

Impact of Reduction in Annual Allowance from April, 2011
Case Study - Example of Member who gets a £15,000 Pay Increase

Member Details - Initial Calculations

	2010/11	2011/12
Pensionable Pay	£45,000	£60,000
Pensionable Service	29	30
Accrued Annual Pension (AP)	£16,688	£23,250
Accrued Lump Sum (LS)	£45,563	£60,750
AVCs Paid during Year	£1,800	£1,800
Consumer Price Index Factors (estimated)	116.9	120.0
Value at Year End [16 x AP + LS + AVC]		£434,550
Less Value at Previous Year End [16 x AP + LS] x 120 / 116.9		£320,851
Increase in Value		£113,699
Less Annual Allowance		£50,000
Excess Pensions Growth		£63,699

Member Details - Utilising Unused Allowances

	2007/08	2008/09	2009/10	2010/11	2011/12
Pensionable Pay	£42,000	£43,000	£44,000	£45,000	£60,000
Pensionable Service	26	27	28	29	30
Accrued Annual Pension	£13,650	£14,513	£15,583	£16,688	£23,250
Accrued Lump Sum	£40,950	£43,538	£44,550	£45,563	£60,750
AVCs Paid during Year	N/A	£1,800	£1,800	£1,800	£1,800
Consumer Price Index Factors (approx.)	106.7	109.8	113.5	116.9	120.0
Value at Year End [16 x AP + LS + AVC]		£277,538	£295,683	£314,363	£434,550
Less Value at Previous Year End - CPI Revalued		£266,885	£285,029	£302,687	£320,851
Increase in Value		£10,652	£10,654	£11,676	£113,699
Less Annual Allowance		£50,000	£50,000	£50,000	£50,000
Excess/(Unused) Allowance		-£39,348	-£39,346	-£38,324	£63,699
Aggregate of 3 Years Unused Allowances					-£117,018
Net Excess Pensions Growth					£0
Marginal Rate of Tax					40%
Tax Payable					£0

Whilst there was excessive pensions growth in 2011/12, there was no tax charge as this was offset by the unused allowances from the previous 3 years