transfer would have increased by the end of the PIP by 1.026 (to use a like for like comparison) i.e. it would have increased to £1,817.95. The total CARE pension would then have increased by the end of the PIP by (£1,817.95 + £446.60 + £7.37) - £1,771.88 = £500.04. This differs from the figure of £567.75 shown in the calculation above because, by reducing the pension bought by the non-Club transfer by £482.19, that figure had, in effect, not been increased i.e. £482.19 x 2.6% = £12.54. If that figure of £12.54 is added back in we arrive at the sum of £500.04 + £12.54 = £512.58. If we then add the increase in value due to the difference between level of spouse's pension in the TPS and LGPS of £55.17 (£2,254.07 - £2,198.90) we arrive at the sum of £512.58 + £55.17 = £567.75 (the same figure as shown in the calculation above).

The member's closing value on 5 April 2019 is **£15,093.60**

Working out the pension input amount for the 2018/19 PIP

The increase in pension saving over the year in the LGPS is £15,093.60 - £nil = **£15,093.60**

As the pension input amount of £15,093.60 was less than the 'standard' annual allowance for the period 6 April 2018 to 5 April 2019 of £40,000.00 there is no annual allowance charge (assuming the PIA for any other schemes contributed to in the tax year, was less than £24,906.40).

Carry forward into 2019/20 of unused annual allowance

The member has £24,906.40 unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000 - £15,093.60 = £24,906.40) less any annual allowance used up in any other schemes the member made contributions to during that tax year).

Working out the opening value for the 2019/20 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2019 is calculated as:	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%) = £2,312.68 as reduced by the 'Scheme pays' offset of £482.19	1,830.49
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,284.46
Plus closing value of final salary benefit from transfer in (assuming an increase in final pay to £40,102.00) i.e. £40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
	3,895.86
Apply flat factor of 16	* 16
	62,333.76
Increase by AA revaluation rate (derived from September 2018 CPI)	* 1.01
	62,957.10

The member's opening value on 6 April 2019 is **£62,957.10**

Working out the closing value for the 2019/20 PIP

The April 2020 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2020). An assumed value has been used as the actual value was not known at the date this example was produced in January 2017.

The closing value on 5 April 2020 is calculated as:	£
Amount of CARE pension:	
From transfer in: 2,312.68 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) = 2,384.37 as reduced by the ‘Scheme pays’ offset of (£482.19 * 1.01) = £487.01⊖	1,897.36
2018/19 (1 June 2018 to 31 March 2019): 446.60 * 1.015	453.30
2019/20 (1 April 2019 to 31 March 2020): 551.02 * 1.015	559.29
2020/21 (1 April 2020 – 5 April 2020)	7.65
	2,917.60
Plus final salary benefit (assuming increase in final pay to £40,500) £40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	4,545.00
Apply flat factor of 16	* 16
	72,720.00

⊖ Note that if the member’s pension had been paid on 5 April 2020 (the end of the Pensions Input Period), the 2019 Pensions Increase (Review) Order of 1% would have been applied in full to the ‘Scheme pays’ offset bringing the ‘Scheme pays’ offset to £487.01 i.e. £482.19 x 1.01 = £487.01.

The member’s closing value on 5 April 2020 is **£72,720.00**

Working out the pension input amount for tax year 2019/20

The difference between the closing value and the opening value is **£9,762.90** (£72,720.00 - £62,957.10)

As this is less than the annual allowance for 2019/20 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,237.30 unused annual allowance from 2019/20 to carry forward to 2020/21 (i.e. £40,000 - £9,762.90 = £30,237.10).

Carry forward into 2020/21 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £55,143.50 calculated as:

2019/20 £30,237.10 (i.e. £40,000 - £9,762.90) less any annual allowance used up if the member has contributed to any other scheme during 2019/20

2018/19 £24,906.40 (i.e. £40,000 - £15,093.60) less any annual allowance used up in any other schemes the member made contributions to during that tax year)

2017/18 £whatever unused allowance there was from any former schemes in that year

THIS EXAMPLE REPRESENTS THE LGPC SECRETARIAT'S VIEW ON HOW THE FOLLOWING CASE (INVOLVING A CLUB TRANSFER WHERE THERE IS PENSION OFFSET AS A RESULT OF AN ANNUAL ALLOWANCE 'SCHEME PAYS' ELECTION APPLIED AGAINST CARE BENEFITS WHERE THE SENDING SCHEME REVALUES THE 'SCHEME PAYS' OFFSET FOR ACTIVE MEMBERS BY THEIR IN SERVICE REVALUATION RATE AND THERE HAS BEEN A BREAK IN SERVICE)) SHOULD BE VALUED. HOWEVER, THE SECRETARIAT IS CHECKING WITH THE CABINET OFFICE, GAD AND THE PUBLIC SECTOR PENSIONS FORUM TO SEE WHETHER OR NOT THEY AGREE WITH THE CALCULATION. CONFIRMATION (EITHER WAY) WILL BE PROVIDED TO ADMINISTERING AUTHORITIES AS SOON AS A RESPONSE HAS BEEN RECEIVED.

Example 56B: Member commences active employment in the LGPS after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. However, there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS. The member has a 'Scheme pays' offset against his CARE benefits in the sending public service pension scheme on account of making an annual allowance 'Scheme pays' election.

The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

Note that this example is basically the same as example 55B except that in this example there has been a 2 year gap between leaving the sending public service pension scheme and joining the LGPS. [Note that Example 56B differs from Example 56A in that Example 56B assumes the sending Scheme revalues 'Scheme pays' offset for active members by the in service revaluation rate (rather than by PI) whereas Example 56A assumes the sending Scheme revalues 'Scheme pays' offset for active members by PI (and not by the in service revaluation rate). This produces the differences highlighted in yellow below].

A member left the Teachers' Pension Scheme on 31 August 2016 and joined the LGPS on 1 June 2018. The member transfers in his benefits (under the Club arrangements) before 31 March 2019 and is awarded an amount of earned CARE pension and a 'pre-14' final salary service credit of 2 years 150 days but the CARE pension credit is subject to a 'Scheme pays' offset applied under the TPS.

NB: when receiving a Club transfer with a 'Scheme pays' offset it is important that the LGPS administering authority ascertains from the sending scheme whether the 'Scheme pays' offset in the sending scheme is applied by the sending scheme to the member's final salary benefit in that scheme (in which case, Example 54 applies) or is applied to the member's CARE benefit in that scheme (in which case see examples 55A to 56B).

The sending Club scheme (the Teachers' Pension Scheme) revalues accrued CARE pension for those in service by CPI + 1.6%. It has an NPA = SPA (the same as the LGPS) and provides a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160). The member's SPA is age 67. Note, however, that a 'Scheme pays' offset in the TPS is revalued during active membership by the in service revaluation rate and not by PI under the Pensions (Increase) Act 1971; and after leaving it is revalued by PI under the Pensions (Increase) Act 1971.

The amount of CARE pension bought in the LGPS by the Club transfer is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017).

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 it is assumed to be 1.5%, for September 2018 it is assumed to be 1.0% and for September 2019 it is assumed to be 1.5% (assumed values have been used as the actual values were not known at the time the example was prepared).

Sending scheme: Teachers' Pension Scheme (TPS)

a	**General information**	
i	Gender	male
ii	Date of birth	14 March 1971
iii	State pension age	67
iv	Guarantee date	11/10/2018
v.	Age at guarantee date	47
vi.	Date of leaving TPS	31/08/2016

b CARE Preserved benefits (before application of the 'Scheme pays' offset)

i. CARE pension at date of leaving TPS (including TPS in-service revaluation rate using HM Treasury revaluation order for year ending 31/03/2016): £2,100.00

ii. CARE pension (including 5/12ths of TPS in service revaluation for year ending 31/03/2017 i.e. 5/12 x (1% + 1.6%) = 1.08% for period 01/04/2016 to 31/08/2016): £2,122.68

iii. CARE pension (as revalued between the PI Date of 01/09/2016 and the guarantee date of 11/10/2018 by the 2017 and 2018 Pensions Increase Orders i.e. (7/12 x 1%) + 1.5%: £2,167.02

iv. CARE pension (as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date i.e. revaluation up to year ending 31/03/2018, as the 2019 revaluation order had not been effective at the guarantee date): £2,221.39

c	**Sending Scheme CARE details (TPS)**	
i	Spouses proportion	37.5%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI + 1.6%
iv	Deferred revaluation	CPI

d	**Receiving scheme CARE details (LGPS)**	
i	Spouses proportion	30.625%
ii	Normal pension age	SPA (67)
iii	In-service revaluation rate	CPI

Inner Club (i.e. CARE) transfer value calculation (ignoring 'Scheme pays' offset):

Member's Pension in TPS (MP) = £2,167.02

Contingent spouse's pension (CWP) = £2,167.02 x 0.375 = £812.63

Factor for pension (Fp) = 9.65

Factor for widow's pension (Fwid) = 2.21

Club transfer value (before adjustment by CARE adjustment factor) =

(2,167.02 x 9.65) + (812.63 x 2.21) = £20,911.74 + £1,795.91 = £22,707.65

Complete years to receiving scheme's NPA* = 19

*from the guarantee date

CARE adjustment factor = 1.169

Gross Club transfer value = £22,707.65 x 1.169 = **£26,545.24**

Inner Club (i.e. CARE) transfer value calculation for 'Scheme pays' offset:

'Scheme pays' offset to member's pension in TPS = £482.19 including PI up to and including the April 2018 Pensions Increase (Review) Order)

'Scheme pays' offset to member's pension in TPS = £497.17 including TPS in service revaluation up to the guarantee date i.e. revaluation up to year ending 31/03/2018, as the 2019 revaluation order had not been effective at the guarantee date)

'Scheme pays' offset to contingent spouse's pension = £0 (as 'Scheme pays' has no effect on the level of a survivor's pension)

Factor for pension = 9.65

Factor for widow's pension = N/A

Club transfer value (before adjustment by CARE adjustment factor) =

[(£482.19 x 9.65) + (£0 as 'Scheme pays' has no effect on the level of a survivor's pension)]= £4,653.13

Complete years to receiving scheme's NPA* = 19

*from the guarantee date

CARE adjustment factor = 1.169

Club transfer value = £4,653.13 x 1.169 = **£5,439.51**

A CARE adjustment factor is applied by the sending scheme because the 'Scheme pays' offset in the sending scheme is revalued during active membership by the in service revaluation rate (and not by PI under the Pensions (Increase) Act 1971) and the LGPS will be required to revalue the 'Scheme pays' offset in line with the sending scheme's in service revaluation rate).

