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SD Number:

Date:

Dear \_\_\_\_\_,

## **2015 NHS Pension Scheme – Annual Allowance Pension Savings Statement (2016/2017)**

We are writing with important information about your pension savings in the 2015 NHS Pension Scheme and HM Revenue and Custom's (HMRC's) Annual Allowance rules for tax year 2016/2017. **You need to work out whether you have a tax charge to pay.**

We have sent this statement for one of the following reasons:

- Growth in your 2015 NHS Pension Scheme benefits exceeds £40,000.
- You are a transition member, with pension entitlement in both NHS Pension Schemes, and the combined growth in your NHS benefits across both the 1995/2008 Pension Scheme and the 2015 NHS Pension Scheme exceeds £40,000. You will receive a separate statement from each Scheme.
- You are a medical, ophthalmic or dental practitioner.
- You requested an 'On Demand' statement.
- A third party has requested a statement on your behalf (you will need to forward this to them).
- You requested a revised statement due to a notification of amended data from your employer.

### **What is the Annual Allowance?**

This is the maximum amount of pension growth you can receive tax relief on each tax year. If your pension savings are more than the Annual Allowance you may have to pay a tax charge on the excess amount, this is called the Annual Allowance charge.

The total growth in the value of your NHS benefits and other pension arrangements is currently capped at an Annual Allowance of £40,000.

All your pension savings, except your State Pension, must be tested against the Annual Allowance each tax year. This includes pension savings you have in the 1995/2008 NHS Pension Scheme, the 2015 NHS Pension Scheme, the NHS Money Purchase AVC Scheme or any other pension savings you may have outside the NHS.

## Your 2015 NHS Pension Scheme 2016/2017 Annual Allowance Pension Savings Statement

Pension Input Period Start	Pension Input Period End	Annual Allowance	Pension Input Amount (Growth)
06/04/2016	05/04/2017	£40,000	£

### Carry Forward Years

Details of pension growth in the 2015 NHS Pension Scheme in your three carry forward years are shown below:

Year	Pension Input Period Start	Pension Input Period End	Annual Allowance	Pension Input Amount (Growth)
1st	01/04/2015	05/04/2016		£
	Pre-Alignment Tax Year			
	01/04/2015	08/07/2015	£80,000	£
	Post-Alignment Tax Year			
	09/07/2015	05/04/2016	£0.00	£
2nd	01/04/2014	31/03/2015	£40,000	£0.00
3rd	01/04/2013	31/03/2014	£50,000	£0.00

The above figures have been calculated based on the information held on your pension record at the time of the Annual Allowance calculations. Assessing and paying an Annual Allowance charge is your responsibility.

**You may wish to pass this statement on to a tax adviser so they can assist you in assessing whether you have exceeded the Annual Allowance for the 2016/2017 tax year and if necessary include any Annual Allowance charge on your self assessment tax return.**

NHS Pensions must report details of statements issued to HMRC where growth in the 2015 NHS Pension Scheme exceed the Annual Allowance.

If there is a change to your pensionable pay or membership your employer must inform us. You will need to write and request a revised Annual Allowance Pension Savings Statement – a revised statement will **not** be issued until a request from you is received.

The 'Important Information' section of this statement provides guidance on the action you must now take, how we have calculated your pension growth and the carry forward of any unused Annual Allowance as well as where to find further information about Annual Allowance.

Yours sincerely

NHS Pensions

## Important Information

The growth in all your pension savings, except a State Pension, must be tested against the Annual Allowance each tax year. This statement does not include details of any pension savings you may hold with either the 1995/2008 NHS Pension Scheme, the NHS Money Purchase AVC Scheme or any other pension provider.

If you are a transition member you will be sent a separate 1995/2008 NHS Pension Scheme statement.

