



FDA guide to pension tax relief

Annual and lifetime
allowance

Introduction

A major area of concern for members with long service and/or high salaries is the impact of the tax regime on pension savings. While tax relief is applied to pension contributions, increasingly this is being restricted through reductions in the annual and lifetime allowances: the amount of pension an individual can save 'tax free'.

HMRC use particular formulae for assessing the annual and lifetime allowance limits that mean it is not as simple as looking at the headline amounts of pension saved from year to year to determine whether or not the limit is breached.

This guide seeks to explain the process and enable members to ascertain whether they are likely to be affected and if so, what can be done.

If members would like further advice in this area they should contact an Independent Financial Adviser who is legally able to advise on these matters. Through FDA Portfolio members can access the services of Lighthouse Financial Advisers via the FDA website at www.fda.org.uk. Lighthouse offer FDA members a free initial consultation but should this lead to more detailed advice FDA members will benefit from a special reduced rate.

This guide uses the current rules and limits. In his July 2015 Summer Budget, George Osborne announced further changes to the Annual Allowance which will apply from the 2016-17 tax year and affect anyone earning more than £150,000 a year. He also announced a change to the Pension Input Period for all schemes which affects the Annual Allowance in the 2015-16 tax year.

Pension Tax relief: Tax year ending 5 April 2016

Government gives tax relief on contributions to pension schemes and allows up to 25% of the benefits to be taken tax-free at retirement. Since 2006, there have been limits on the amount which may be contributed each year, and the total benefits an individual may build up over their career. Beyond these limits, tax charges apply.

The limits are:

Annual Allowance ("AA")	This is the limit on the 'value' of pension benefit which can be earned each year. For the 2015/16 tax year, the limit is £40,000.
Lifetime Allowance ("LTA")	This is the limit on the maximum amount of benefits anyone can earn over their career. It currently stands at £1.25 million, but will reduce to £1 million from April 2016. After that, it will increase each year in line with inflation.

The main pension schemes offered to FDA members, now and in the past, have been defined benefit pension schemes. That is, schemes where benefits are based on a member's service and salary, rather than the accumulated value of contributions paid into the scheme.

For defined benefit pension schemes such as Classic, Classic Plus, Premium, Nuvos and Alpha, HMRC uses conversion factors to calculate the 'value' of the benefits earned and tests this value against the above limits. These conversion factors are as follows:

Annual Allowance - each £1pa pension earned in a year is assumed to be worth £16. Any additional cash sums earned on top are valued on a £1-for-£1 basis.

The pension earned over the year is calculated as the total pension earned at the END of the period (called the "Pension Input Period" or "PIP") minus the total pension at the START of the PIP adjusted for inflation.

If you (or your employer) have paid any contributions to a defined contribution scheme (such as an AVC scheme or into **partnership**), these are also added.

Changes announced in the July 2015 Summer Budget

In his July 2015 Summer budget, George Osborne announced that from April 2016 the Annual Allowance for those earning over £150,000 a year will be reduced by £1 for every £2 earned over £150,000, until a minimum Annual Allowance of £10,000 is reached. This means that from April 2016 the Annual Allowance for high earners will be as follows:

Salary	Annual Allowance
£150,000	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000	£10,000

Another change announced by the Chancellor was that Pension Input Periods for all pension schemes will be aligned to run concurrent with the tax year from the 2016-17 tax year. To assist with implementation, there will be a transitional period running from Summer Budget day (8 July) to 5 April 2016. During this time, the current PIP will end on 8 July 2015 and a new PIP will run from 9 July 2015 to 5 April 2016. A transitional Annual Allowance of £80,000 will apply for the whole of the 2015-16 tax year, but subject to a £40,000 allowance for the period from 9 July 2015 to 5 April 2016.

Lifetime Allowance - each £1pa pension is assumed to be worth £20. Any additional cash sums earned on top are valued on a £1-for-£1 basis.

If you (or your employer) have paid any contributions to a defined contribution scheme (such as an AVC scheme or into partnership), the amount accumulated at retirement is also added.

NOTE: Your State pension does not count towards your Annual Allowance or Lifetime Allowance limits.

Annual Allowance (“AA”)

Am I likely to be affected?

An increase in pension of £2,500 pa over a year would breach the AA limit. This means an alpha member would be affected if they earned over £108,000 pa. Those with past or current service in classic, classic plus, or premium may be affected if their salary is much less than this because the value of the link to final salary on pension earned in those schemes also counts towards the AA.

However, it is not just the very high earners who will be affected. Those with long service, getting a promotion or large pay rise, buying added pension (especially lump sum purchases), paying AVCs or EPAs, transferring in service from another public sector pension scheme or linking a previous period of employment from the civil service, or retiring on ill-health with an enhancement to service, could also be affected.