Net transfer value payable

Gross transfer value £26,545.24 – transfer value in respect of pension offset £5,439.51 = **£21,105.73**

Inner Club (i.e. CARE) transfer credit using the details above:

The amount of the gross CARE pension which is bought in the LGPS by the inner Club transfer (before application of the 'Scheme pays' offset) is as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017):

Amount of CARE pension in TPS as revalued in accordance with the TPS in-service revaluation rate up to the guarantee date: £2,221,39

£2,221.39 x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] =

£2,221.39 x [9.65 + 0.82875] / [9.65 + 0.67681] =

£2,221.39 x [10.47875 / 10.32681] =

£2,254.07 (amount of CARE pension bought in the LGPS before application of the 'Scheme pays' offset).

However, as the member was subject to a 'Scheme pays' offset in the TPS, a 'Scheme pays' offset in the form of a Pension adjustment has to be held against the amount of CARE pension credited in the LGPS. This will be subject to increase under the TPS in service revaluation rate (i.e. CPI + 1.6%) and must continue to be increased by the same in the LGPS.

The CARE ‘Scheme pays’ offset to be applied in the LGPS (using an NPA for the offset in the LGPS of age 67) is:

£497.17 x [9.65 + 0 (as ‘Scheme pays’ has no effect on the level of a survivor’s pension)] / [9.65 + 0 (as ‘Scheme pays’ has no effect on the level of a survivor’s pension)] = £497.17 i.e. the same as would have applied in the TPS (if the TPS in service revaluation rate had been applied) because the NPA in both schemes is the same and although the spouse’s pension proportions in the TPS and the LGPS are different, a ‘Scheme pays’ offset is not applied to any survivor’s pension.

Final salary benefits

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £30,000 = £1,205.48 + 1% (April 2017 PI) + 1.5% (April 2018 PI) = £1,235.79

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers’ Pension Scheme) was age 65 (the same as in the LGPS) and the spouse’s pension was 37.5% of the member’s pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 47 at the time of the transfer and using the Club factors that came into effect on 1 March 2017):

[(£1,235.79 x 10.77 = £13,309.46) + (£1,235.79 x 0.375 x 2.20 = £1,019.53)] = £14,328.99

The service credit based on the pensionable pay figure of £30,754.50 (£30,000 plus April 2017 PI of 1% and April 2018 PI of 1.5%) used by sending scheme (even though the starting salary in the LGPS was £40,000) is:

£14,328.99 / [(£30,754.50 x 1/60 x 10.77 = £5,520.43) + (£30,754.50 x 1/60 x 0.375 x 2.20 = £422.87)] = 2.4109

= 2 years 150 days which is equivalent to the same service as in the TPS of 2 years 150 days (because the NPA and spouse’s pension proportion in the TPS and the LGPS are the same).

The pension input amount for 2018/19 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member’s promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) of Finance Act 2004).**

The member is not subject to the tapered annual allowance or the money purchase annual allowance.

Working out the opening value for the 2018/19 PIP

As this is the first PIP in which the individual became a member of the LGPS the member’s opening balance for the PIP is £nil.

The member's opening value is £0.00.

Working out the closing value for the 2018/19 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value).**

The April 2019 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2019). An assumed value has been used as the actual value was not known at the date this example was produced.

At the end of the member's PIP (5 April 2019) the closing value is calculated as:

	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%☻)= £2,312.68 as reduced by the 'Scheme pays' offset of £497.17 * 1.026 = £510.10🚍	1,802.58
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,256.55
Less the value of the deferred benefits that had been held in the TPS prior to transfer adjusted on account of the differences in the LGPS i.e. £2,167.02 ⏳ x [9.65 + (0.375 x 2.21)] / [9.65 + (0.30625 x 2.21)] = £2,198.90 as reduced by the 'Scheme pays' offset of £482.19 ⏳ x [9.65 + 0] / [9.65 +0] = £482.19:	1,716.71
	539.84⊘
Plus closing value of final salary benefit from transfer in (assuming an increase in final pay to £40,102.00) i.e. £40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
Less notional opening value of final salary benefit from transfer in £30,754.50 x service credit 2 years 150/365 x 1/60	1,235.80
	915.44
Apply flat factor of 16	* 16
	14,647.04

☻Note that a full year's in service revaluation is applied (as, when the transfer value was paid, in-scheme revaluation had only been taken account of for the period to 31 March 2018).

🚍Note that if the member's pension had been paid on 5 April 2019 (the end of the Pensions Input Period), the April 2019 HM Treasury Revaluation Order will have been applied to the 'Scheme pays' offset of £497.17 and so the offset has increased by 1.026 to £510.10 by applying the April 2019 HM Treasury Revaluation Order of 1% + the TPS in service revaluation of 1.6%. The April 2018 HM Treasury Revaluation Order had already been accounted for in calculating the initial 'Scheme pays' offset in the LGPS of £497.17.

⏳ The value of the deferred benefits held in the TPS (as increase by PI) and the value of the deferred 'Scheme pays' offset held in the TPS (as increase by PI) are used here as it is necessary, when calculating the closing value, to account for the increase in value resulting from the change from PI to the TPS in service revaluation rate (for the period of deferment) as a result of the Club transfer.

⊘If this had been a non-Club transfer in which had bought a pension of £1,756.90 (£2,254.07 - £497.17), the value of that transfer would have increased by the end of the PIP by 1.026 (to use a like for like comparison) i.e. it would have increased to £1,802.58. The total CARE pension would then have increased by the end of the PIP by (£1,802.58 + £446.60 + £7.37) = £2,256.55 - £1,756.90 = £499.65. This differs from the figure of £539.84 shown in the calculation above because we have not yet accounted for the increase in value of the member's benefits due to the change from PI to the in service revaluation rate during the break in service i.e. (£2,254.07 - £497.17) – (£2198.90 - £482.19) = £40.19. If we add that back we arrive at the sum of £499.65 + £40.19 = £539.84 (the same figure as shown in the calculation above).

The member's closing value on 5 April 2019 is **£14,647.04**

Working out the pension input amount for the 2018/19 PIP

The increase in pension saving over the year in the LGPS is £14,647.04 - £nil = **£14,647.04**

As the pension input amount of £14,647.04 was less than the 'standard' annual allowance for the period 6 April 2018 to 5 April 2019 of £40,000.00 there is no annual allowance charge (assuming the PIA for any other schemes contributed to in the tax year, was less than £25,352.96).

Carry forward into 2019/20 of unused annual allowance

The member has £25,352.96 unused annual allowance from 2018/19 to carry forward to 2019/20 (i.e. £40,000 - £14,647.04 = £25,352.96) less any annual allowance used up in any other schemes the member made contributions to during that tax year).

Working out the opening value for the 2019/20 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2019 is calculated as:	£
Amount of CARE pension:	
2018/19 (from transfer in): £2,254.07 * 1.026 (i.e. CPI of 1% + TPS	
in service revaluation of 1.6%) = £2,312.68 as reduced by the	
'Scheme pays' offset of £497.17 * 1.026 = £510.10	1,802.58
2018/19 (1 June 2018 to 31 March 2019): £442.18 * 1.01	446.60
2019/20 (1 April 2019 to 5 April 2019):	7.37
	2,256.55
Plus closing value of final salary benefit from transfer in (assuming	
an increase in final pay to £40,102.00) i.e.	
£40,102.00 x service credit 2 years 150/365 x 1/60	1,611.40
	3,867.95
Apply flat factor of 16	* 16
	61,887.20
Increase by AA revaluation rate (derived from September 2018 CPI)	* 1.01
	62,506.07

The member's opening value on 6 April 2019 is **£62,506.07**

Working out the closing value for the 2019/20 PIP

The April 2020 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2020). An assumed value has been used as the actual value was not known at the date this example was produced in January 2017.

	£
The closing value on 5 April 2020 is calculated as:	
Amount of CARE pension:	
From transfer in: £2,312.68 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%) = £2,384.37 as reduced by the_'Scheme pays' offset of (£510.10 * 1.031) = £525.91⊖	1,858.46
2018/19 (1 June 2018 to 31 March 2019): £446.60 * 1.015	453.30
2019/20 (1 April 2019 to 31 March 2020): £551.02 * 1.015	559.29
2020/21 (1 April 2020 – 5 April 2020)	7.65
	2,878.70
Plus final salary benefit (assuming increase in final pay to £40,500)	
£40,500.00 x service credit 2 years 150/365 x 1/60	1,627.40
	4,506.10
Apply flat factor of 16	* 16
	72,097.60

⊖ Note that if the member's pension had been paid on 5 April 2020 (the end of the Pensions Input Period), the April 2020 HM Treasury Revaluation Order will have been applied to the 'Scheme pays' offset of £510.10 and so the offset has increased by 1.031 to £525.91 by applying the April 2020 HM Treasury Revaluation Order of 1.5% + the TPS in service revaluation of 1.6%.

The member's closing value on 5 April 2020 is **£72,097.60**

Working out the pension input amount for tax year 2019/20

The difference between the closing value and the opening value is **£9,591.53** (£72,097.60 - £62,506.07)

As this is less than the annual allowance for 2019/20 of £40,000 there is no annual allowance charge (assuming the member has not made contributions in the tax year to any other pension arrangement causing the total Pension Input Amount to exceed the annual allowance) and the member has £30,408.47 unused annual allowance from 2019/20 to carry forward to 2020/21 (i.e. £40,000 - £9,591.53 = £30,408.47).

Carry forward into 2020/21 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £55,761.43 calculated as:

2019/20	£30,408.47 (i.e. £40,000 - £9,591.53) less any annual allowance used up if the member has contributed to any other scheme during 2019/20
2018/19	£25,352.96 (i.e. £40,000 - £14,647.04) less any annual allowance used up in any other schemes the member made contributions to during that tax year)
2017/18	£whatever unused allowance there was from any former schemes in that year

Example 57: Member commences active employment in the LGPS immediately after leaving another public service pension scheme and has a Club transfer in from the previous public service pension scheme (including CARE and final salary benefits) in the same PIP. The transfer is dealt with as a Club transfer under the terms of the Public Sector Transfer Club (i.e. there has not been a break of more than 5 years between leaving the sending scheme and joining the LGPS and the member has not missed the deadline in paragraph 4.1 of the Club memorandum in electing to proceed with a Club transfer) and the transfer occurred on or after 28 January 2015. The transfer of post 31 March 2015 benefits from the previous public service pension scheme purchases an amount of CARE pension in the LGPS and the transfer of pre 1 April 2015 benefits from the previous public service pension scheme purchases a service credit in the LGPS. However, the member was subject to a pensionable pay earnings cap in the sending Scheme. The sending Club scheme's NPA for CARE benefits is the same as in the LGPS but the in service revaluation rate and the spouse's benefit proportion are different. The sending Club scheme's NPA for the final salary benefits is the same as in the LGPS as is the spouse's benefit proportion.

