

## **NHS Pensions - Annual Allowance – Transition members**

You are a transition member if you moved from the 1995/2008 NHS Pension Scheme (1995/2008 Scheme) to the 2015 NHS Pension Scheme (2015 Scheme) on or after 1 April 2015, because you did not qualify for full protection in the 1995/2008 Scheme or your tapered protection has expired.

Officer transition member - as long as you do not have a break in your 2015 Scheme membership of more than five years you will retain a final salary link. A final salary link is an important way in which the value of your pension rights built up in the 1995/2008 Scheme track and benefit from changes in your future 2015 Scheme pensionable earnings.

Practitioner transition member - you are entitled to a final salary link equivalent in respect of any officer membership in the 1995/2008 Scheme. 1995/2008 Scheme officer membership will either be an index linked separate officer pension or converted to a Flexible Value Earnings Credit pension. More information is available on our website.

Whilst you remain an active member of the 2015 Scheme, with an entitlement to final salary link or Flexible Value Earnings Credit, there is the potential for your 1995/2008 Scheme benefits to increase during the pension input period. HMRC have confirmed that this pension growth must be assessed against the Annual Allowance. This is in addition to your pension growth in the 2015 Scheme.

### **Pension savings statements**

Pension growth in the 1995/2008 Scheme and 2015 Scheme is calculated separately. You will automatically be sent a pension savings statement in respect of both NHS Pension Schemes where the pension input amount in either the 1995/2008 Scheme or 2015 Scheme:

- is greater than the Annual Allowance, or
- less than the Annual Allowance but when added together the combined amount is greater than the Annual Allowance.

A statement will not be automatically issued if the pension input amounts from both NHS Pension Schemes are equal to or less than the Annual Allowance.

This is in line with other public service pension schemes in respect of their transition members and better HMRC's legislation.

<b>NHS Pension Scheme</b>	<b>Pension Input Amount</b>	<b>Combined NHS Scheme Pension Input Amount</b>	<b>Statements issued</b>
1995/2008	Under <sup>1</sup> Annual Allowance	Under	No <sup>2</sup>
2015	Under Annual Allowance		
1995/2008	Under Annual Allowance	Over	Yes
2015	Under Annual Allowance		
1995/2008	Under Annual Allowance	Over	Yes
2015	Over Annual Allowance		
1995/2008	Over Annual Allowance	Over	Yes
2015	Under Annual Allowance		
1995/2008	Over Annual Allowance	Over	Yes
2015	Over Annual Allowance		

<sup>1</sup> A pension input amount equal to the Annual Allowance is classed as being under

<sup>2</sup> Alternatively you could request an 'on demand' pension savings statement

If you leave the 2015 Scheme you are a deferred member of both the 1995/2008 Scheme and the 2015 Scheme. Once you have been deferred for an entire pension input period the pension input amount in both NHS Pension Schemes will be nil.

If you have any other pension growth outside the NHS Pension Schemes you will need to add this to the pension input amount from the 1995/2008 Scheme and 2015 Scheme, this includes any growth in the NHS Money Purchase AVC Scheme.

If your total pension input amount is greater than the Annual Allowance after taking into account any unused Annual Allowance carried forward from the previous three tax years you will be liable to an Annual Allowance charge.

## Carry forward

If any of your total pension input amounts in the previous three tax years was less than the Annual Allowance this unused Annual Allowance can be added to the current year's Annual Allowance. This gives you a higher amount of available Annual Allowance to offset against that year's total pension input amount.

Whilst you may have pension growth in both the 1995/2008 Scheme and 2015 Scheme you only have one amount of Annual Allowance and one amount of unused Annual Allowance to carry forward.

### Example

Ian automatically receives a 1995/2008 Scheme pension savings statement because his pension input amount of £99,750.00 is over the Annual Allowance of £80,000 for tax year 2015/2016.

Because he is a transition member we also send him a separate statement showing his pension input amount in the 2015 Scheme.