Examples and heat charts at the end of this briefing will help you check if you are affected.

What should I do if I think I might be affected?

If you breach the AA limit in your sole employment, you will automatically be sent an AA statement. If you have more than one employment and think the total benefits from all of your employments may breach the limit, you will need to request a statement from each scheme.

You should also ask for statements for the preceding 3 years. Unused allowances from the previous 3 years can be carried forward to help keep you within the limit. HMRC’s calculator will show you if this could help:

<http://www.hmrc.gov.uk/tools/annualallowancelimit/index.htm>

If you breach the AA limit, it is up to you to tell HMRC. You do this via self-assessment (so you will need to request a form if you do not get one automatically). The deadline for self-assessment for the 2014-15 tax year is 31 January 2016.

Who is most likely to be affected?

- High-earners
- Long service
- Promotion or large pay-rise
- Buying added pension
- Paying AVCs or EPAs
- Redundancy
- Transferring in service
- Linking previous service
- Retirement on ill-health with enhanced service - more information here:

http://www.civilservicepensionscheme.org.uk/media/26327/ept309_annexc.pdf

For examples, go to Page 8

For heat charts, go to Page 14

What will it cost me if I do breach the limit?

You will pay income tax at your marginal rate on the amount by which the increase in the value of your pension exceeds the AA.

If the amount of tax you owe is over £2,000, you can choose instead to let your scheme pay the tax for you. In return, the scheme makes a corresponding reduction to your benefits. This is known as "Scheme pays".

To get a quotation of Scheme pays, you need to contact the Civil Service Pension Scheme Contact Centre:

MyCSP, PO Box 2017, Liverpool, L69 2BU

Telephone: 0300 123 6666

email: contactcentre@mycsp.co.uk

The deadline to use Scheme pays for the 2014-15 tax year is 31 December 2015.

Lifetime Allowance ("LTA")

Am I likely to be affected?

The LTA will affect anyone reaching retirement whose scheme pension exceeds £50,000 pa. Again, there are examples and heat charts at the end of this briefing to help you check if you are likely to be affected.

As the name suggests, the Lifetime Allowance applies to the total pension you have built up over your career, so if you built up pension in a previous employment then that also has to be taken into account. Your scheme will ask you for information about any other pensions you have when you retire so that it can check you are within the LTA. It will also provide you with a statement of what percentage of your LTA your civil service pensions have used up. You will need to give this to the administrator of any other pension scheme you retire from after your civil service pension has started so they can check that you are still within your LTA.

Some people are entitled to a special LTA. For example, your LTA may be increased if you are granted part of your spouse's pension benefits on divorce, or a reduced allowance may apply if you retire before minimum pension age. More details can be found here:

http://www.civilservicepensionscheme.org.uk/media/30028/ypt_web_feb2013.pdf

What should I do if I think I might be affected?

The LTA has been reduced a number of times in recent years. Individuals who had already earned benefits in excess of the new limit at the time of a reduction have been allowed to apply to HMRC to protect their benefits.

Various protections have been available in the past. Currently the only form of protection available is "Individual Protection 2014" or "IP2014". This applies to anyone whose pension benefits were worth more than £1.25m on April 2014. IP2014 allows successful applicants to retain a personal LTA of up to £1.5m.

The deadline to apply for IP2014 is 5 April 2017.

Even though your scheme will collect and pay the tax, if you breach the LTA, it is up to you to tell HMRC. You do this via self-assessment (so you will need to request a form if you do not get one automatically).

What will it cost me if I do breach the limit?

Your scheme will work out how much tax you owe and deduct the tax before you start getting your pension.

The rate of tax you pay on pension savings above your LTA depends on how the money is paid to you as follows:

- 55% if you get it as a lump sum;
- 25% if you get it as pension payments.

Appendix A: Annual Allowance

The following examples show how members in different situations may be affected by Annual Allowance. The Pension Input Period ("PIP") for the Civil Service pension scheme runs from 1 January to 31 December each year. So, the PIP ending on 31 December 2015 is relevant for the 2015/16 tax year. In all examples, CPI inflation is assumed to increase by 2% a year.

- Example A1: Member in Classic, Classic Plus Or Premium
- Example A2: Member who has only ever been in Nuvos or Alpha
- Example A3: Added pension
- Example A4: EPA
- Example A5: Redundancy: actuarially-reduced pension buy-out

Who is most likely to be affected?