A member left the Teachers' Pension Scheme on 31 May 2016 and joined the LGPS on 1 June 2016. The member transfers in his benefits (under the Club arrangements) at the end of 2016 (i.e. before 31 March 2017) and is awarded an amount of earned CARE pension of £5,250 and a 'pre-14' final salary service credit of 2 years 93 days.

The Consumer Prices Index (CPI) for September 2016 is 1.0% and for September 2017 is assumed to be 1.5% (an assumed value has been used as the actual value was not known at the time the example was prepared in December 2016).

The pension input amount for 2016/17 is the increase in the value of his pension saving over the year. This is the difference between the opening value and the closing value of the member's promised benefits, ignoring the initial value of the benefits bought by the transfer in **but including any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred (section 236(5D) Finance Act 2004)**.

The member **is** subject to the tapered annual allowance but not to the money purchase annual allowance.

The amount of CARE pension the man has in the sending Club scheme at the date of transfer is £2,631.58. This does not include the HM Treasury revaluation for the period 1 April 2016 to 31 May 2016 (as that revaluation would not have occurred until the first second after midnight of 31 March 2017).

CARE benefits in the sending Club scheme (the Teachers' Pension Scheme) are revalued for those in service by CPI + 1.6%. They have an NPA = SPA i.e. age 67 (the same as the LGPS) and provide a 37.5% spouse's pension (whereas the LGPS provides a 30.625% spouses pension i.e. 49/160).

The amount of CARE pension bought in the LGPS by the Club transfer is as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

£2,631.58 x [(7.35 + (0.375 x 2.48 = 0.93) = 8.28] / [7.35 + (0.30625 x 2.48 = 0.7595) = 8.1095] = £2,686.91

The member was subject to the pensionable pay earnings cap in the TPS. From 6 April 2015 the earnings cap was £149,400 and from 6 April 2016 it was £150,600. The member's final pay in the TPS was therefore (£149,400 / 12 x 10 5/30) + (£150,600 / 12 x 1 25/30) = £149,583.32

The amount of final salary deferred pension the man has in the sending Club scheme at the date of transfer is 2 years 150/365 x 1/60 x £149,583.32 = £6,010.65

The NPA for the final salary benefits the person had in the sending Club scheme (the Teachers' Pension Scheme) was age 65 (the same as in the LGPS) and the spouse's pension was 37.5% of the member's pension i.e. 60/160 (the same as in the LGPS).

The transfer value in respect of the final salary deferred pension rights is calculated as shown below (based on the man being aged 40 at the time of the transfer and using the Club factors that were in effect immediately before 1 March 2017):

[(£6,010.65 x 8.24 = £49,527.76) + (£6,010.65 x 0.375 x 2.48 = £5,589.90)] = £55,117.66

The initial service credit based on the pensionable pay figure of £149,583.32 used by sending scheme (even though the starting salary in the LGPS was £160,000) is:

£55,117.66 / [(£149,583.32 x 1/60 x 8.24 = £20,542.78) + (£149,583.32 x 1/60 x 0.375 x 2.48 = £2,318.54)] = 2.41096

= 2 years 150 days (i.e. the same service as in the TPS because the NPA and spouse's pension proportion in the TPS and the LGPS are the same).

However, a further adjustment to the service credit is necessary as no earnings cap applies in the LGPS.

Starting salary in LGPS = £160,000

Adjustment: 2 years 150 days x £149,583.32 / £160,000.00 = 2 years 93 days.

Working out the opening value for the 2016/17 PIP

As this is the first PIP in which the individual became a member of the LGPS the member's opening balance for the PIP is £nil.

The member's opening value is **£0.00**.

Working out the closing value for the 2016/17 PIP

By virtue of subsection 236(3), (5), (5A) and (5D) of the Finance Act 2004, the amount of CARE pension purchased by the transfer in is to be excluded from the closing value **but any increase in benefits occasioned by the transfer in which is not solely attributable to the sum transferred is not to be excluded (in other words any increase in benefits that are not solely attributable to the sums transferred, such as excess benefits purchased through the preferential Club Transfer arrangements and any subsequent increase in the value of the benefits bought by the transfer, are to be included and not deducted from the closing value)**.

The April 2017 HM Treasury revaluation order = assumed value of 1.0% (applied on the first second after midnight of 31 March 2017). An assumed value has been used as the actual value was not known at the date this example was produced in December 2016.

At the end of the member's PIP (5 April 2017) the closing value is calculated as:

	£
Amount of CARE pension:	
2016/17 (from transfer in): £2,686.91 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%)	2,756.77
2016/17 (1 June 2016 to 31 March 2017): £2,721.09 * 1.01	2,748.30
2017/18 (1 April 2017 to 5 April 2017):	45.44
	5,550.51
Less £2,686.91 initially purchased by transfer in:	2,686.91
	2,863.60
Plus closing value of final salary benefit from transfer in (assuming an increase in final pay to £160,022.22)	
£160,022.22 x service credit 2 years 93/365 x 1/60	6,013.62

Less notional opening value of final salary benefit from transfer in

£149,583.32 x service credit 2 years 150/365 x 1/60	6,010.65
	2,866.57
Apply flat factor of 16	* 16
	45,865.12

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member's closing value on 5 April 2017 is **£45,865.12**

Working out the pension input amount for the 2016/17 PIP

The increase in pension saving over the year in the LGPS is £45,865.12 - £nil = **£45,865.12**

As the pension input amount of £45,865.12 is more than the member's tapered annual allowance for the period 6 April 2016 to 5 April 2017 there is an annual allowance charge (subject to the amount of carry forward the member may have from the previous 3 years).

Carry forward into 2017/18 of unused annual allowance

The member has no unused annual allowance from 2016/17 to carry forward to 2017/18.

Working out the opening value for the 2017/18 PIP

The CARE and final salary pension purchased by the transfer in is now fully included in the opening value (and the closing value) because the benefits from the previous employer's occupational pension scheme were transferred in during a previous PIP.

The opening value on 6 April 2017 is calculated as:	£
Amount of CARE pension:	
2016/17 (from transfer in): £2,686.91 * 1.026 (i.e. CPI of 1% + TPS in service revaluation of 1.6%)	2,756.77
2016/17 (1 June 2016 to 31 March 2017): £2,721.09 * 1.01	2,748.30
2017/18 (1 April 2017 to 5 April 2017):	45.44
	5,550.51
Plus final salary benefit	
£160,022.22 x service credit 2 years 93/365 x 1/60	6,013.62
	11,564.13
Apply flat factor of 16	* 16
	185,026.08
Increase by AA revaluation rate (derived from September 2016 CPI)	* 1.01
	186,876.34

Note that a full year's in service revaluation is applied (as, when the transfer value was paid, no revaluation had been applied by the former scheme for the period 1 April 2016 to 31 May 2016).

The member's opening value on 6 April 2017 is **£186,876.34**

Working out the closing value for the 2017/18 PIP

The April 2018 HM Treasury revaluation order = assumed value of 1.5% (applied on the first second after midnight of 31 March 2018). An assumed value has been used as the actual value was not known at the date this example was produced in September 2016.

The closing value on 5 April 2018 is calculated as:		£
Amount of CARE pension:		
From transfer in:	2,756.77 * 1.031 (i.e. CPI of 1.5% + TPS in service revaluation of 1.6%)	2,842.23
2016/17 (1 June 2016 to 31 March 2017):	2,748.30 * 1.015	2,789.52
2017/18 (1 April 2017 to 31 March 2018):	3,297.96 * 1.015	3,347.43
2018/19 (1 April 2018 – 5 April 2018)		46.26
		9,025.44
Plus final salary benefit (assuming an increase in final pay to £161,622.00)		
£161,622.00 x service credit 2 years 93/365 x 1/60		6,073.74
		15,099.18
Apply flat factor of 16		* 16
		241,586.88

The member's closing value on 5 April 2018 is **£241,586.88**

Working out the pension input amount for tax year 2017/18

The difference between the closing value and the opening value is **£54,710.54** (£241,586.88 - £186,876.34)

As this is more than the member's tapered annual allowance for 2017/18 there is an annual allowance charge (subject to the amount of carry forward the member may have from the 2 years prior to the previous year).

Annex 4

Extract from the minutes of the Technical Group meeting held on 11th December 2015

Aligning PIPs

The attached paper on whether to align the scheme year end with the PIP at 5/4 was discussed. If the LGPS Regulations are amended to align the scheme year end with the Annual Allowance (AA) would value the "correct" increase in value as it does now. If we maintain 31/3 there will be winners and losers compared to the present method of calculation (as shown in the attached paper) due to the inter-relationship between the timing of revaluation of the CARE pot and the revaluation, for AA purposes of the closing value to become the opening value for the next PIP.

Any AA statements issued should be based on pre 14 benefits (pre 15 benefits in Scotland and NI) calculated on final pay for the year ending 5/4 and on post 14 CARE pension as at 5/4 (post 15 CARE pension in Scotland and Northern Ireland). That is what TP and NHS are doing.

The unanimous decision of the Technical Group was that the LGPS should retain the scheme year at 31/3 and, for those who are over or near to the AA figure, manually calculate the AA by getting the correct pay figures from the employer to calculate the correct CARE amount for 1/4/15 to 31/3/16 (negative uplift, except for pensioner members) and 1/4/16 to 5/4/16 (no uplift) and final pay for 6/4/15 to 5/4/16.

The Scheme pays date will have to change to 5/4. Terry will take this away to request that DCLG make the necessary changes in the Regulations.

In a year when Treasury Order Revaluation is negative, the Closing Value is not decreased for the purposes of calculating the Opening Value for the next PIP i.e. the Closing Value is revalued by 0% rather than a negative percentage such as -0.1%.

There will be a need to split CARE pay on the system at 5/4 so two lines in April.

Extract from the paper considered by the Technical Group at its meeting on 11th December 2015

At the Technical Group meeting on 11th September 2015 members discussed the report contained at Appendix A. The majority view of the Technical Group was that, despite the Pension Input Period being compulsorily moved to 5th April from 2015/16 onwards, it would be best to retain a Scheme year end date of 31st March. However, the LGPC Secretariat was requested to prepare worked examples, in readiness for the Technical Group meeting on 11th December, showing the impact on members' Pension Input Amounts of moving / not moving the Scheme year end date to 5th April.

The first matter to consider, prior to looking at worked examples, is “Which areas of the Scheme would be impacted upon should the Scheme year end be moved from 31st March to 5th April?”

