



NHS Pension Annual Allowance Errors

Background

Quilter Financial Advisers (previously Charles Derby Dental & Medical) are included on the NHS Employers list of organisations who are able to give expert guidance and advice on pension tax issues for members of the NHS Pension Scheme.

We provide Holistic Financial Advice and produce bespoke NHS Pension reports that take the information from your payslips, Total Reward Statements, Annual Allowance Statements, Tax Returns and use this information to:

- ▶ Project your NHS Pension benefits to your chosen retirement date
- ▶ Calculations based on both standard pension award and maximum lump sum award
- ▶ Estimate current and future Lifetime Allowance and Annual Allowance
- ▶ Check the accuracy of your NHS Pension record and Annual Allowance history

Annual Allowance Errors

Over the years we have identified and corrected numerous errors that were causing overstated Annual Allowance growth figures. This has enabled NHS Pension members to reduce their Annual Allowance charge.

Our biggest correction, to date, reduced the member's Annual Allowance charge by £83,000.

Incorrect Pensionable Pay

Your pensionable pay is used to work out the NHS Pension benefits that you have accrued for Annual Allowance purposes. If the pensionable pay used is incorrect then this can have significant impact on your Annual Allowance calculations and any subsequent charge. We can review and correct your records if you have been impacted by this. There are two main categories that have led to incorrect pensionable pay being used:

- ▶ **Best of 3 issue** – The entitlement to 95 officer pension benefits are based on 1/80th of the best of the last three year's pensionable pay for each year of pensionable membership in the Scheme. The annual allowance statements do not take the 'best of the last three years' into account, they are produced on the basis of using the last year's pensionable pay.

Where Officer pensionable pay goes down one year then up next, you can be incorrectly paying for the same growth twice. Best of 3 should apply. Any instances back to 2010/11 could impact you. An example of this would be a reduction in On Call Intensity in one year, followed by an Increment in the following year.

- ▶ **Misallocated arrears** – This occurs where there are pensionable pay arrears that should have been paid in a previous tax year but are allocated to one tax year on your NHS Pension records.

When arrears for a previous year are allocated to one tax year, they create an artificial spike in pensionable pay that result in the accrued NHS Pension benefits being overstated and an artificial spike in Annual Allowance charge. An example of this would be historic, backdated Clinical Excellence Awards.

Incorrect Carry Forward

Carry Forward enables you to use the last 3 years of unused Annual Allowance. However, those previous 3 years are impacted by the years previous to them. We have seen a number of Carry Forward calculations not using the full extent of historic carry forward. In particular, the rules around the mini tax years of 2015/16 mean you may need growth figures back to 2010/11. A simple way to check if you've been subject to this error, is to contact NHS Pension Agency (0300 3301346) and obtain your historic growth figures back to 2010/11 and enter the details on HMRC's Annual Allowance calculator (hmrc.gov.uk/tools/annualallowancelimit)

If you would like a review of your NHS Pension and get help with any of the issues above, please contact your local specialist financial adviser on the details below:

The Quilter Team

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