CASE STUDY

We recently helped Mr C with his pensions, he works in the public sector and is a member of two public pension schemes (a final salary scheme and a career average scheme).

He enjoys his role but wanted to understand how much pension and lump sum he would receive if he took early retirement. In addition, he'd received a Pension Savings Statement from the pension schemes along with a letter noting he might be liable to an Annual Allowance tax charge, but he wasn't sure what this meant and what action he needed to take.

He tried to use the online early retirement calculators on the pension scheme website, but the calculator can only provide figures if all membership relates to one type of pension scheme. We were able to help Mr C understand how both pension schemes work, calculate their combined values and then show Mr C how much he could expect to receive from them if he either opted to retire early or carry on working. He has decided to carry on working for the time being.

We also explained to Mr C how the pension tax rules applied to him, specifically why he'd received a Pension Savings Statement and how the Annual Allowance rules apply to public sector pension scheme. We checked to see if he had any Annual Allowances he could carry forward from previous years, then calculated the amount of tax due. We explained the options available to pay the tax charge, and as he wanted to have the tax charge paid by the pension scheme under a Scheme Pays Election (which of course meant his pensions and lump sum would be slightly reduced when eventually drawn), we then helped him complete the forms to request the payment of tax by his pension schemes.

Finally our tax team included the Scheme Pays disclosure in his 2019/20 tax return as otherwise he'd have been subject to a penalty.

CLAIRE MUSSON

DIRECTOR

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