<u>Regulation 56(2) says:</u>
(2) The pension input period for the purposes of section 238 of the Finance Act 2004 is the year ending on 31st March 2015 and each year ending on 31st March after that year.

Regardless of whether or not the Scheme year end is moved from 31st March to 5th April the reference in regulation 56(2) to 31st March will need to be amended to 5th April in order to comply with the amendments being made to the Finance Act 2004 by the Finance Bill 2015/16 (and consideration will also need to be given to amending the Secretary of State’s “Scheme Pays” actuarial guidance).

<u>Schedule 1</u>
This defines “Scheme Year” as follows:
*"Scheme year" means a period of one year beginning with 1st April and ending with **31st March**;*

and it defines the “revaluation adjustment” as follows:
*"revaluation adjustment" means the percentage specified as the change in prices in the relevant Treasury order made under section 9(2) of the Public Service Pensions Act 2013 which is to be applied to the sum in a pension account at the beginning of the next **scheme year**;*

<u>Regulation 62(1) says:</u>
(1) An administering authority must obtain-
*(a) an actuarial valuation of the assets and liabilities of each of its pension funds as at **31st March 2016** and on **31st March** in every third year afterwards;*

<u>Regulation 89 says:</u>
89 Annual benefit statements
(1) An administering authority must issue an annual benefit statement to each of its active, deferred, deferred pensioner and pension credit members.

*(2) Subject to paragraph (3), the statement must be issued no later than five months after the end of the **Scheme year** to which it relates.*

(3) A statement must be issued before the end of the five month period mentioned in paragraph (2) where a member makes a request in writing to the administering authority, unless that authority is unable to comply with the request because relevant data is not available.

(4) The statement for an active member must be provided in accordance with section 14 of the Public Service Pensions Act 2013.

Other regulations that make reference to the Scheme year (or to matters linked to the Scheme year) are:

- regulation 9 requires that an active member's contribution rate is determined each year based on the annual pensionable pay that member is receiving in the pay period in which 1st April falls for that employment; and it requires that the pay ranges in the contribution table are increased each year on the first day of the pay period in which 1st April falls.

- regulation 16 which requires that APC contracts which are to be paid by regular contributions must specify the amount of extra contribution to be paid each Scheme year and the amount of additional pension to be credited to the active member's pension account at the end of the Scheme year; or if the APC is to be paid by a lump sum payment the contract must specify the amount of additional pension to be credited to the active member's pension account at the end of the Scheme year. The active member's pension account must be credited with the amount specified in those arrangements as additional pension at the end of the Scheme year in which the contributions are paid, or at the date the arrangements terminate, if earlier.

- regulation 21(4) specifies how employers should calculate APP for a Scheme year and regulation 21(6) says if the member remains on APP for a period than spans two Scheme year ends, the APP figure should be adjusted by the revaluation adjustment on the first day of the next Scheme year.

- regulations 23, 24 25 and 27 specify how active, deferred, deferred refund, and pensioner accounts are credited. All make reference to the Scheme year end and set out the circumstances in which, and how, benefits in the account are revalued at the beginning of the next Scheme year by the Treasury Order

- regulations 28 and 29 make reference to the Scheme year for deferred pensioner members and pension credit members.

- regulation 31 requires that any additional pension awarded by the employer is credited to the relevant active member pension account in the Scheme year in which the resolution to award the additional pension was made.

- regulations 41, 42, 44, 45, 47 and 48 specify how survivor accounts are credited. All make reference to the Scheme year end and set out the circumstances in which, and how, benefits in the account are revalued at the beginning of the next Scheme year by the Treasury Order

- regulation 57 makes reference to a pension fund annual report having to be prepared for each year beginning on 1st April

- regulation 67 (Employer contributions) – although not directly referenced, reference is made to an employer contributing to the fund each year in line with the actuarial valuation certificates. The meaning of year would change.

- regulation 80 requires employers to provide information to the administering authority within 3 months of the end of the Scheme year

It is worth noting that if the Scheme year end date were to be changed to 5th April it would simply be a shift forward by 5 days. In other words, the principle of the areas noted in the regulations containing a reference to 'Scheme Year' would not change.

At the present time, although the Scheme year end is defined as 31st March the information supplied by employers relating to pensionable pay for the Scheme year and APC paid in the Scheme year will, for weekly and fortnightly paid staff whose week 52 / week 53 does not end on a 31st March, clearly be the pensionable pay cumulatives shown on the payroll at the end of week 52 / week 53. The employers do not, and never have, adjusted the figures so that they only relate to the period to 31st March. One also suspects that any employer running a monthly payroll with a pay day between the 1st and 5th of the month (say the 4th) will include the pay received on the 4th April in the Scheme year-end figures and exclude the pay received on the 4th April of the beginning of the Scheme year (i.e. to mirror the way that cumulatives are held on payroll for P35 returns).

So, would moving the Scheme year end to 5th April have much of an impact on the information to be supplied to the administering authority? Well, one might suspect that the information supplied to the administering authority by the employer would, **as now**, simply relate to the pensionable pay cumulatives shown at week 52 / week 53 / month 12 (rather than being adjusted to reflect the actual Scheme year end date). If that is true, then it is arguable that amending the Scheme year end date to 5th April to align with the Pension Input Period end date would have little or no practical impact on day to day processes. Indeed, there would be nothing to prevent valuations and Annual Benefits Statements still being produced based on a 31st March date, as, as far as the LGPC Secretariat is aware, there is nothing that legally ties these in to the Scheme year end date. However, the information shown on the ABS would then be out of line with the information provided on any annual allowance statement (as the former would be based on benefits at 31st March and the latter on benefits at 5th April which would, particularly, impact on those active members with pre-14 membership).

The counter argument to all of the above is "Why adjust the Scheme year end date to align with the Pension Input Period end date for the relatively few members impacted by the annual allowance?" How valid is that argument? Well, it is true that only a relatively small proportion of the membership are impacted on by the annual allowance and, for them, administering authorities will have to undertake a detailed and accurate calculation as at 5th April each year anyway (in order to comply with the amendments being made to the Finance Act 2004 by the Finance Bill 2015/16) – so one could argue that there is no need to adjust the Scheme year end for all Scheme members simply to accommodate the relatively small proportion of members affected by the annual allowance. However, we should not lose sight of the fact that, with the reduction in the annual allowance over the years, the number of members affected by the annual allowance is growing. It must also be recognised that if the Scheme year end is not amended to 5th April and administering authorities choose to issue an annual allowance statement to all members (and not just to those who request one or whose benefits have increased in excess of the annual allowance) then, technically, the figures shown on the ABS and on the annual allowance statements for all members should differ (because one should be based on benefits accrued to 31st March and the other on benefits accrued to 5th April).

The effect on a member's Pension Input Amount if the Scheme year end is / is not amended to 5th April is shown in the examples at Appendix B. Members of the Technical Group will notice that the figures shown in the examples clearly derive from a person with "adjusted income" of over £150,000 who would be subject to the tapered annual allowance. However, for the purposes of the examples the taper has been ignored as the examples are merely being used to illustrate the difference in outcome where the Scheme year end is or is not aligned with the Pension Input Period year end. More complicated examples could also have been incorporated, including a case of a member with a Pension Sharing Order effective on, say, 3rd April 2017. However, such complicated examples have been omitted at this stage, as members of the Technical Group are merely being asked to consider the principle of whether or not to align the Scheme year end with the Pension Input Period year end.

Terry Edwards
10th December 2015

Appendix A
Aligning pension input periods

As members of the Technical Group will know, HMRC have issued a Technical Note on aligning pension input periods.

My initial reaction to the HMRC announcement that Pension Input Periods had to be aligned with the tax year ending 5th April 2016 was one of concern, given that our Scheme Year ends on 31st March.

At a MOCOP meeting on 23 July 2015 HMRC acknowledged the scale of changes potentially required by the public service schemes and appeared to accept that some pragmatism may be required in delivering the new policy.

Unfortunately, I do not take any comfort from the informal response at MOCOP from HMRC (as, when push comes to shove, HMRC will rely on what the legislation says, and not what was said at MOCOP) and the more I've thought about this the more I'm inclined to say that the simplest solution would be to amend the LGPS Scheme Year to end on 5th April. Why do I say this? Well:

1. Firstly, for CARE benefits the amount in the CARE pot will be calculated on whatever pensionable pay figure the employer reports to the Fund for the tax year. That is no different to what they do now. For example, for monthly paid people they will still report the pensionable pay paid April – March and for weekly / fortnightly paid people they will report the pensionable pay paid in the tax year. I suppose if an employer were to pay people in advance on the first of the month for the whole month that might mean they would have to report 13 pay periods for the 2015/16 Scheme Year (running from 1 April 2015 to 5 April 2016) and 12 pay periods for each Scheme Year thereafter.

2. Secondly, for the pre 2014 final salary benefits employers already have to supply a FTE final pay figure for 1st April to 31st March and there is an argument that providing a FTE final pay figure for 6th April 2015 to 5th April 2016 and for each year ending 5th April thereafter should not be overly onerous – after all, a calculation is a calculation. It would mean that the figures on the Annual Benefits Statement and the figures for the Annual Allowance calculations would then match.

3. Thirdly, and this is the key point, we designed the current scheme to have a Scheme Year and a Pension Input Period which both ended on 31st March. This meant that with revaluation of the CARE pension not occurring until one second after midnight of 31st March, we kept in tandem with the method used to calculate the Closing and Opening balances for annual allowance calculations – see the attached paper (entitled Appendix C) for the logic behind this. However, if we leave the Scheme year as ending on 31st March with a revaluation of the CARE pension at one second after midnight of 31st March we then get out of kilter as HMRC expect us to have a Pension Input Period ending on 5th April. That would mean that we would revalue the CARE pot at one second after midnight of 31st March and that revalued sum would be the Closing Balance. That Closing Balance would then get revalued **again** at one second after midnight of 5th April (by the previous September's CPI) to

become the Opening Balance. Thus, whereas under the current system we just value the in-year CARE accrual (because the revaluation at one second after midnight of 31st March and the revaluation of the Opening Balance on 1st April cancel each other out), we would move to a position of valuing not only the in-year accrual but also the revaluation given at one second after midnight of 31st March. That is not the correct approach to take. Instead, if we move to both a Scheme Year end and a Pension Input Period year end of 5th April and revalue the CARE accrual at one second after midnight of 5th April we will maintain the objective of keeping in step with the annual allowance calculations i.e. CARE pot at 5th April is the value at the Scheme Year end, which is also the Closing Value for the PIP ending 5th April, and the CARE pot is revalued at one second after midnight of 5th April, with the Closing Value being uprated by the same value (CPI), resulting in them again cancelling each other out. It would also mean that in 2015/16 there would be only one CARE revaluation (at one second after midnight of 31st March 2015) – as the next CARE revaluation would not occur until one second after midnight of 5th April 2016 – rather than two revaluations, one at one second after midnight of 31st March 2015 and another at one second after midnight of 31st March 2016.