- High-earners
- Long service

Individual Protection 2014

- Eligibility: Your pension was worth more than £1.25m on 5 April 2014
- Deadline: 5 April 2017
- Apply here: <https://online.hmrc.gov.uk/shortforms/form/IP2014?dept-name=&sub-dept-name=&location=36>

For an example, go to Page 17

For heat charts, go to Page 18

Example A1: Member in Classic, Classic Plus or Premium

Alice has been employed in the civil service for 14 years. Her first role was as a Fast Streamer in 2001, then a Grade 7 in 2007, and Deputy Director (SCS1) in 2009. Her pensionable salary on 1st January 2015 is £72,000. She was in classic until 1st April 2015 when she transferred to alpha. In 2015, she is promoted to Director (SCS2) with a pensionable salary of £86,000.

Step 1: Calculate the value at the START of the PIP (1 January 2015) and "inflation proof":

Pension = $(£72,000 \times 14/80) = £12,600$ pa
Lump sum = $(3 \times 72,000 \times 14/80) = £37,800$
"Inflation proof" pension = $£12,600 \times 1.02 = £12,852$ pa
"Inflation proof" lump sum = $£37,800 \times 1.02 = £38,556$

Step 2: Calculate the value at the END of the PIP (31 December 2015):

Pension = $£86,000 \times 14/80$ (Classic) plus $2.32\% \times £86,000$ (alpha) = $£17,045$ pa
Lump sum = $3 \times £86,000 \times 14/80$ (Classic only) = $£45,150$

Step 3: Calculate the increase in value over the PIP:

Pension = $(£17,045 - £12,852) \times 16 = £67,088$
Lump sum = $(£45,150 - £38,556) = £6,594$

Step 4: Test against the Annual Allowance:

Annual Allowance exceeded by: $(£67,088 + £6,594) - £40,000 = £33,682$
So, Alice will need to look at any unused allowances over the previous 3 years

Step 5: Carried forward Annual Allowance from previous 3 years [See Note below]:

2014/15 unused Annual Allowance: $£22,960$
2013/14 unused Annual Allowance: $£32,779$
2012/13 unused Annual Allowance: $£34,275$
Total unused allowance: $(£22,960 + £32,779 + £34,275) = £90,014$

Step 6: Calculate any tax charge payable:

The unused allowance from the previous 3 years (£90,014) more than covers the amount that this year's Annual Allowance was exceeded (£33,682). Therefore, Alice will not be subject to any tax charge. Alice has £56,332 (£90,014 - £33,682) of unused allowance to carry forward to next year.

Note: Unused Annual Allowances from previous years was calculated assuming Alice's progress through the SCS1 pay scale in the years up to 2014 was equivalent to a 2% pa pay rise each year.

Example A2: Member who has only ever been in Nuvos or Alpha

Emma has been employed in the Cabinet Office for 7 years as a SCS1 HR Deputy Director. She earns £75,000. Emma is a member of Nuvos, but will transfer to Alpha on 1 April 2015.

Step 1: Calculate the value at the START of the PIP (1st January 2015) and "inflation proof":

Pension = £12,146 pa [See Note below]

"Inflation proof" pension

$$= £12,146 \times 1.02 = £12,389 \text{ pa}$$

Step 2: Calculate the value at the END of the PIP (31st December 2015):

Pension = £12,146 x 1.02 (Nuvos pension increased in line with inflation)

$$+ 2.32\% \times £75,000 \text{ (Alpha)}$$

$$= £14,129 \text{ pa}$$

Step 3: Calculate the increase in value over the PIP:

$$\text{Pension} = (£14,129 - £12,389) \times 16 = £27,840$$

Step 4: Test against the Annual Allowance:

The Annual Allowance of £40,000 comfortably covers the increase in value of £27,824, so Emma will not be subject to any tax charge.

Comment:

Any pension earned in Nuvos or Alpha is revalued each year up to retirement in line with inflation rather than being linked to the individual's salary. This means that (apart from any slight differences caused by the date at which inflation is measured for the two calculations) the pension in respect of all previous years included at Step 2 will be equal to the "inflation proofed" pension calculated at Step 1, and so the difference between the two will just be the pension earned in the current year.

In Emma's case this is $2.32\% \times £75,000 = £1,740$ pa, which has a value of $£1,740 \times 16 = £27,840$.

Therefore, anyone with only Nuvos and/or Alpha service will need to earn nearly £108,000 a year before the limit is breached (because $2.32\% \times 108,000 \times 16 = £40,089$).

Note: Pension accumulated up to 6 April 2015 calculated assuming Emma's progress through the SCS1 pay scale in the years up to 2015 was equivalent to a 2% pa pay rise each year.