### How your 2015 NHS Pension Scheme growth is calculated

In order to find the growth during the combined pension input period, the calculation steps are as follows:

1. Obtain the pension at the day before the start of the pension input period.
2. Multiply the pension by 16.
3. Revalue the total amount by adding the relevant CPI percentage (see table below). **This is your opening value.**
4. Obtain the pension at the end of the pension input period.
5. Multiply the pension by 16. **This is your closing value.**
6. Deduct the opening value from the closing value. **This is your pension input amount.**

### Opening and Closing Values

Your opening and closing values are:

Pension Input Period	Opening Value Including CPI	Closing Value
06/04/2016 – 05/04/2017	£	£
01/04/2015 – 05/04/2016	£	£
01/04/2014 – 31/03/2015	£0.00	£0.00
01/04/2013 – 31/03/2014	£0.00	£0.00

CPI percentages for each year:

Tax Year	2012/13	2013/14	2014/15	2015/16	2016/17
CPI %	5.20%	2.20%	2.70%	2.5% <sup>1</sup>	0%

<sup>1</sup> CPI was 1.20% but amended to 2.5% in HMRC's legislation for Annual Allowance purposes only.

### Tax Year 2015/2016

The pension input amount has been apportioned between the pre- and post-alignment tax years in line with HMRC's 2015/2016 transitional rules. These rules allowed for an Annual Allowance of £80,000 up to 9 July 2015 and for a potential carry forward of up to £40,000 of unused Annual Allowance from the pre-alignment tax year to the post-alignment tax year.

### Tapered Annual Allowance

If you had a threshold income of more than £110,000 during the 2016/2017 tax year you must check to see whether the Annual Allowance available to you is reduced to an amount lower than £40,000. The reduction is tapered by reducing the £40,000 by £1 for every £2 of adjusted income you had over £150,000, subject to a minimum reduced Annual Allowance of £10,000.

## Carry Forward

Any unused Annual Allowance from the last three tax years can be carried forward and added to the current year's Annual Allowance. You can carry forward any unused Annual Allowance from tax years 2015/2016, 2014/2015 and 2013/2014.

## Annual Allowance Charge

If you have an Annual Allowance charge you will need to tell HMRC about this by completing a self assessment tax return. Complete the Additional Information pages of the return to show the amount by which the pension input amount exceeds the Annual Allowance.

HMRC has published a help sheet – HS345 'Pensions – tax charges on any excess over the lifetime allowance, annual allowance and on unauthorised payments' to assist you when completing your tax return.

## Scheme Pays

You may be able to ask NHS Pensions to pay all, or part, of your Annual Allowance charge to HMRC on your behalf, this is called Scheme Pays. We will recover the cost of paying an Annual Allowance charge by permanently reducing your 2015 NHS Pension Scheme pension at retirement.

Scheme Pays will only be accepted where:

- growth in your 2015 NHS Pension Scheme pension benefits exceeds £40,000 (before utilising any unused Annual Allowance by carry forward);
- your total Annual Allowance charge must be more than £2,000; and
- an (initial) application must be received by NHS Pensions on or before 31 July 2018 (for tax year 2016/2017) or earlier if you are retiring or have your 75<sup>th</sup> birthday before this date.

If you are a transition member a voluntary Scheme Pays election can be considered where the combined growth in your pension benefits from both the 1995/2008 NHS Pension Scheme and the 2015 NHS Pension Scheme exceeds £40,000.

The maximum amount of Annual Allowance charge that NHS Pensions will pay is based on the amount of pension input amount that exceeds £40,000. If you have a tapered Annual Allowance you are responsible for paying any Annual Allowance charge calculated from a pension input amount below £40,000.

A Scheme Pays Election (SPE2) is available on our website.

## Further Information

Information about the Annual Allowance, including the tapered Annual Allowance, can also be found on HMRC's website at: [www.gov.uk/hmrc-internal-manuals/pensions-tax-manual](http://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual)

HMRC's 'Enhanced Pension Savings Annual Allowance Calculator' will help you calculate whether you have any taxable growth, after carrying forward any unused Annual Allowance. The calculator can be found on HMRC's website at: [www.hmrc.gov.uk/tools/annualallowancelimit/](http://www.hmrc.gov.uk/tools/annualallowancelimit/)

Further information about your Pension Savings Statement, the Annual Allowance and Scheme Pays can be found at: [www.nhsbsa.nhs.uk/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions). You will also find further information by accessing the NHS Business Services Authority knowledge base 'Ask Us'.