Fire Brigade's Union – Pensions Tax changes – January 2013

Background

WHAT IS THE ANNUAL ALLOWANCE?

The Annual Allowance ("AA") is the limit on the amount of pension that you can save each year towards your retirement, which is tax free.

Each year an "AA test" is carried out to calculate whether or not your pension savings have exceeded the AA limit. The period over which the AA test is conducted each year is called the Pension Input Period ("PIP"). A formula must be used to calculate the amount of AA used for members of Defined Benefit ("DB") schemes. The Finance Act 2011 introduced some changes to the AA test. The basic steps of the test are:

Step 1: Calculate the accrued pension at the end of the previous PIP and allow for inflation.

Step 2: Calculated the accrued pension at the end of the current PIP.

Step 3: Deduct the pension at Step 1 from the pension at Step 2, and multiply the difference by the AA factor of 16. This is known as the "Pension Input Amount".

Step 4: Test this against the AA limit in force for that tax year (currently £50,000).

Step 5: If the Pension Input Amount exceeds the AA limit, unused allowances from the previous 3 years can be used to offset the Pension Input Amount further. Tax is paid on the excess.

Note that the AA limit applies to your total pension savings. Therefore, if you are a member of several pension schemes (for example if you contribute to private retirement savings as well as the Firefighters' Pension Scheme), you must sum all of your Pension Input Amounts and test the total against the AA limit.

In the Finance Act 2011, the AA was severely reduced from £255,000 per annum to just £50,000 per annum. Although £50,000 may seem reasonably high, members of DB schemes such as the Firefighters' Pension Scheme ("FPS") and the New Firefighters' Pension Scheme ("NFPS") can be caught out by even modest pay increases brought about by promotion, receiving a London allowance or a "Flexi Duty" allowance for example.

WHAT IS THE LIFETIME ALLOWANCE?

The Lifetime Allowance ("LTA") is the limit on the pension saving you can make over your entire lifetime. In the Finance Act 2011, the Government reduced the LTA from £1.8million to £1.5million.

The LTA is calculated as the value your pension at retirement. If you have several different pensions, the value of these is added to get the overall LTA usage. For Defined Contribution ("DC") schemes, this is simply the value of the member's pension pot. For members of DB schemes, the pension at retirement is multiplied by a factor of 20 and expressed as a percentage of the LTA. For example, a pension of £20,000 pa at retirement, would use up £400,000 of the LTA, (or 26.7% of £1.5million).

What further changes has the Government proposed?

In his 2012 Autumn Statement, the Chancellor announced a further reduction to the AA limit to £40,000 a year, to be implemented from the 2014-15 tax year onwards. This will make it even easier for members to exceed the allowance and be hit by hefty tax charges. In the Worked Examples below, we have demonstrated various scenarios for members of the FPS and NFPS.

The Chancellor announced in his Autumn Statement that the LTA would also be reduced from the tax year 2014-15. The new limit will be £1.25million, and it caps the total annual pension you can accrue over your lifetime at £62,500 pa (if no tax-free cash lump sum is taken), or about £46,000 pa (if the maximum lump sum is taken).

The LTA tax charge is based on any pension in excess of the LTA limit. The rate is dependent on how you have drawn your pension benefits; if you take some of it as a retirement lump-sum it will be charged at 55%, or as taxable pension at 25%.

Changes to both the LTA and AA will be introduced in the 2013 Finance Bill 2013.

Are there any safeguards to help prevent me from being taxed?

<u>USING YOUR UNUSED ANNUAL ALLOWANCE FROM THE PREVIOUS 3 TAX YEARS</u>

The Government allows unused AA from the 3 previous tax years to be "carried forward" to offset against excess pension savings made in a particular year. The value of the pension savings in those prior tax years is calculated using the new method, i.e. a factor of 16 and indexing the accrued benefit at the end of the previous PIP in line with CPI.

Example: Carry forward of unused allowances:

Joe is a member of the FPS. In the previous 3 tax years, his Pension Input Amounts were:

2013/14:	£35,000
2012/13:	£30,000
2011/12:	£25,000

The AA limit in force for each of these years has been £50,000. Therefore, Joe has unused allowance to carry forward from each of these years of:

2013/14:	£15,000
2012/13:	£20,000
2011/12:	£25,000
Unused AA:	£60,000

This means that for the tax year 2014/15, Joe would be able to make up to £100,000 of pension savings (£40,000 plus unused AA of £60,000).

In order to have unused annual allowance in a prior tax year, the individual must have been a member of a registered pension scheme in that prior tax year.

PROTECTION – FIXED, PRIMARY, ENHANCED AND "PERSONALISED"

Fixed Protection

HMRC published an "Overview Note" following the Autumn Statement, in which they outlined brief plans for a "Fixed Protection 2014" regime. Individuals who successfully apply for Fixed Protection 2014 will have an LTA which is the greater of £1.5million or the standard LTA (planned to be £1.25million from 2014). To be eligible for Fixed Protection 2014 the member must comply with the following:

- They must make no further contributions to any DC scheme- including contributions paid on their behalf by their employer, and

- They must not accrue benefits in any DB or "cash-balance" schemes above the "relevant percentage" (in broad terms the "relevant percentage" is the indexation increase for deferred pension benefits).

