

NHS Pensions - Annual Allowance – Pension Input Amount Example Calculations

The pension input amount is the increase or growth in the value of a member's benefits over the pension input period. The amount of benefit growth in the NHS Pension Scheme is the difference between the value of their NHS benefits at the start of the pension input period (the opening value) and the value of their NHS benefits at the end of the pension input period (the closing value). The growth in the NHS Pension Scheme is not based on the amount of employee or employer contributions paid.

The pension input period in the NHS Pension Scheme is 1 April to 31 March. The relevant tax year is the year in which the pension input period ends.

A member has a pension input amount if they were an **active member of a registered pension scheme** for all or part of the pension input period.

This also includes circumstances where a member ceases to be an active membership during the pension input period. For example, where they are an active member then leave the scheme to defer their pension benefits, to retire or transfer out their pension rights.

The opening value

The opening value of the member's benefits is a notional 'capital' value and is determined as follows.

Step 1

Calculate the member's NHS benefits up to the day before the beginning of pension input period.

Step 2

Multiply the annual pension by 16.

Step 3

For a 1995 section member calculate their lump sum and add the amount of the lump sum to the amount found after step 2.

For a 2008 section member there will be no lump sum calculated, even if they made the choice to move from the 1995 section to the 2008 section.

Step 4

Increase the total after step 3 by the Consumer Price Index (CPI). The CPI used is 12 month increase to the September before the start of the relevant tax year.

Below is a table of the CPI increases used for Annual Allowance.

Tax year of Pension Input Period	CPI
2008/09	1.8%
2009/10	5.2%
2010/11	1.1%
2011/12	3.1%
2012/13	5.2%
2013/14	2.2%
2014/15	2.7%

Note: If the member's NHS benefits have started to build up for the first time, because the member is a new joiner or is rejoining after a period of deferred membership then the opening value will be nil.

The closing value

The closing value is the notional 'capital' value of the expected benefits at the end of the pension input period and is calculated in the same way as the opening value, but missing out the final step in respect of the CPI increase.

Step 1

Calculate the member's NHS benefits up to the end of the pension input period.

Step 2

Multiply the annual pension by 16.

Step 3

For a 1995 section member calculate their lump sum and add the amount of the lump sum to the amount found after step 2.

For a 2008 section member there will be no lump sum calculated, even if they made the choice to move from the 1995 section to the 2008 section.

Calculating the pension input amount

To find the growth in NHS benefits we simply subtract the opening value from the closing value.

If the difference is a negative amount for a pension input period then the member's pension input amount is nil.

Adjustment to the closing value

Certain events can cause the closing value of the member's benefits to be bigger or smaller than they would otherwise be. These events include where:

- a transfer payment has been made or received or,
- following a pension share order (because of divorce) there is a pension debit or credit attached to the member's benefits, or
- the member leaves active membership and retires.

In these circumstances an adjustment must be made to the amount of the closing value in the pension input period during which the event occurred.

If there has been a transfer in during the pension input period
The transfer in membership credit is ignored when calculating the closing value for the pension input period during which the transfer in payment was received. The transfer in membership credit will be included in both the opening and closing values for the next pension input period.

If there has been a transfer out during the pension input period
Where there has been a transfer out then the pension input period ends on the last day of pensionable membership.

If there has been a pension debit during the pension input period
The pension debit is ignored when calculating the closing value for the pension input period during which the pension share order became effective. The pension debit will be deducted from NHS benefits when calculating both the opening and closing values for the next pension input period.

If there has been a pension credit during the pension input period
The pension credit is a separate deferred arrangement and is therefore ignored when calculating the opening and closing value for the pension input period.

If there has been a crystallisation of NHS benefits during the pension input period
Where an active member retires the pension input period ends on the benefit crystallisation event (BCE) date.

Pension input amount of nil

The pension input amount is nil if during the pension input period a member:

- dies;
- retires because of ill health and meets HMRC's severe ill health condition;
- has been deferred for the whole of the pension input period;
- has been deferred for part of the pension input period who then retires;
- leaves the scheme and has a refund of contributions;
- has pension credit benefits only.

Or may be nil in circumstances where there is a negative amount either because:

- the pensionable pay used to calculate benefits for the opening value is higher than that used to calculate benefits for the closing value, and/or
- the growth in CPI, used in the opening value outweighs the actual growth of the NHS benefits.