The details on each statement are as follows:

#### 1. 2015/2016 – 1995/2008 Scheme

Combined Pension Input Period Start	Combined Pension Input Period End	Growth (Combined Pension Input Amount)
01/04/2015	05/04/2016	£99,750.00

Pension Input Period Start	Pension Input Period End	Annual Allowance	Growth (Pension Input Amount)
Pre-Alignment Tax Year			
01/04/2015	08/07/2015	£80,000	£26,613.30
Post-Alignment Tax Year			
09/07/2015	05/04/2016	£0.00	£73,136.70

#### Carry Forward Years

Pension Input Period Start	Pension Input Period End	Annual Allowance	Growth (Pension Input Amount)
01/04/2014	31/03/2015	£40,000	£23,636.00
01/04/2013	31/03/2014	£50,000	£46,550.00

01/04/2012	31/03/2013	£50,000	£75,240.00
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## 2. 2015/2016 – 2015 Scheme

Combined Pension Input Period Start	Combined Pension Input Period End	Growth (Combined Pension Input Amount)
01/04/2015	05/04/2016	£13,280.00

Pension Input Period Start	Pension Input Period End	Annual Allowance	Growth (Pension Input Amount)
Pre-Alignment Tax Year			
01/04/2015	08/07/2015	£80,000	£3,543.10
Post-Alignment Tax Year			
09/07/2015	05/04/2016	£0.00	£9,736.90

### Carry Forward Years

Pension Input Period Start	Pension Input Period End	Annual Allowance	Growth (Pension Input Amount)
01/04/2014	31/03/2015	£40,000	No growth as 2015 NHS Pension Scheme started on 01/04/2015
01/04/2013	31/03/2014	£50,000	
01/04/2012	31/03/2013	£50,000	

### Combined 1995/2008 Scheme and 2015 Scheme

The following is not part of the statements but something you or your representative must calculate from the information provided in both statements.

Scheme	Pension Input Amount	Pre	Post	Exceed AA	Unused AA
1995/2008	£99,750.00	£26,613.30	£73,136.70		
2015	£13,280.00	£3,513.10	£9,736.90		
<b>Total</b>	<b>£113,030.00</b>	<b>£30,126.40</b>	<b>82,873.60</b>	<b>£42,873.60</b>	<b>£19,814.00</b>

Ian has an Annual Allowance of £80,000 for his pre-alignment tax year and can carry up to £40,000 of unused Annual Allowance from this tax year to the post-alignment tax year.

### Pre-alignment tax year

$£80,000 - £30,126.40 = £49,873.60$

### **Post-alignment tax year**

$£40,000$  (carried forward) -  $£82,873.60 = -£42,873.60$

Ian has pension growth of  $£42,873.60$  over the Annual Allowance and will have to pay an Annual Allowance charge on this unless he has any unused Annual Allowance to carry forward.

### **Carry forward**

2014/2015 -  $£40,000 - £23,636.00 = £16,364.00$  to carry forward

2013/2014 -  $£50,000 - £46,550.00 = £3,450.00$  to carry forward

2012/2013 -  $£50,000 - £75,240.00 = £0.00$  to carry forward

Ian has  $£19,814.00$  of unused Annual Allowance to carry forward and add to the  $£40,000$  Annual Allowance for the post-alignment tax year.

$£40,000 + £19,814.00 - £82,873.60 = -£23,059.60$

Ian only has this amount of unused Annual Allowance as long as he has no pension growth for these tax years in another pension scheme.

### **Annual Allowance charge**

For 2015/2016 Ian's marginal rate of tax was 40% therefore he is liable for an Annual Allowance charge of  $£9,223.84$  ( $£23,059.60 \times 40\%$ ).

## **Scheme Pays**

If you are a transition member and have established that you have an Annual Allowance charge you may be able to make a Scheme Pays election for the 1995/2008 Scheme and 2015 Scheme to pay some or all of this on your behalf.

More information about Scheme Pays is available on our website.