Example A3: Added pension

Now, let's suppose Emma (from Example A2) decides to buy some Added pension. The maximum amount of Added pension she can buy is currently £6,500 pa, which can be purchased by a lump sum or over a number of years. The PIP for the civil service pension scheme runs from 1 January to 31 December, so any Added pension bought on or after 1 January 2015 will count towards the increase in the value of her pension benefits in the 2015/16 tax year. Crucially, the value is based on the amount of pension purchased, not the amount of the contribution.

(a) Purchased by a lump sum

Step 1: Calculate the value at the START of the PIP (1 January 2015) and "inflation proof":

Pension = £12,146 pa [See Note below]

"Inflation proof" pension = £12,146 x 1.02 = £12,389 pa

Step 2: Calculate the value at the END of the PIP (31st December 2015):

Pension = £12,146 x 1.02 (Nuvos pension increased in line with inflation)

+ 2.32% x £75,000 (Alpha)

+ £6,500 (Added pension as a lump sum)

= £20,629 pa

Step 3: Calculate the increase in value over the PIP:

Pension = (£20,629 - £12,389) x 16 = £131,840

Step 4: Test against the Annual Allowance:

Annual Allowance exceeded by: £131,840 - £40,000 = £91,840

So, Emma will need to look at any unused allowances over the previous 3 years. If she doesn't have any unused allowance, her tax charge would be £91,840 x 40% = £36,736.

(b) Purchased over 10 years

Step 1: Calculate the value at the START of the PIP (1 January 2015) and "inflation proof":

Pension = £12,146 pa [See Note below]

"Inflation proof" pension = £12,146 x 1.02 = £12,389 pa

Step 2: Calculate the value at the END of the PIP (31 December 2015):

Pension = £12,146 x 1.02 (Nuvos pension increased in line with inflation)

+ 2.32% x £75,000 (Alpha)

+ £6,500 x 1 / 10 (Added pension purchased over 10 years)

= £14,779 pa

Step 3: Calculate the increase in value over the PIP:

Pension = (£14,779 - £12,389) x 16 = £38,240

Step 4: Test against the Annual Allowance:

The Annual Allowance of £40,000 covers the increase in value of £38,240, so Emma will not be subject to any tax charge.

Note: Pension accumulated up to 6 April 2015 calculated assuming Emma's progress through the SCS1 pay scale in the years up to 2015 was equivalent to a 2% pa pay rise each year.

Example A4: EPA

David decides to buy an EPA. EPAs work by allowing members to take part of their pension earlier than their Normal Pension Age (NPA) without an early payment reduction, in return for paying higher contributions. You can choose to build up EPA pension that can be taken without reduction 1, 2 or 3 years before your alpha NPA, but not before age 65.

Note: If you have bought the maximum amount of alpha Added pension, you cannot buy an EPA. If you buy an EPA, this could affect how much Added pension you are able to buy.

For more information on EPA click here:

http://www.civilservicepensionscheme.org.uk/media/95048/epafs_v1_160215.pdf

For Annual Allowance purposes, EPAs will only affect the calculation in the tax year you retire, and only if retiring at an earlier age than your NPA. In this example, we assume that David is retiring at age 65 with a current salary of £115,000 (which was the same in the previous year). His NPA is 68, and he has been buying his EPA for 2 years.

Here, the value is based on the amount of pension at retirement calculated with reference to which EPA is bought, not the amount of the contributions paid to buy an EPA.

(a) David buys an EPA of "NPA minus 1 year", i.e. his pension is reduced from age 67, not 68

Step 1: Calculate the value at the START of the PIP and "inflation proof":

Pension = $2.32\% \times £115,000 = £2,668$ pa

"Inflation proof" pension = $£2,668 \times 1.02 = £2,721$ pa

Step 2: Calculate the value at the END of the PIP:

Pension = $£2,668 \times 1.02$ (Alpha pension increased in line with inflation)
+ $2.32\% \times £115,000$ (Alpha)
= $£5,389$ pa

Reduced pension due to retiring 2 years before age 67 = $£5,389 \times 89.4\% = £4,818$ pa

Step 3: Calculate the increase in value over the PIP:

Pension = $(£4,818 - £2,721) \times 16 = £33,552$

Step 4: Test against the Annual Allowance:

The Annual Allowance of £40,000 covers the increase in value of £33,552, so David will not be subject to any tax charge.