I don't see that the above would conflict in any way with:
a) section 9 of the Public Service Pensions Act 2013 as that only requires a HM Treasury Order to be issued each year (without specifying what the year-end or operative date should be) or
b) the revaluation provisions in the LGPS Regulations 2013 e.g. regulation 23(2) simply requires that the balance in the CARE pot at the end of the Scheme Year has to be revalued at the beginning of the new Scheme Year. It does not specifically state this must occur on 1st April, merely that it should be at the beginning of the new Scheme Year. So all that would be necessary would be to amend the definition of "Scheme Year" in Schedule 1 of the LGPS Regulations 2013 to refer to the period from 6th April to 5th April (rather than 1st April to 31st March).

The above notes are only my personal musings but I think they are worth the Technical Group giving some thought to. Are my thoughts way off beam or do they have merit? What other solutions are there and what are the risks attached to them?

If we are going to amend the Scheme Year and the PIP for the LGPS to be periods ending on 5th April 2016 and each 5th April thereafter we need to act swiftly (as 5th April 2016 is rapidly approaching).

Appendix B

Example 1: Post 31 March 2014 joiner – active whole-time member throughout the PIP – scheme year end and PIP year end are not aligned at 5 April (as from 5 April 2016)

A member joined the LGPS in England or Wales on 1 September 2014 in a low-paid, part-time post to generate some income whilst finishing his Master's degree at university. He obtained a full-time post in a fairly senior position on 1 April 2015.

Carry forward into 2014/15 of unused annual allowance

For the previous three years the person had no earnings and had not been a member of a pension scheme. Therefore there was no carry forward.

The Scheme year end for 2014/15 and the PIP for 2014/15 both end on 31 March 2015

Working out the PIA for the 2014/15 PIP

The opening value is £nil.

The closing value is calculated as:

		£
Amount of annual pension earned		= 40.54
Apply flat factor of 16	£40.54 * 16	= 648.64

The member's closing value is £648.64

The increase in the member's benefits over the PIP is £648.64 - £nil = £648.64

As this is less than the annual allowance for 2014/15 of £40,000 there is no annual allowance charge. The member has no unused annual allowance from 2012/13 or 2013/14 to carry forward.

Carry forward into 2015/16 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £39,351.36. This is broken down as:

2012/13	£nil
2013/14	£nil
2014/15	£39,351.36 (i.e. £40,000 - £648.64)

The Scheme year end for 2015/16 is 31 March and the PIP for 2015/16 ends on 5 April 2016

Working out the PIA for the 2015/16 PIP

The opening value for the annual allowance is calculated as the 2014/15 closing value of £648.64 + the specified annual allowance revaluation of 2.5% (rather than the 1.2% September 2014 CPI) = £664.86

Treasury Order revaluation for 2014/15 = 1.2% (applied 1 April 2015)
Treasury Order revalued pension at 1 April 2015 = £40.54 + 1.2% = £41.03

Pension earned 1/4/15 to 5/4/16 = £3,000.00 (I've assumed here that the pension of £3,000 is the earned pension notified for the Scheme year ending 31/3/16 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/16 and 5/4/16).

Treasury Order revaluation for 2015/16 = -0.1% (September 2015 CPI applied 1 April 2016)
Treasury Order revalued pension at 1 April 2016 = £41.03 + £3,000.00 = £3,041.03 + -0.1% = £3,037.99

Closing value at 5/4/16: £3,037.99 x 16 = £48,607.84

Pension Input Amount: £48,607.84 (Closing Value) – £664.86 (Opening Value) = £47,942.98

Of this amount, the following relates to the period 1/4/15 to 8/7/15
99/371 x £47,942.98 = £12,793.41
And the following relates to the period 9/7/15 to 5/4/16
272/371 x £47,942.98 = £35,149.57

Annual allowance for period 1/4/15 to 8/7/15 is £80,000.00

The PIA for the period 1/4/15 to 8/7/15 was £12,793.41 so the member has not exceeded the annual allowance for that period and can carry forward any unused balance into the mini PIP for 9/7/15 to 5/4/16, subject to a maximum of £40,000 (i.e. £80,000 - £12,793.41 = £67,206.59 but with a maximum carry forward of £40,000)

The annual allowance for the period 9/7/15 to 5/4/16 is £40,000 (i.e. balance carried forward from 1/4/15 to 8/7/15) plus unused annual allowance from 2014/15 of £39,351.36

The member's PIA for the period 9/7/15 to 5/4/16 was £35,149.57 so he has not exceeded the annual allowance for that period.

Carry forward into 2016/17 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £44,201.79. This is broken down as:

2013/14	£nil
2014/15	£39,351.36 (i.e. £40,000 - £648.64)
2015/16	£4,850.43 (i.e. £40,000 - £35,149.57)

The Scheme year end for 2016/17 is 31 March and the PIP for 2016/17 ends on 5 April 2017

Working out the PIA for the 2016/17 PIP

The opening value for the annual allowance is calculated as the 2015/16 closing value of £48,607.84 + the annual allowance revaluation of 0% (September 2015 CPI was -0.1% = 0% s235(3) FA 2004) = £48,607.84

Note: although the September CPI was -0.1% the annual allowance revaluation is 0.0% because section 235 of the Finance Act 2004 only allows the opening balance to be uprated by an increase (not a decrease). It says:

235 Defined benefits arrangements: uprating of opening value
(1)This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4).

(2)The opening value is to be increased by the appropriate percentage.

(3)The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.

Revalued LGPS pension as at 6 April 2016 = £3,037.99

Pension earned 6/4/16 to 5/4/17 = £3,200.00 (I've assumed here that the pension of £3,200 is the earned pension notified for the Scheme year ending 31/3/17 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/17 and 5/4/17).

Treasury Order revaluation for 2016/17 = (say) 2.0% (September 2016 CPI applied 1 April 2017)
Treasury Order revalued pension at 1 April 2017 = £3,037.99 + £3,200.00 x 2.0% = £6,362.75

Closing value at 5/4/17: £6,362.75 x 16 = £101,804.00

Pension Input Amount: £101,804.00 (Closing Value) – £48,607.84 (Opening Value) = £53,196.16

The annual allowance for the period 6/4/16 to 5/4/17 is £40,000 plus unused annual allowance from 2014/15 of £39,351.36 and unused allowance from 2015/16 of £4,850.43

The member's PIA for the period was £53,196.16 so he has exceeded the annual allowance for that period by £13,196.16 but has enough unused annual allowance to avoid a tax charge.

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £31,005.63. This is broken down as:

2014/15	£26,155.20 (i.e. £40,000 - £648.64 - £13,196.16)
2015/16	£4,850.43 (i.e. £40,000 - £35,149.57)
2016/17	£nil

The Scheme year end for 2017/18 is 31 March and the PIP for 2017/18 ends on 5 April 2017 (assuming annual allowance revaluation of Opening Value of 2.0% and Treasury Order revaluation at 1 April 2018 of 1.0%)

Working out the PIA for the 2017/18 PIP

The opening value for the annual allowance is calculated as the 2016/17 closing value of £101,804.00 + the annual allowance revaluation of (say) 2.0% (September 2016 CPI) = £103,840.08

Revalued LGPS pension as at 6 April 2017 = £6,362.75

Pension earned 6/4/17 to 5/4/18 = £3,300.00 (I've assumed here that the pension of £3,300 is the earned pension notified for the Scheme year ending 31/3/18 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/18 and 5/4/18).

Treasury Order revaluation for 2017/18 = (say) 1.0% (September 2017 CPI applied 1 April 2018)
Treasury Order revalued pension at 1 April 2018 = £6,362.75 + £3,300.00 x 1.0% = £9,759.38

Closing value at 5/4/18: £9,759.38 x 16 = £156,150.08

Pension Input Amount: £156,150.08 (Closing Value) – £103,840.08 (Opening Value) = £52,310.00

The annual allowance for the period 6/4/17 to 5/4/18 is £40,000 plus unused annual allowance from 2014/15 of £26,155.20 and unused allowance from 2015/16 of £4,850.43

The member's PIA for the period was £52,310.00 so he has exceeded the annual allowance for that period by £12,310.00 but has enough unused annual allowance to avoid a tax charge.

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £4,850.43. This is broken down as:

2015/16	£4,850.43 (i.e. £40,000 - £35,149.57)
2016/17	£nil
2017/18	£nil

The Scheme year end for 2017/18 is 31 March and the PIP for 2017/18 ends on 5 April 2017 (assuming annual allowance revaluation of Opening Value of 2.0% and Treasury Order revaluation at 1 April 2018 of 3.0%)

Working out the PIA for the 2017/18 PIP

The opening value for the annual allowance is calculated as the 2016/17 closing value of £101,804.00 + annual allowance revaluation of (say) 2.0% (September 2016 CPI) = £103,840.08

Revalued LGPS pension as at 6 April 2017 = £6,362.75

Pension earned 6/4/17 to 5/4/18 = £3,300.00 (I've assumed here that the pension of £3,300 is the earned pension notified for the Scheme year ending 31/3/18 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/18 and 5/4/18).

Treasury Order revaluation for 2017/18 = (say) 3.0% (September 2017 CPI applied 1 April 2018)
Treasury Order revalued pension at 1 April 2018 = £6,362.75 + £3,300.00 x 3.0% = £9,952.63

Closing value at 5/4/18: £9,952.63 x 16 = £159,242.08

Pension Input Amount: £159,242.08 (Closing Value) – £103,840.08 (Opening Value) = £55,402.00

The annual allowance for the period 6/4/17 to 5/4/18 is £40,000 plus unused annual allowance from 2014/15 of £26,106.59 and unused allowance from 2015/16 of £4,850.43

The member's PIA for the period was £55,402.00 so he has exceeded the annual allowance for that period by £15,402.00 but has enough unused annual allowance to avoid a tax charge.

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £4,850.43. This is broken down as:

2015/16	£4,850.43 (i.e. £40,000 - £35,149.57)
2016/17	£nil
2017/18	£nil

Example 2: Post 31 March 2014 joiner – active whole-time member throughout the PIP – scheme year end and PIP year end are aligned at 5 April (as from 5 April 2016)

A member joined the LGPS in England or Wales on 1 September 2014 in a low-paid, part-time post to generate some income whilst finishing his Master's degree at university. He obtained a full-time post in a fairly senior position on 1 April 2015.