Calculation 1 – Annual Allowance not exceeded

Pensionable service of 15 years at 31 March 2011

Salary of £125,000 at 31 March 2011

Increases to £127,500 at 31 March 2012

Whole-time Membership in the 1995 section

CPI @ 3.1%

Pension input period 1 April 2011 to 31 March 2012

Opening Value of pension input period

Step 1

Pension (£125,000 x 15/80) = £23,437.50

Step 2

Pension x 16 = £375,000.00

Step 3

Lump Sum (£23,437.50 x 3) = £70,312.50
£445,312.50

Step 4

£445,312.50 + 3.1% = **£459,117.19**

Closing Value of pension input period

Step 1

Pension (£127,500 x 16/80) = £25,500.00

Step 2

Pension x 16 = £408,000.00

Step 3

Lump Sum (£25,500.00 x 3) = £76,500.00
£484,500.00

Pension input amount

£484,500.00 - £459,117.19 = **£25,382.81**

Unused AA (£50,000 – £25,382.81) = £24,617.19

Calculation 2 – Annual Allowance not exceeded

Pensionable service of 31 years at 31 March 2011

Salary of £102,000 at 31 March 2011

Increases to £107,000 at 31 March 2012

Whole-time Membership in the 2008 section

CPI @ 3.1%

Pension input period 1 April 2011 to 31 March 2012

Opening Value of pension input period

Step 1

Pension (£102,000 x 31/60) = £52,700.00

Step 2

Pension x 16 = £843,200.00

Step 3

Lump Sum = £0.00
£843,200.00

Step 4

£843,200.00 + 3.1% = **£869,339.20**

Closing Value of pension input period

Step 1

Pension (£107,000 x 32/60) = £57,066.67

Step 2

Pension x 16 = £913,066.72

Step 3

Lump Sum = £0.00
£913,066.72

Pension input amount

£913,066.72 - £869,339.20 = **£43,727.52**

Unused AA (£50,000 – £43,727.52) = £6,272.48

Calculation 3 – Annual Allowance exceeded due a Promotion

Pensionable service of 25 years at 31 March 2012

Salary of £25,000 at 31 March 2012

Promotion during the pension input period taking salary to £40,000 at 31 March 2013

Whole-time Membership in the 1995 section

CPI @ 5.2%

Pension input period 1 April 2012 to 31 March 2013

Opening Value of pension input period

Step 1

Pension (£25,000 x 25/80) = £7,812.50

Step 2

Pension x 16 = £125,000.00

Step 3

Lump Sum (£7,812.50 x 3) = £23,437.50
£148,437.50

Step 4

£148,437.50 + 5.2% = **£156,156.25**

Closing Value of pension input period

Step 1

Pension (£40,000 x 26/80) = £13,000.00

Step 2

Pension x 16 = £208,000.00

Step 3

Lump Sum (£13,000.00x 3) = £39,000.00
£247,000.00

Pension input amount

£247,000.00 - £156,156.25 = **£90,843.75**

AA exceeded (£90,843.75 - £50,000) = £40,843.75

HMRC have published a pension savings Annual Allowance calculator to aid members in calculating their unused Annual Allowance and establishing whether they have an Annual Allowance charge www.hmrc.gov.uk/tools/pension-allowance/

Calculation 4 – Annual Allowance exceeded due to a Clinical Excellence Award

Pensionable service of 36 years at 31 March 2012

Salary of £100,000 at 31 March 2012

Clinical Excellence Award received during the pension input period taking salary to £135,000.00 at 31 March 2013

Whole-time Membership in the 2008 section

CPI @ 5.2%

Pension input period 1 April 2012 to 31 March 2013

Opening Value of pension input period

Step 1

Pension (£100,000 x 36/60) = £60,000.00

Step 2

Pension x 16 = £960,000.00

Step 3

Lump Sum = £0.00
£960,000.00

Step 4

£960,000.00 + 5.2% = **£1,009,920.00**

Closing Value of pension input period

Step 1

Pension (£135,000 x 37/60) = £83,250.00

Step 2

Pension x 16 = £1,332,000.00

Step 3

Lump Sum = £0.00
£1,332,000.00

Pension input amount

£1,332,000.00 - £1,009,920.00 = **£322,080.00**

AA exceeded (£322,080 - £50,000) = £272,080.00

HMRC have published a pension savings Annual Allowance calculator to aid members in calculating their unused Annual Allowance and establishing whether they have an Annual Allowance charge www.hmrc.gov.uk/tools/pension-allowance/

Calculation 5 – Annual Allowance not exceeded – Nil Pension Input Amount

Pensionable service of 30 years at 31 March 2012

Salary of £140,000 at 31 March 2012

Salary remains at £140,000 in the pension input period at 31 March 2013

Whole-time Membership in the 1995 section

CPI @ 5.2%

Pension input period 1 April 2012 to 31 March 2013

Opening Value of pension input period

Step 1

Pension (£140,000 x 30/80) = £52,500.00

Step 2

Pension x 16 = £840,000.00

Step 3

Lump Sum (£52,500.00 x 3) = £157,500.00
£997,500.00

Step 4

£997,500.00 + 5.2% = **£1,049,370.00**

Closing Value of pension input period

Step 1

Pension (£140,000 x 31/80) = £54,250.00

Step 2

Pension x 16 = £868,000.00

Step 3

Lump Sum (£54,250.00 x 3) = £162,750.00
£1,030,750.00

Pension input amount

£1,030,750.00 - £1,049,370.00 = **£0.00 (-£18,620.00)**

Unused AA (£50,000 – £0.00) = £50,000.00

Calculation 6 – Annual Allowance exceeded Promotion and Added Pension purchased

Pensionable service of 33 years at 31 March 2012
Purchased £3,000 Additional Pension by single lump sum payment on 1 October 2010 - attracting pre-payment increases.