(b) David buys an EPA of “NPA minus 2 years”, i.e. his pension is reduced from age 66, not 68

Step 1: Calculate the value at the START of the PIP and “inflation proof”:

Pension = $2.32\% \times \text{£}115,000 = \text{£}2,668$ pa

“Inflation proof” pension = $\text{£}2,668 \times 1.02 = \text{£}2,721$ pa

Step 2: Calculate the value at the END of the PIP:

Pension = $\text{£}2,668 \times 1.02$ (Alpha pension increased in line with inflation)

+ $2.32\% \times \text{£}115,000$ (Alpha)

= $\text{£}5,389$ pa

Reduced pension due to retiring 1 year before age 66 = $\text{£}5,389 \times 94.7\% = \text{£}5,103$ pa

Step 3: Calculate the increase in value over the PIP:

Pension = $(\text{£}5,103 - \text{£}2,721) \times 16 = \text{£}38,112$

Step 4: Test against the Annual Allowance:

The Annual Allowance of $\text{£}40,000$ covers the increase in value of $\text{£}38,112$, so David will not be subject to any tax charge.

(c) David buys an EPA of “NPA minus 3 years”, i.e. his pension is reduced from age 65, not 68

Step 1: Calculate the value at the START of the PIP and “inflation proof”:

Pension = $2.32\% \times \text{£}115,000 = \text{£}2,668$ pa

“Inflation proof” pension = $\text{£}2,668 \times 1.02 = \text{£}2,721$ pa

Step 2: Calculate the value at the END of the PIP:

Pension = $\text{£}2,668 \times 1.02$ (Alpha pension increased in line with inflation)

+ $2.32\% \times \text{£}115,000$ (Alpha)

= $\text{£}5,389$ pa (no reduction applies)

Step 3: Calculate the increase in value over the PIP:

Pension = $(\text{£}5,389 - \text{£}2,721) \times 16 = \text{£}42,688$

Step 4: Test against the Annual Allowance:

Annual Allowance exceeded by: $\text{£}42,688 - \text{£}40,000 = \text{£}2,688$

So, David will need to look at any unused allowances over the previous 3 years. If he doesn't have any unused allowance, his tax charge would be $\text{£}2,688 \times 40\% = \text{£}1,075$.

Example A5: Redundancy: actuarially-reduced pension buy-out

If you leave the civil service early on voluntary or compulsory redundancy, or on voluntary exit, you may be entitled to a compensation payment under the Civil Service Compensation Scheme (CSCS).

You can also choose to take your pension if you have reached your minimum pension age. If you take your pension after minimum pension age but before your normal pension age, it will be actuarially reduced for early payment. However, you can “buy out” this reduction if you want to so that your pension is paid in full, and you can use any compensation you may receive under the CSCS to fund this if you wish.

For Annual Allowance purposes, buying out the actuarial reduction works in a similar way to buying an EPA, where the EPA removes all of the actuarial reduction at retirement.

Example A4(c) (“EPA of minus 3 years”) on the previous page is equivalent to buying-out the actuarial reduction on redundancy at age 65 where the member’s NRA is 68.

Heat charts

If you have only ever been a member of nuvos or alpha, you are only likely to breach the Annual Allowance (“AA”) limit if you earn over £108,000 (or have bought Added pension, an EPA or buy-out the actuarial reduction on redundancy).

The situation is more complicated for anyone who has service in classic, classic plus, or premium. Generally speaking, the more service you have and the larger your salary, the more likely you are to exceed the AA.

The heat charts below will give you an indication as to whether or not you might breach the AA limit by giving an illustration of the PIP increase, depending on what scheme you were in and what scheme you move to, using the following key:

RED	You will breach the £40,000 AA limit with a pay-rise of 2% above CPI.
AMBER	You will breach the £40,000 AA limit with a pay-rise of between 2% and 8% above CPI
GREEN	A pay-rise of over 8% above CPI would be need to breach the £40,000 AA limit

The figures in the heat charts show the increase in value of the pension (and lump sum where appropriate) over the year assuming a pay rise of 2% above CPI.

Classic

Service (years)							
	10	15	20	25	30	35	40
Salary							
30,000		9,548	10,260	10,973	11,685	12,398	13,110
35,000		11,139	11,970	12,801	13,633	14,464	15,295
40,000		12,730	13,680	14,630	15,580	16,530	17,480
45,000		14,321	15,390	16,459	17,528	18,596	19,665
50,000		15,913	17,100	18,288	19,475	20,662	21,850
55,000		17,504	18,810	20,116	21,423	22,729	24,035
60,000		19,095	20,520	21,945	23,370	24,795	26,220
65,000		20,686	22,230	23,774	25,318	26,861	28,405
70,000		22,278	23,940	25,603	27,265	28,927	30,590
75,000		23,869	25,650	27,431	29,213	30,994	32,775
80,000		25,460	27,360	29,260	31,160	33,060	34,960
85,000		27,051	29,070	31,089	33,108	35,126	37,145
90,000		28,643	30,780	32,918	35,055	37,192	39,330
95,000		30,234	32,490	34,746	37,003	39,259	41,515
100,000		31,825	34,200	36,575	38,950	41,325	43,700
105,000		33,416	35,910	38,404	40,898	43,391	45,885
110,000		35,008	37,620	40,233	42,845	45,457	48,070
115,000		36,599	39,330	42,061	44,793	47,524	50,255
120,000		38,190	41,040	43,890	46,740	49,590	52,440

