



Government Actuary's Department

Teachers' Pension Scheme

Final salary and career average sections

Lifetime Allowance tax charge debits

Factors and guidance

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1 Introduction

Purpose

- 1.1 This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS or 'the scheme'). It covers the calculation formulae and factors to use to determine the debit to apply to a member's pension at retirement once it has been determined that a Lifetime Allowance (LTA) tax charge will be paid from the scheme.
- 1.2 Please follow legislation, HMRC guidance and any additional guidance issued by Teachers' Pensions when determining the amount of any tax charge that will be paid from the scheme.
- 1.3 This document relates to regulation 123 of The Teachers' Pensions Regulations 2010 (SI 2010/990) and regulation 182 of The Teachers' Pension Scheme Regulations 2014 (SI 2014/512).
- 1.4 The factors and guidance provided in this note have been prepared in light of our advice to DfE dated 24 February 2015 and subsequent correspondence, and its instructions following that advice.
- 1.5 DfE has decided that the guidance and factors apply from 1 June 2016.
- 1.6 Section 2 covers the calculation and implementation of LTA debits. An illustrative example is set out in Section 3. The factors are provided in Appendix A.

Limitations

- 1.7 This guidance note should only be used for calculating the reduction to benefits due to a LTA tax charge. It should not be used for any other purpose.

2 Lifetime Allowance debits

- 2.1 The process below is appropriate for members at retirement and subject to benefit reduction due to an LTA tax charge. A factor of 20 is no longer applied to convert an LTA charge into a pension debit.
- 2.2 The determination of LTA charges is outside the scope of this note but such charges should be determined after the member has decided the form of benefits to be taken (ie after commutation decisions).
- 2.3 This section sets out the guidance for calculating the LTA debit which will be applied to a member's benefits.
- 2.4 Members in all sections will have a debit applied to their pension benefits.
- 2.5 The LTA debits will not be applied to the benefits payable to a future surviving spouse, civil partner or children on the member's death.

Factors

- 2.6 The factors to be used to determine the member's pension reduction to cover an LTA charge are included in Tables LTA_NH1 (normal health retirements) and LTA_IH1 (retirements on grounds of ill health) in Appendix A.
- 2.7 The appropriate factor, F_p , will depend on the member's age (last birthday) at their date of retirement and whether or not they have retired on the grounds of ill health.

Calculations – NPA 60 final salary benefits

- 2.8 The LTA debits to apply to a member's pension entitlements at retirement should be calculated as shown below.
- 2.9 The LTA pension debit ('LTAPD') is calculated as:

$$\text{LTAPD} = \text{LTATC} \div F_p$$

LTATC	LTA tax charge payable by the scheme administrator
F_p	factor for tax charge on member's pension – Table LTA_NH1 or LTA_IH1

- 2.10 No debit is to be applied to the member's lump sum.

Calculations – NPA 65 final salary or career average section benefits

- 2.11 The LTA debits to apply to a member's pension entitlement at retirement should be calculated as shown below.
- 2.12 The LTA pension debit ('LTAPD') is calculated as:

$$\text{LTAPD} = \text{LTATC} \div F_p$$

LTATC	LTA tax charge payable by the scheme administrator
F_p	factor for tax charge on member's pension – Table LTA_NH1 or LTA_IH1

Exclusions

- 2.13 Please note that if a member:
- > takes their pension early due to ill health, and
 - > is aged under 55 at the time their pension commences, and
 - > pension increases are not granted until age 55
- then the case should be referred to GAD.



3 Example

Member retiring at age 60 on ordinary grounds from the final salary section with NPA 60 benefits only, with LTA charge

The following information is needed for this calculation:

A. Member date of birth	1 January 1958
B. Retirement date	1 January 2018
C. Member age	60
D. LTA charge	£30,000

Under 2.9, the LTA pension debit is calculated as:

$$\text{LTAPD} = \text{LTATC} \div F_p$$

We have:

LTATC = 30,000 (from D.)

F_p = 19.66 (from **Table LTA_NH1**)

Substituting these values into the formula we get:

$$\begin{aligned}\text{LTAPD} &= £30,000 \div 19.66 \\ &= £1,525.94 \text{ pa}\end{aligned}$$

The member's pension will be reduced by **£1,525.94** per annum until the member dies.

Appendix A: Factors for calculating LTA debit

Table LTA_NH1

Factors to calculate debit to pension for LTA tax charges for retirements not on grounds of ill health

Age last birthday at relevant date	LTA debit factor per £1 of pension per annum
55	21.57
56	21.21
57	20.83
58	20.45
59	20.05
60	19.66
61	19.24
62	18.82
63	18.39
64	17.95
65	17.50
66	17.03
67	16.56
68	16.07
69	15.58
70	15.07
71	14.55
72	14.03
73	13.49
74	12.95

Table LTA_IH1

Factors to calculate debit to pension for LTA tax charges for retirements on grounds of ill health

Age last birthday at relevant date	LTA debit factor per £1 of pension per annum
20	27.09
21	26.92
22	26.76
23	26.59
24	26.42
25	26.24
26	26.06
27	25.89
28	25.71
29	25.53
30	25.36
31	25.18
32	25.01
33	24.83
34	24.65
35	24.47
36	24.28
37	24.10
38	23.91
39	23.73
40	23.53
41	23.33
42	23.12
43	22.89
44	22.66
45	22.41
46	22.15
47	21.88
48	21.60
49	21.31
50	21.01
51	20.70
52	20.39
53	20.07
54	19.74
55	19.41
56	19.07
57	18.71
58	18.35
59	17.99
60	17.61
61	17.23
62	16.84
63	16.44
64	16.03
65	15.61
66	15.18
67	14.75