Carry forward into 2014/15 of unused annual allowance

For the previous three years the person had no earnings and had not been a member of a pension scheme. Therefore there was no carry forward.

The Scheme year end for 2014/15 and the PIP for 2014/15 both end on 31 March 2015

Working out the PIA for the 2014/15 PIP

The opening value is £nil.

The closing value is calculated as:

		£
Amount of annual pension earned		= 40.54
Apply flat factor of 16	£40.54 * 16	= 648.64

The member's closing value is £648.64

The increase in the member's benefits over the PIP is £648.64 - £nil = £648.64

As this is less than the annual allowance for 2014/15 of £40,000 there is no annual allowance charge. The member has no unused annual allowance from 2012/13 or 2013/14 to carry forward.

Carry forward into 2015/16 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £39,351.36. This is broken down as:

2012/13	£nil
2013/14	£nil
2014/15	£39,351.36 (i.e. £40,000 - £648.64)

The Scheme year end for 2015/16 is 5 April 2016 and the PIP for 2015/16 ends on 5 April 2016

Working out the PIA for the 2015/16 PIP

The opening value for the annual allowance is calculated as the 2014/15 closing value of £648.64 + specified annual allowance revaluation of 2.5% (rather than the 1.2% September 2014 CPI) = £664.86

Treasury Order revaluation for 2014/15 = 1.2% (applied 1 April 2015)
Treasury Order revalued pension at 1 April 2015 = £40.54 + 1.2% = £41.03

Pension earned 1/4/15 to 5/4/16 = £3,000.00 (I've assumed here that the pension of £3,000 is the earned pension notified for the Scheme year ending 31/3/16 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/16 and 5/4/16).

Closing value at 5/4/16: £41.03 + £3,000.00 x 16 = £48,656.48

Pension Input Amount: £48,656.48 (Closing Value) – £664.86 (Opening Value) = £47,991.62

Of this amount, the following relates to the period 1/4/15 to 8/7/15
99/371 x £47,991.62 = £12,806.39
And the following relates to the period 9/7/15 to 5/4/16
272/371 x £47,991.62 = £35,185.23

Annual allowance for period 1/4/15 to 8/7/15 is £80,000.00

The PIA for the period 1/4/15 to 8/7/15 was £12,806.39 so the member has not exceeded the annual allowance for that period and can carry forward any unused balance into the mini PIP for 9/7/15 to 5/4/16, subject to a maximum of £40,000 (i.e. £80,000 - £12,806.39 = £67,193.61 but with a maximum carry forward of £40,000)

The annual allowance for the period 9/7/15 to 5/4/16 is £40,000 (i.e. balance carried forward from 1/4/15 to 8/7/15) plus unused annual allowance from 2014/15 of £39,351.36

The member's PIA for the period 9/7/15 to 5/4/16 was £35,185.23 so he has not exceeded the annual allowance for that period.

Carry forward into 2016/17 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £44,166.13. This is broken down as:

2013/14	£nil
2014/15	£39,351.36 (i.e. £40,000 - £648.64)
2015/16	£4,814.77 (i.e. £40,000 - £35,185.23)

The Scheme year end for 2016/17 is 5 April and the PIP for 2016/17 ends on 5 April 2017

Working out the PIA for the 2016/17 PIP

The opening value for the annual allowance is calculated as the 2015/16 closing value of £48,656.48 + the annual allowance revaluation of 0% (September 2015 CPI was -0.1% = 0% s235(3) FA 2004) = £48,656.48

Note: although the September CPI was -0.1% the annual allowance revaluation is 0.0% because section 235 of the Finance Act 2004 only allows the opening balance to be uprated by an increase (not a decrease). It says:

235 Defined benefits arrangements: uprating of opening value
(1)This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4).

(2)The opening value is to be increased by the appropriate percentage.

(3)The appropriate percentage is the percentage (if any) by which the consumer prices index for the September before the start of the tax year is higher than it was for the previous September.

Treasury Order revaluation for 2015/16 = -0.1% (September 2015 CPI applied 6 April 2016)
Treasury Order revalued pension at 6 April 2016 = £3,041.03 + -0.1% = £3,037.99

Pension earned 6/4/16 to 5/4/17 = £3,200.00 (I've assumed here that the pension of £3,200 is the earned pension notified for the Scheme year ending 31/3/17 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/17 and 5/4/17).

Closing value at 5/4/17: £3,037.99 + £3,200.00 x 16 = £99,807.84

Pension Input Amount: £99,807.84 (Closing Value) – £48,656.48 (Opening Value) = £51,151.36

The annual allowance for the period 6/4/16 to 5/4/17 is £40,000 plus unused annual allowance from 2014/15 of £39,351.36 and unused allowance from 2015/16 of £4,814.77

The member's PIA for the period was £51,151.36 so he has exceeded the annual allowance for that period by £11,151.36 but has enough unused annual allowance to avoid a tax charge.

Carry forward into 2017/18 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £33,014.77. This is broken down as:

2014/15	£28,200.00 (i.e. £40,000 - £648.64 - £11,151.36)
2015/16	£4,814.77 (i.e. £40,000 - £35,185.23)
2016/17	£nil

The Scheme year end for 2017/18 is 5 April and the PIP for 2017/18 ends on 5 April 2017

Working out the PIA for the 2017/18 PIP

The opening value for the annual allowance is calculated as the 2016/17 closing value of £99,807.84 + the annual allowance revaluation of (say) 2.0% (September 2016 CPI) = £101,803.99

Treasury Order revaluation for 2016/17 = 2.0% (September 2016 CPI applied 6 April 2017)
Treasury Order revalued pension at 6 April 2017 = £3,037.99 + £3,200.00 + 2.0% = £6,362.75

Pension earned 6/4/17 to 5/4/18 = £3,300.00 (I've assumed here that the pension of £3,300 is the earned pension notified for the Scheme year ending 31/3/18 i.e. that the employing authority has not calculated and included the pension accrued between 1/4/18 and 5/4/18).

Closing value at 5/4/18: £6,362.75 + £3,300.00 x 16 = £154,604.00

Pension Input Amount: £154,604.00 (Closing Value) – £101,803.99 (Opening Value) = £52,800.01

The annual allowance for the period 6/4/17 to 5/4/18 is £40,000 plus unused annual allowance from 2014/15 of £28,151.34 and unused allowance from 2015/16 of £4,814.77

The member's PIA for the period was £52,800.01 so he has exceeded the annual allowance for that period by £12,800.01 but has enough unused annual allowance to avoid a tax charge.

Carry forward into 2018/19 of unused annual allowance

The amount of the member's unused annual allowance from earlier years that he can carry forward is £4,850.43. This is broken down as:

2015/16	£4,814.77 (i.e. £40,000 - £35,185.23)
2016/17	£nil
2017/18	£nil

Figures in brief	Example 1 Scheme year and PIP not aligned	Example 2 Scheme year and PIP aligned from 2015/16)	Difference if Scheme year and PIP aligned
2014/15			
Opening value	£0.00	£0.00	£0.00
Opening value adjusted by appropriate %	£0.00	£0.00	£0.00
Closing value	£648.64	£648.64	£0.00
Increase in benefits over the PIP	£648.64	£648.64	£0.00
C/F 2012/13	£0.00	£0.00	£0.00
C/F 2013/14	£0.00	£0.00	£0.00
C/F 2014/15	£39,351.36	£39,351.36	£0.00
2015/16			
Opening value	£648.64	£648.64	£0.00
Opening value adjusted by appropriate % (Sept 14 CPI = 1.2% however, Finance (No.2) Act prescribes 2.5%)	£664.86	£664.86	£0.00
Closing value	£48,607.84	£48,656.48	£48.64
Increase in benefits over the PIP	£47,942.98	£47,991.62	£48.64
C/F 2013/14	£0.00	£0.00	£0.00
C/F 2014/15	£39,351.36	£39,351.36	£0.00
C/F 2015/16	£4,850.43	£4,814.77	-£35.66
2016/17			
Opening value	£48,607.84	£48,656.48	£48.64
Opening value adjusted by appropriate % (Sept 15 CPI = -0.1% = 0%)	£48,607.84	£48,656.48	£48.64
Closing value	£101,804.00	£99,807.84	-£1,996.16
Increase in benefits over the PIP	£53,196.16	£51,151.36	-£2,044.80
C/F 2014/15	£26,155.20	£28,200.00	£2,044.80
C/F 2015/16	£4,850.43	£4,814.77	-£35.66
C/F 2016/17	£0.00	£0.00	£0.00
2017/18 (assuming Sept 17 CPI 1%)			
Opening value	£101,804.00	£99,807.84	-£1,996.16
Opening value adjusted by appropriate % (Sept 16 CPI = 2%)	£103,840.08	£101,803.99	-£2,036.09
Closing value	£156,150.08	£154,604.00	-£1,546.08
Increase in benefits over the PIP	£52,310.00	£52,800.01	£490.01
C/F 2015/16	£4,850.43	£4,814.77	-£35.66
C/F 2016/17	£0.00	£0.00	£0.00
C/F 2017/18	£0.00	£0.00	£0.00

2017/18 (assuming Sept 17 CPI 3%)			
Opening value	£101,804.00	£99,807.84	-£1,996.16
Opening value adjusted by appropriate % (Sept 16 CPI = 2%)	£103,840.08	£101,803.99	-£2,036.09
Closing value	£159,242.08	£154,604.00	-£4,638.08
Increase in benefits over the PIP	£55,402.00	£52,800.01	-£2,601.99
C/F 2015/16	£4,850.43	£4,814.77	-£35.66
C/F 2016/17	£0.00	£0.00	£0.00
C/F 2017/18	£0.00	£0.00	£0.00

Terry Edwards
10th December 2015

Appendix C

The rationale for revaluing the closing balance in a member's account at one second past midnight of 31 March (so that it becomes the opening balance on 1 April), rather than increasing the closing balance at one second before midnight of 31 March, is to ensure the calculations complement the annual allowance calculations. The examples below show the effect of both calculation methods and prove that the revaluation should occur at one second after midnight of the 31 March.

Annual allowance – effect of Treasury Order revaluation being applied at one second before or one second after midnight of 31st March.

Assumptions:

Member joins the LGPS on 1/4/14
CPI September 2014 = 3%
CPI September 2015 = 2%
CPI September 2016 = 2.5%
CPI September 2017 = 3.5%

Opening balance for annual allowance is increased by CPI from September prior to the start of the Pension Input Period e.g. opening balance for 2015/16 would be increased by the September 2014 CPI figure.

Treasury Order revaluation for a scheme year will be based on the CPI from the September falling in the Scheme year e.g. a member's pension pot at the end of 2014/15 will be increased by the September 2014 CPI figure.