Classic Plus

Salary	Service (years)						
	10	15	20	25	30	35	40
30,000		10,676	11,389	12,101	12,814	13,526	14,239
35,000		12,456	13,287	14,118	14,949	15,781	16,612
40,000		14,235	15,185	16,135	17,085	18,035	18,985
45,000		16,014	17,083	18,152	19,221	20,289	21,358
50,000		17,794	18,981	20,169	21,356	22,544	23,731
55,000		19,573	20,879	22,186	23,492	24,798	26,104
60,000		21,353	22,778	24,203	25,628	27,053	28,478
65,000		23,132	24,676	26,219	27,763	29,307	30,851
70,000		24,911	26,574	28,236	29,899	31,561	33,224
75,000		26,691	28,472	30,253	32,034	33,816	35,597
80,000		28,470	30,370	32,270	34,170	36,070	37,970
85,000		30,249	32,268	34,287	36,306	38,324	40,343
90,000		32,029	34,166	36,304	38,441	40,579	42,716
95,000		33,808	36,064	38,321	40,577	42,833	45,089
100,000		35,588	37,963	40,338	42,713	45,088	47,463
105,000		37,367	39,861	42,354	44,848	47,342	49,836
110,000		39,146	41,759	44,371	46,984	49,596	52,209
115,000		40,926	43,657	46,388	49,119	51,851	54,582
120,000		42,705	45,555	48,405	51,255	54,105	56,955

Premium

30,000	9,920	10,720	11,520	12,320	13,120	13,920	14,720
35,000	11,573	12,507	13,440	14,373	15,307	16,240	17,173
40,000	13,227	14,293	15,360	16,427	17,493	18,560	19,627
45,000	14,880	16,080	17,280	18,480	19,680	20,880	22,080
50,000	16,533	17,867	19,200	20,533	21,867	23,200	24,533
55,000	18,187	19,653	21,120	22,587	24,053	25,520	26,987
60,000	19,840	21,440	23,040	24,640	26,240	27,840	29,440
65,000	21,493	23,227	24,960	26,693	28,427	30,160	31,893
70,000	23,147	25,013	26,880	28,747	30,613	32,480	34,347
75,000	24,800	26,800	28,800	30,800	32,800	34,800	36,800
80,000	26,453	28,587	30,720	32,853	34,987	37,120	39,253
85,000	28,107	30,373	32,640	34,907	37,173	39,440	41,707
90,000	29,760	32,160	34,560	36,960	39,360	41,760	44,160
95,000	31,413	33,947	36,480	39,013	41,547	44,080	46,613
100,000	33,067	35,733	38,400	41,067	43,733	46,400	49,067
105,000	34,720	37,520	40,320	43,120	45,920	48,720	51,520
110,000	36,373	39,307	42,240	45,173	48,107	51,040	53,973
115,000	38,027	41,093	44,160	47,227	50,293	53,360	56,427
120,000	39,680	42,880	46,080	49,280	52,480	55,680	58,880

Classic to Alpha

Salary	Service (years)						
	10	15	20	25	30	35	40
30,000		13,274	13,986	14,699	15,411	16,124	16,836
35,000		15,486	16,317	17,148	17,980	18,811	19,642
40,000		17,698	18,648	19,598	20,548	21,498	22,448
45,000		19,910	20,979	22,048	23,117	24,185	25,254
50,000		22,123	23,310	24,498	25,685	26,873	28,060
55,000		24,335	25,641	26,947	28,254	29,560	30,866
60,000		26,547	27,972	29,397	30,822	32,247	33,672
65,000		28,759	30,303	31,847	33,391	34,934	36,478
70,000		30,972	32,634	34,297	35,959	37,622	39,284
75,000		33,184	34,965	36,746	38,528	40,309	42,090
80,000		35,396	37,296	39,196	41,096	42,996	44,896
85,000		37,608	39,627	41,646	43,665	45,683	47,702
90,000		39,821	41,958	44,096	46,233	48,371	50,508
95,000		42,033	44,289	46,545	48,802	51,058	53,314
100,000		44,245	46,620	48,995	51,370	53,745	56,120
105,000		46,457	48,951	51,445	53,939	56,432	58,926
110,000		48,670	51,282	53,895	56,507	59,120	61,732
115,000		50,882	53,613	56,344	59,076	61,807	64,538
120,000		53,094	55,944	58,794	61,644	64,494	67,344