Salary of £165,000 at 31 March 2012, increasing to £175,000 in the pension input period at 31 March 2013

Whole-time Membership in the 1995 section

CPI @ 5.2%

Pension input period 1 April 2012 to 31 March 2013

Opening Value of pension input period

Step 1

Pension (£165,000 x 33/80) = £68,062.50

Added Pension = £3,187.33
£71,249.83

Step 2

Pension x 16 = £1,139,997.28

Step 3

Lump Sum (£68,062.50 x 3) = £204,187.50
£1,344,184.78

Step 4

£1,344,184.78 + 5.2% = **£1,414,082.39**

Closing Value of pension input period

Step 1

Pension (£175,000 x 34/80) = £74,375.00

Added Pension = £3,289.64
£77,664.64

Step 2

Pension x 16 = £1,242,634.24

Step 3

Lump Sum (£74,375.00 x 3) = £223,125.00
£1,465,759.24

Pension input amount

£1,465,759.24 - £1,414,082.39 = **£51,676.85**

AA exceeded (£51,676.85 - £50,000) = £1,676.85

HMRC have published a pension savings Annual Allowance calculator to aid members in calculating their unused Annual Allowance and establishing whether they have an Annual Allowance charge www.hmrc.gov.uk/tools/pension-allowance/

Calculation 7 – Annual Allowance not exceeded – Crystallisation of NHS benefits

Pensionable service of 39 years at 31 March 2011

Salary of £80,000 at 31 March 2011

Leaves scheme on 31 December 2011 and retires from 1 January 2012. Salary at leaving was £84,000. Pension £41,741.10 and lump sum £125,223.30.

Whole-time Membership in the 1995 section

CPI @ 3.1%

Pension input period 1 April 2011 to 31 March 2012

Opening Value of pension input period

Step 1

Pension (£80,000 x 39/80) = £39,000.00

Step 2

Pension x 16 = £624,000.00

Step 3

Lump Sum = £117,000.00
£741,000.00

Step 4

£741,000.00 + 3.1% = **£763,971.00**

Closing Value of pension input period

Step 1

Pension = £41,741.10

Step 2

Pension x 16 = £667,857.60

Step 3

Lump Sum = £125,223.30
£793,080.90

Pension input amount

£793,080.90 - £763,971.00 = **£29,109.90**

Unused AA (£50,000 – £29,109.90) = £20,890.10

Practitioner members

Practitioners earn pensions based on their earnings throughout their career. These are re-valued to maintain a current value and are known as Career Average Re-valued Earnings (CARE) pensions.

Practitioners who have also worked as NHS Staff or as a GP registrar may also have pension earned on the final salary method as well as on the CARE method. Members who have this type of mixed employment will have additional calculations applied to their pension records to ensure that the most favourable pension is paid to them. Once the pension has been calculated steps 2, 3 and 4 for the opening value and steps 2 and 3 for the closing value can be followed.

Estimating the Annual Allowance charge

Practitioners and non-GP Providers will initially be issued with a provisional pension savings statement, based on provisional data provided by NHS Connecting for Health, unless their pensionable income has already been confirmed. A final statement will be sent within 3 months of NHS Pensions receiving the certified information and the confirmed Medical and Dental Practitioner Dynamising Factors.

Where a member does not have the information available to calculate the exact amount of their Annual Allowance charge then they can estimate this. They can complete a scheme pays election using estimated figures and send it for receipt by NHS Pensions before the deadline date.

Once a final statement is received a member can amend their tax return if this is within 12 months of submitting the original form and send NHS Pensions a further election notice to revise their scheme pays.

Further information

This factsheet reflects NHS Pensions current understanding of HMRC's overriding legislation. It is important to remember that NHS Pensions is unable to provide advice on personal tax circumstances. We would recommend that independent advice is sought if you have any uncertainty about the tax implications.

Information about your Pensions Savings Statement, the Annual Allowance and Scheme Pays can be found on our website.

Information about the Annual Allowance can also be found on HMRC's website at: www.hmrc.gov.uk/pensionschemes (Pension schemes - tax reliefs and charges > The Annual Allowance for pension schemes).