Treasury Order being applied at one second before midnight of 31st March for member joining scheme on 1/4/14

Pension Input Period 1/4/14 to 31/3/15

Opening value = £nil
Pension earned 1/4/14 to 31/3/15 = £1,000
Treasury Order revaluation for 2014/15 = 3%

Closing value: £1,000 + 3% = £1,030
Pension Input Amount: £1,030 – £nil x 16 = £16,480

Pension Input Period 1/4/15 to 31/3/16

Opening value = 2014/15 closing value of £1,030 + annual allowance revaluation of 3% (September 2014 CPI) = £1,060.90
Pension earned 1/4/15 to 31/3/16 = £1,100
Treasury Order revaluation for 2015/16 = 2% (applied at 31/3/16)

Closing value: £1,030 (Treasury Order revalued pension from 2014/15) + £1,100 (earned pension 2015/16) + 2% (Treasury Order revaluation for 2015/16) = £2,172.60

Pension Input Amount: £2,172.60 – £1,060.90 x 16 = £17,787.20

Pension Input Period 1/4/16 to 31/3/17

Opening value = 2015/16 closing value of £2,172.60 + annual allowance revaluation of 2% (September 2015 CPI) = £2,216.05
Pension earned 1/4/16 to 31/3/17 = £1,200
Treasury Order revaluation for 2016/17 = 2.5% (applied at 31/3/17)

Closing value: £2,172.60 (Treasury order revalued pension from 2015/16) + £1,200 (earned pension 2016/17) + 2.5% (Treasury Order revaluation for 2016/17) = £3,456.92

Pension Input Amount: £3,456.92 – £2,216.05 x 16 = £19,853.92

Pension Input Period 1/4/17 to 31/3/18

Opening value = 2016/17 closing value of £3,456.92 + annual allowance revaluation of 2.5% (September 2016 CPI) = £3,543.34
Pension earned 1/4/17 to 31/3/18 = £1,300
Treasury Order revaluation for 2017/18 = 3.5% (applied at 31/3/18)

Closing value: 3,456.92 (Treasury order revalued pension from 2016/17) + £1,300 (earned pension 2017/18) + 3.5% (Treasury Order revaluation for 2017/18) = £4,923.41

Pension Input Amount: £4,923.41 – £3,543.34 x 16 = £22,081.12

Treasury Order being applied at one second after midnight of 31st March for member joining scheme on 1/4/14

Pension Input Period 1/4/14 to 31/3/15

Opening value = £nil
Pension earned 1/4/14 to 31/3/15 = £1,000

Closing value: £1,000

Pension Input Amount: £1,000 – £nil x 16 = £16,000

Pension Input Period 1/4/15 to 31/3/16

Opening value = 2014/15 closing value of £1,000 + annual allowance revaluation of 3% (September 2014 CPI) = £1,030

Treasury Order revaluation for 2014/15 = 3% (applied 1/4/15)
Treasury Order revalued pension at 1/4/15 = £1,000 + 3% = £1,030
Pension earned 1/4/15 to 31/3/16 = £1,100

Closing value: £1,030 (brought forward pension from 2014/15 revalued on 1/4/15) + £1,100 (earned pension 2015/16) = £2,130

Pension Input Amount: £2,130 – £1,030 x 16 = £17,600

Pension Input Period 1/4/16 to 31/3/17

Opening value = 2015/16 closing value of £2,130 + annual allowance revaluation of 2% (September 2015 CPI) = £2,172.60

Treasury Order revaluation for 2015/16 = 2% (applied from 1/4/16)
Treasury Order revalued pension at 1/4/16 = £2,130 + 2% = £2,172.60
Pension earned 1/4/16 to 31/3/17 = £1,200

Closing value: £2,172.60 (brought forward pension from 2015/16 revalued on 1/4/16) + £1,200 (earned pension 2016/17) = £3,372.60

Pension Input Amount: £3,372.60 – £2,172.60 x 16 = £19,200

Pension Input Period 1/4/17 to 31/3/18

Opening value = 2015/16 closing value of £3,372.60 + annual allowance revaluation of 2.5% (September 2016 CPI) = £3,456.92

Treasury Order revaluation for 2016/17 = 2.5% (applied from 1/4/17)
Treasury Order revalued pension at 1/4/17 = £3,372.60 + 2.5% = £3,456.92
Pension earned 1/4/17 to 31/3/18 = £1,300

Closing value: £3,456.92 (brought forward pension from 2016/17 revalued on 1/4/17) + £1,300 (earned pension 2016/17) = £4,756.92

Pension Input Amount: £4,756.92 – £3,456.92 x 16 = £20,800

Terry Edwards
24 February 2014

Annex 5

The following document can be found at http://www.civilservicepensionscheme.org.uk/members/public-sector-transfer-club/ under one of the links in the section "What is the Public Sector Transfer Club?". The direct link is http://www.civilservicepensionscheme.org.uk/media/181603/transfer-club-and-annual-allowance-note240816.pdf

Transfer Club and Annual Allowance – August 2016

An HMRC Order entitled “The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) (Amendment) Order 2015” came into effect on **28th January 2015**. The Order can be found at http://www.legislation.gov.uk/uksi/2015/80/contents/made.

The Transfer Club is unique as an arrangement because the transfer value paid between the schemes does not fully reflect the value of benefits being transferred and members maintain salary and/or in-service revaluation links with the transfer. These features mean that further guidance is required to interpret the Order for years where the member takes a Club Transfer.

This guidance supersedes the previous guidance, labelled Version 1.0 and dated February 2015.

The approach agreed with HMRC is that the changes in the member benefits, as a result of a Club Transfer, should be ignored when calculating the pension input amounts. However, where the member’s accrued pension has increased in real terms as a result of a salary increase or any in-service revaluation (for the CARE schemes) this should be included in the pension input amounts. Therefore the member should be in a similar position to a member who had remained in (or returned to) the same scheme throughout the year.

This document sets out a suggested methodology to ensure appropriate pension input amounts are calculated and consistency is maintained between the Club schemes. The examples are fairly complex and have been designed to cover the majority of scenarios likely to occur in practice. However, further scenarios may arise and the general process and principles should be followed if not set out explicitly in this note. The general approach to determine the pension input amounts is in four parts:

1. Calculating the pension input amount for the transferring scheme up to the point of transfer
2. Create a notional opening balance for the receiving scheme to remove the impact of the re-shaping of benefits from the Club Transfer
3. Calculating the pension input amount for the receiving scheme from the point of transfer
4. Member needs to add the relevant pension input amounts from each scheme together to test against the annual allowance

Version 1.1 (August 2016)

Scheme managers should ensure their pension administrators are given this information, and may also wish to send it to the scheme actuary and other interested parties.

The examples in this note are designed to assist scheme administrators in calculating pension input amounts (PIAs) for a pension input period (PIP) and the terminology and approach in the note is also designed to be consistent with (and assumes familiarity with) HMRC's Pensions Tax Manual[1] and the Public Sector Transfer Club memorandum[2]. The examples cover both transfers of final salary benefits and career average benefits (for Inner Club Transfers) and are expected to be calculated in the current timeframes for Annual Allowance (AA) calculations (i.e. at the end of the tax year in which the transfer takes place). Consumer Prices Index (CPI) is assumed to be 2% p.a. for all of the examples.

As is currently the case, each scheme administrator will only calculate the PIA that relates to their own schemes. The total PIA for the year has been shown in the examples below for illustrative purposes and would be for the member to collate and consider in relation to the AA and possible tax charge.

As highlighted by the examples below, the transfer value for a Club transfer does not directly feature in the calculation of the adjustment to the PIA. This is because the benefits received in the receiving scheme are not designed to be equivalent in value to the transfer value.

Final Salary schemes
When an individual takes a Club Transfer their years of service may be actuarially adjusted to reflect differences between schemes. This adjustment is not an enhancement, hence the policy intent is to remove the impact of the adjustment from the pension input.

Separate to any actuarial adjustment, members will benefit from any salary increase between their employments. This increases the value of their pension, and the policy intent is that the value of this increase should result in a pension input, as it would do for individuals experiencing an increase in final pensionable salary without changing schemes.

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1 https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual
2 http://www.civilservicepensionscheme.org.uk/media/95419/club-memorandum-december-2015.pdf

Example 1

Example transfer from Employer A, where the member is in Scheme A, to Employer B, where the member will be in Scheme B.

Member details	**At transfer**
Age	40
Gender	Male
Final salary service	10.5 years
Pensionable pay:	
Employer A[3]	£30,000 p.a.
Employer B[4]	£40,000 p.a.

Scheme details	**Scheme A**	**Scheme B**
Scheme structure	Final Salary	Final Salary
Accrual rate	1/80	1/60
Automatic lump sum	3/80	None
Spouses proportion	50%	37.5%
Normal pension age	60	65
Deferred revaluation	CPI	CPI

We are also assuming that the Club transfer takes place half way through the PIP and that there is no gap between the member leaving Scheme A and joining Scheme B.

The opening balance for Scheme A[5] = 30,000 x 10 x 1/80 x 1.02 x 16 + 30,000 x 10 x 3/80 x 1.02 = £72,675.00

Accrued pension at the transfer date = 30,000 x 10.5 x 1/80 = £3,937.50

Accrued lump sum at the transfer date = 30,000 x 10.5 x 3/80 = £11,812.50

The closing balance of Scheme A would be zero but needs adjusting due to the transfer gives 3,937.50 x 16 + 11,812.50 = £74,812.50

So the PIA for scheme A = 74,812.50 – 72,675.00 = **£2,137.50**

The Club service credit[6] in Scheme B = (3,937.50 x 10.74 + 11,812.50 x 0.57 + 3,937.50 x 0.5 x 2.48) / (30,000 x 1/60 x 8.24 + 30,000 x 1/60 x 0.375 x 2.48) = 11.76 years (11 years 276 days). So an increase by 1.26 years (1 years 94 days)

The notional opening balance for Scheme B is zero but adjusting it due to the transfer gives[7] 30,000 x 11.76 x 1/60 x 16 = £94,080.00

The closing balance for Scheme B = 40,000 x (11.76 + 0.5) x 1/60 x 16 = £130,773.33

The PIA for scheme B = 130,773.33 – 94,080.00 = **£36,693.33**

The total PIA for the individual across both schemes for the PIP = 36,693.33 + 2,137.50 = £38,830.83

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3 Pensionable pay is assumed to be unchanged from the start of the PIP to the transfer date.
4 Pensionable pay is assumed to be unchanged from after the transfer to the end of the PIP.
5 In all examples the ‘opening balance’ is defined as calculation is accrued pension at the start of the year (pensionable salary x pensionable service x accrual rate – for final salary schemes) increased in line with CPI over the year and multiplied by the annual allowance factor plus the accrued lump sum increased in line with CPI over the year.
6 Using factors and methodology from PSTC 5 version of the Club memorandum
7 The adjustment is based on the scheme benefits the member would have received if they had the same salary as before the transfer

Example 2
This example is identical to example 1 except that there is a 3 year gap between leaving Scheme A and joining Scheme B (the member left at age 37 so is still age 40 at the transfer date). Also the PIP in this example is for the year of transfer into Scheme B (rather than any previous years).