Premium to Alpha

30,000	12,736	13,536	14,336	15,136	15,936	16,736	17,536
35,000	14,859	15,792	16,725	17,659	18,592	19,525	20,459
40,000	16,981	18,048	19,115	20,181	21,248	22,315	23,381
45,000	19,104	20,304	21,504	22,704	23,904	25,104	26,304
50,000	21,227	22,560	23,893	25,227	26,560	27,893	29,227
55,000	23,349	24,816	26,283	27,749	29,216	30,683	32,149
60,000	25,472	27,072	28,672	30,272	31,872	33,472	35,072
65,000	27,595	29,328	31,061	32,795	34,528	36,261	37,995
70,000	29,717	31,584	33,451	35,317	37,184	39,051	40,917
75,000	31,840	33,840	35,840	37,840	39,840	41,840	43,840
80,000	33,963	36,096	38,229	40,363	42,496	44,629	46,763
85,000	36,085	38,352	40,619	42,885	45,152	47,419	49,685
90,000	38,208	40,608	43,008	45,408	47,808	50,208	52,608
95,000	40,331	42,864	45,397	47,931	50,464	52,997	55,531
100,000	42,453	45,120	47,787	50,453	53,120	55,787	58,453
105,000	44,576	47,376	50,176	52,976	55,776	58,576	61,376
110,000	46,699	49,632	52,565	55,499	58,432	61,365	64,299
115,000	48,821	51,888	54,955	58,021	61,088	64,155	67,221
120,000	50,944	54,144	57,344	60,544	63,744	66,944	70,144

Appendix B: Lifetime Allowance

Example B1 - Individual Protection 2014

Carol will have been employed in the civil service for 40 years when she retires on her 60th birthday on 7 April 2016.

She is currently employed at SCS pay band 2 and expects her final pensionable salary in her last year of employment to be £120,000. She has always been in classic.

Step 1: Calculate the benefit at retirement

Pension = £120,000 x 40/80 = £60,000 pa
Lump sum = 3 x £120,000 x 40/80 = £180,000

Step 2: Calculate the HMRC value of the benefit at retirement.

Pension = £60,000 x 20 = £1,200,000
Lump sum = £180,000
Total Value = £1,380,000

Step 3: Test against the Lifetime Allowance limit:

Lifetime Allowance reduces to £1m on 6 April 2016 and so Carol exceeds this by £380,000.

Step 4: Check whether Carol could apply for Individual Protection 2014:

This requires the same Lifetime Allowance check to be made as above, but at 5 April 2014 rather than Carol's actual retirement date. At 5 April 2014, her service was 38 years and her final pensionable salary was £115,000, so her total benefits earned to date were:

Pension = £115,000 x 38/80 = £54,625 a year
Lump sum = 3 x £115,000 x 38/80 = £163,875

And the value of these benefits was:

Pension = £54,625 x 20 = £1,092,500
Lump sum = £163,875
Total value = £1,256,375

The value of Carol's benefits at 5 April 2014 was more than £1.25 million which means she is eligible to apply for Individual Protection 2014. This will grant her an individual lifetime allowance of £1,256,375 and tax will only be charged on the excess over this.

Step 5: Calculation the tax charge due:

The tax charge due is calculated as follows:

Maximum tax-free lump sum: £1,256,375 x 25% = £314,093.

As £314,093 is **more than** the actual lump sum of £180,000, there are no tax charges on the lump sum payment.

Tax-free value of the pension up to the LTA limit

= £1,256,375 (individual lifetime allowance limit) - £180,000 (lump sum) = £1,076,375.

As £1,076,375 is **less than** the value of the pension of 1,200,000, a Lifetime Allowance tax charge is payable equal to 25% x (£1,200,000 - £1,076,375) = £30,906. This payment is recovered from Carol's annual pension each year, usually at the rate of 1/20th (i.e. £1,545 a year). Any charges may be passed on to any survivors' benefits payable in the event of Carol's death.

Heat charts

The heat charts below will give you an indication as to whether or not you might breach the Lifetime Allowance ("LTA") limit, depending on what scheme you are in, using the following key:

RED	You will breach the current £1.25 million LTA limit
AMBER	You will breach the limit of £1 million which comes into force in April 2016
GREEN	You will not breach the LTA limit in the next year

The figures shown in the heat charts indicate the value of the pension (and lump sum where appropriate) at the point of retirement.