As the member is a deferred pensioner there is no further accrual of benefits or links to salary growth and so there is no PIA for Scheme A.
Notional deferred salary at the transfer date[8] = 30,000 x 1.01 x 1.02 x 1.02 = 31,524.12

The Club service credit in Scheme B[9] = 11.76 years (the same as example 1)

The notional opening balance for Scheme B is zero but adjusting it due to the transfer gives 31,524.12 x 11.76 x 1/60 x 16 = £98,859.64

The closing balance for Scheme B = 40,000 x (11.76 + 0.5) x 1/60 x 16 = £130,773.33

The PIA for scheme B = 130,773.33 – 98,859.64 = **£31,913.69**

Career Average Schemes (LGPS 2014 scheme and other post 2015 schemes)

The Club CARE transferred-in pension is essentially the accrued pension from the sending scheme, adjusted as necessary to reflect any differences in the basic benefit structure between the two schemes (e.g. if the spouse/partner's pension proportion is different in the receiving scheme, this will affect the transferred-in pension).

For members taking a Club Transfer of career average benefits, the annual value of the benefit transferred (after any adjustment) will be ring-fenced within the receiving scheme and receive revaluation equal to what would have been received in the previous scheme for as long as the member remains active (but in all other regards the pension is under the rules of the new scheme, not the previous scheme).

A member’s annual pension may be actuarially adjusted to reflect differences between schemes. This adjustment is not an enhancement and hence the policy intent is to remove the impact of the adjustment from the pension input.

Unlike with final salary schemes, member’s accrued pensions are not linked to any salary increase between their employments. However, the member does receive in-service revaluation whilst they remain in service and members may therefore benefit from enhanced revaluation being applied on re-employment to cover the period of the break in employment. This type of increase should be recorded as a pension input.

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[8] Includes revaluation from the date of leaving until the previous April (1.01 x 1.02 x 1.02) and assumes the pensionable salary at date of leaving equalled the final pensionable salary
[9] The service credit calculation would be based on the accrued pension at the guarantee date, which would be different from example 1 but will result in the same service credit

Example 3
Example transfer from Employer A where the member is in Scheme A to Employer B where the member will be in Scheme B.

Member details	
Age	40
Gender	Male
Accrued pension:	
Start of year[10]	£5,000 p.a.
In year to transfer	£250 p.a.
State Pension Age	67

Scheme details	**Scheme A**	**Scheme B**
Scheme structure	CARE	CARE
In-service revaluation	CPI + 1.5%	CPI
Automatic lump sum	None	None
Spouses proportion	37.5%	37.5%
Normal pension age	65	SPA
Deferred revaluation	CPI	CPI

We are assuming that the Club transfer takes place half way through the PIP, that the member accrues £300 of pension in scheme B, and that there is no gap between the member leaving Scheme A and joining Scheme B

So the opening balance for Scheme A = 5,000 x 1.02 x 16 = £81,600.00

Accrued pension at the transfer date = 5,000 + 250 = £5,250.00

The closing balance of Scheme A would be zero but needs adjusting due to the transfer gives 5,250.00 x 16 = £84,000.00

So the PIA for scheme A = 84,000.00 – 81,600.00 = **£2,400.00**

The Club accrued pension in Scheme B = 5,250.00 x (8.24 + 0.375 x 2.48) / (7.35 + 0.375 x 2.48) = £5,814.31

The notional opening balance for Scheme B is zero but adjusting it due to the transfer gives 5,814.31 x 16 = £93,028.96

The closing balance for Scheme B[11] = (5,814.31 x 1.035 + 300 x 1.02) x 16 = £101,180.97

The PIA for scheme B = 101,180.97 – 93,028.96 = **£8,152.01**

The total PIA for the individual across both schemes for the PIP = 8,152.01 + 2,400.00 = **£10,552.01**

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10 Includes the in-service revaluation awarded at 1 April as PIP assumed to be from 6 April
11 Includes in-service revaluation for both the transferred pension pot (1.035) and service in the new scheme (1.02) on 1 April (which is before the end of the PIP)

Example 4

This example is identical to example 3 except that there is a 3 year gap between leaving Scheme A and joining Scheme B (the member left at age 37 so is still age 40 at the transfer date). Also the PIP in this example is for the year of transfer into Scheme B (rather than any previous years).

As the member is a deferred pensioner there is no further accrual of benefits or links to in-service revaluation and so there is no PIA for Scheme A.

Accrued pension at date of leaving[12] = 5,000 + 250 = £5,250.00

So the accrued pension at the transfer date is[13] = 5,250 x 1.0175 x 1.01 x 1.02 x 1.02 = £5,613.26

The accrued pension on re-joining Scheme A would be[14] = 5,250 x 1.035 x 1.035 x 1.035 = £5,820.77

The Club accrued pension in Scheme B = 5,820.77 x (8.24 + 0.375 x 2.48) / (7.35 + 0.375 x 2.48) = £6,446.43 (increase in pension by 10.75%)

The notional opening balance for Scheme B is zero but adjusting it due to the transfer gives[15] 5,613.26 x (8.24 + 0.375 x 2.48) / (7.35 + 0.375 x 2.48) x 16 = £99,465.88

The closing balance for Scheme B = (6,446.43 x 1.035 + 300 x 1.02) x 16 = £111,648.88

The PIA for scheme B = 111,648.88 – 99,465.88 = **£12,183.00**

Other considerations

Schemes with currently different PIP

The approach adopted should be consistent with CETV transfers, which I understand would be to determine the PIA for Scheme A based on the Scheme A's PIP and the PIA for Scheme B based on the Scheme B's PIP.

The PIAs in the same tax years are then summed together by the member to test against the AA in each tax year. This is consistent with the examples above.

Guarantee date and date transfer received in different PIPs

It is possible that the guarantee date as set by the Club memorandum and the date the transfer is actually received by the receiving scheme fall into different

12 This does not including the half year in-service revaluation from previous April until the date of leaving

13 Includes the half year in-service revaluation (1.0175) and deferred revaluation until the transfer date (1.01 x 1.02 x 1.02)

14 Includes 3 years of in-service revaluation (1.035 x 1.035 x 1.035)

15 The notional balance is based on the accrued pension at the transfer date adjusted for the percentage increase in the pension as a result of the Club adjustment [(8.24 + 0.375 x 2.48) / (7.35 + 0.375 x 2.48)]

PIPs. For the avoidance of doubt the same approach should be adopted as for CETV transfers, which is generally that the date the transfer is received determines the PIA and PIP. Therefore the calculations produced for the Club transfer (which are based on data as at the guaranteed date) may differ from the calculations set out in this note (which are based on data as at the transfer date).

Transitional rules for tax year 2015-16

From 6 April 2016 the PIPs used in all pension schemes must be aligned with the tax year. As a consequence, HMRC guidance sets out transitional arrangements in place during the 2015-16 to achieve this alignment. These transitional arrangements involve splitting the 2015-16 tax year into two mini-PIPs, and replacing the measure of CPI used in Annual Allowance calculations with 2.5%. The transitional changes will not affect the fundamental principles in calculating the adjustment due to a Club transfer as set out in the examples.

GMPs

In principle the transfer of GMPs should not impact on the calculation of PIAs. No additional adjustments should be required as GMPs are not considered when determining accrued pensions for AA purposes.

Pension debits and other benefit adjustments

Adjustments are sometimes made to Club transfers to allow for the impact of pension debits and other benefit adjustments. The approach adopted in these cases should be consistent with the principles underlying the examples above, however, the scheme may wish to discuss with HMRC if further guidance is required.

Aggregation/Linkage

Aggregation or linkage of pensions is primarily where a member with deferred benefits in a scheme brings those deferred benefits into their active record. Such cases should be straightforward in determining the PIA so are not covered in this guidance. However, there may be circumstances for certain schemes where an aggregation or linkage occurs where the benefits are reshaped (e.g. a change to NPA, accrual rate, etc). These aggregations are not the same as a Club transfer, however, it may be reasonable to apply the Club methodology to calculate the PIA for a PIP containing such an aggregation of benefits. Whether it is appropriate to use the Club methodology for specific aggregation cases should be decided by the scheme who may wish to discuss this with HMRC.

Example 5

Scheme and member data:

A member of a CARE pension scheme (which also can provide a service link to final salary benefits within the same tax arrangement) with NPA 65 and in-service revaluation of CPI (Scheme section A) links a deferred final salary (Scheme section B) pension benefits (NPA 60, 80th accrual rate of pension and 3 times pension lump sum) half way through the PIP. On aggregation the linked final salary benefits become; NPA 65, 60th accrual rate and no lump sum (within Scheme section A). Their current salary is £40,000 (both at the point of transfer and at the end of the PIP).

Accrued Scheme section A pension at start of PIP[16] = £2,000

Accrued Scheme section A pension over the PIP = £1,000

Accrued Scheme section B deferred pension at the transfer date = £5,000 (based on reckonable service of 16 years and hence a deferred salary of £25,000)

Linked service = 18 years (to allow for the change in benefit structure increased from 16 years)

Calculations:

As the member is a deferred pensioner there is no further accrual of benefits or links to in-service revaluation and so there is no PIA for Scheme section B.

So the opening balance for Scheme section A would be = 2,000 x 1.02 x 16 = £32,640.00 but notionally adjusting it due to the transfer to add 25,000 x 18 x 1/60 x 16 = £120,000.00. So the revised balance for Scheme section A would be = 32,640.00 + 120,000.00 = £152,640.00

The accrued final salary pension on joining Scheme section A would be = 40,000 x 18 x 1/60 = £12,000.00

The closing balance for Scheme section A[17] = [(2,000 + 1,000) x 1.02 + 12,000] x 16 = £240,960.00

So the PIA for scheme section A = 240,960.00 – 152,640.00 = **£88,320.00**

16 Includes the in-service revaluation awarded at 1 April as PIP assumed to be from 6 April
17 The CARE benefits increase in line with the in-service revaluation (1.02) and the accrued final salary pension at the end of the PIP is the same as the point of transfer as the salary is assumed not to change over the remainder of the year