Classic

Service (years)							
	10	15	20	25	30	35	40
Salary							
30,000		129,375	172,500	215,625	258,750	301,875	345,000
35,000		150,938	201,250	251,563	301,875	352,188	402,500
40,000		172,500	230,000	287,500	345,000	402,500	460,000
45,000		194,063	258,750	323,438	388,125	452,813	517,500
50,000		215,625	287,500	359,375	431,250	503,125	575,000
55,000		237,188	316,250	395,313	474,375	553,438	632,500
60,000		258,750	345,000	431,250	517,500	603,750	690,000
65,000		280,313	373,750	467,188	560,625	654,063	747,500
70,000		301,875	402,500	503,125	603,750	704,375	805,000
75,000		323,438	431,250	539,063	646,875	754,688	862,500
80,000		345,000	460,000	575,000	690,000	805,000	920,000
85,000		366,563	488,750	610,938	733,125	855,313	977,500
90,000		388,125	517,500	646,875	776,250	905,625	1,035,000
95,000		409,688	546,250	682,813	819,375	955,938	1,092,500
100,000		431,250	575,000	718,750	862,500	1,006,250	1,150,000
105,000		452,813	603,750	754,688	905,625	1,056,563	1,207,500
110,000		474,375	632,500	790,625	948,750	1,106,875	1,265,000
115,000		495,938	661,250	826,563	991,875	1,157,188	1,322,500
120,000		517,500	690,000	862,500	1,035,000	1,207,500	1,380,000

Classic Plus

Service (years)							
	10	15	20	25	30	35	40
Salary							
30,000		146,563	189,688	232,813	275,938	319,063	362,188
35,000		170,990	221,302	271,615	321,927	372,240	422,552
40,000		195,417	252,917	310,417	367,917	425,417	482,917
45,000		219,844	284,531	349,219	413,906	478,594	543,281
50,000		244,271	316,146	388,021	459,896	531,771	603,646
55,000		268,698	347,760	426,823	505,885	584,948	664,010
60,000		293,125	379,375	465,625	551,875	638,125	724,375
65,000		317,552	410,990	504,427	597,865	691,302	784,740
70,000		341,979	442,604	543,229	643,854	744,479	845,104
75,000		366,406	474,219	582,031	689,844	797,656	905,469
80,000		390,833	505,833	620,833	735,833	850,833	965,833
85,000		415,260	537,448	659,635	781,823	904,010	1,026,198
90,000		439,688	569,063	698,438	827,813	957,188	1,086,563
95,000		464,115	600,677	737,240	873,802	1,010,365	1,146,927
100,000		488,542	632,292	776,042	919,792	1,063,542	1,207,292
105,000		512,969	663,906	814,844	965,781	1,116,719	1,267,656
110,000		537,396	695,521	853,646	1,011,771	1,169,896	1,328,021
115,000		561,823	727,135	892,448	1,057,760	1,223,073	1,388,385
120,000		586,250	758,750	931,250	1,103,750	1,276,250	1,448,750

Premium

Salary							
30,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000
35,000	116,667	175,000	233,333	291,667	350,000	408,333	466,667
40,000	133,333	200,000	266,667	333,333	400,000	466,667	533,333
45,000	150,000	225,000	300,000	375,000	450,000	525,000	600,000
50,000	166,667	250,000	333,333	416,667	500,000	583,333	666,667
55,000	183,333	275,000	366,667	458,333	550,000	641,667	733,333
60,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000
65,000	216,667	325,000	433,333	541,667	650,000	758,333	866,667
70,000	233,333	350,000	466,667	583,333	700,000	816,667	933,333
75,000	250,000	375,000	500,000	625,000	750,000	875,000	1,000,000
80,000	266,667	400,000	533,333	666,667	800,000	933,333	1,066,667
85,000	283,333	425,000	566,667	708,333	850,000	991,667	1,133,333
90,000	300,000	450,000	600,000	750,000	900,000	1,050,000	1,200,000
95,000	316,667	475,000	633,333	791,667	950,000	1,108,333	1,266,667
100,000	333,333	500,000	666,667	833,333	1,000,000	1,166,667	1,333,333
105,000	350,000	525,000	700,000	875,000	1,050,000	1,225,000	1,400,000
110,000	366,667	550,000	733,333	916,667	1,100,000	1,283,333	1,466,667
115,000	383,333	575,000	766,667	958,333	1,150,000	1,341,667	1,533,333
120,000	400,000	600,000	800,000	1,000,000	1,200,000	1,400,000	1,600,000