Members with Fixed Protection 2014 will pay a tax charge for benefits in excess of £1.5million. The same rules for the Fixed Protection 2014 will apply as for the existing Fixed Protection regime, further details of which can be found here:
http://www.hmrc.gov.uk/manuals/rpsmmanual/rpsm11101500.htm

Members who already have pension benefits worth over £1.25million, or expect to have over £1.25million on or after 2014 will be able to apply for Fixed Protection 2014 once the legislation is passed – this is expected to happen in the summer of 2013. However, members who already have one of the existing forms of protection (primary, enhanced or fixed) cannot apply for the 2014 protection.

Enhanced and Primary Protection

Members who successfully applied for Enhanced Protection prior to 2006 will be unaffected by the change.

For members with Primary Protection, their enhanced Lifetime Allowance limit will continue to be determined with reference to £1.8million.

For more information on Enhanced and Primary Protection, visit the following website (but note that you can no longer apply for any of these protections or Fixed Protection 2014):
http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm

"Personalised Protection"

Government announced that they will consider implementing a "Personalised Protection" regime alongside the Fixed Protection 2014 regime. They plan to discuss the feasibility of such an option with "interested parties" over the current months.

It is expected that Personalised Protection will give individuals the greater of the value of their pension rights at 5 April 2014 (capped at £1.5million), and the LTA limit (planned to be £1.25million from 2014). However, unlike Fixed Protection, members will be able to continue to save for their retirement without losing their protection.

Personalised Protection would only be available to those who have already accrued over £1.25million at 5 April 2014.

What happens if I stop accruing benefits in the scheme?

If you leave the scheme and stop being an "active" member, the way the AA test is applied to you may change. Set out below are some of the most common reasons for leaving a pension scheme and how this affects your AA calculation.

<u>RETIREMENT</u>

Under the previous AA regime, members were exempt from the test in the year they retire. However, the Finance Act 2011 removed this exemption and new retirees are now required to conduct the AA test.

Whilst you are an active member of the scheme, your pension is calculated as if you were retiring at your Normal Pension Age ("NPA") – regardless of what your current age actually is. However, if you retire during the PIP, the AA test uses the pension you are actually receiving if you have retired. If you have retired at NPA, then there may be no difference in the calculation. If you swap some of your pension for cash at retirement (known as commutation), it is your pension *<u>before commutation</u>* that is used in the AA test.

If you retire early, your pension may be reduced as it will be paid for a longer period of time. For the AA test, it is the reduced pension that is used to calculate their Pension Input Amount. The reduction in pension would generally reduce the Pension Input Amount, making it less likely that early retirees will incur a tax charge.

Members who retire after their NPA often see their pension increased by a Late Retirement Factor ("LRF"). HMRC have confirmed that increases in benefits due to LRFs (subject to conditions) will not trigger a tax charge.

<u>DEFFERMENT</u>

Members who leave their scheme and do not draw a pension immediately are known as "deferred members". Deferred members are exempt from the AA test, so long as their deferred benefits are only increased in line with the scheme rules as at 14 October 2010, or if not specified, by the annual increase in the Consumer Price Index (CPI). Deferred members of the FPS and NFPS will therefore be exempt from the AA test.

<u>DEATH & ILL HEALTH</u>

The AA test will not be applied in the year of death.

The AA test will not be applied in the case of lump sums paid in respect of serious (terminal) ill health, which is defined as being where the member is expected to live for less than one year.

The AA test will not be applied if you satisfy the severe ill health condition, which is defined as having ill-health such that you are unlikely to be able (otherwise than to an insignificant extent) to be able to work *<u>in any capacity</u>* before reaching your State Pension Age.

The AA test is applied in all other cases of ill health.

What will it cost me?

If you breach the AA, you will be required to pay an AA tax charge. The amount of the tax charge will depend on the rate of tax relief that you received on the pension savings. Some of the charge may therefore be at 20%, some at 40% and some at 50%.

Appendices A and B set out tables showing the increase in pensionable salary needed to breach the proposed £40,000 AA limit for members of both the FPS and NFPS. The tables use information for a variety of roles and years of service. A heat map indicates the % increase in pay that would trigger a tax charge (in the absence of any unused AA from previous tax years).

Key to the Heat Map:

Over 50% increase in pay
Between 40% and 50% increase in pay
Between 30% and 40% increase in pay
Between 20% and 30% increase in pay
Between 10% and 20% increase in pay
Under 10% increase in pay

Worked Examples

HOW LIKELY AM I TO BE AFFECTED?

Although it is high-earners who would most likely be affected, the impact of a reduced AA would not necessarily be restricted to employees on large salaries. If the proposed changes are made, the following members could incur an unexpected tax charge:

- members with long service and/or significant promotional or high pay rises
- members moving to London and receiving the London weighting allowance
- high-earners
- members who start to receive “Close Proximity Crewing” allowances

We provide examples below of members who may be affected by a reduced AA. Examples have been shown for both Firefighters’ pension schemes – the impact will be similar for other schemes offering benefits similar to those shown. CPI has been taken to be 2.2% in each example.

For each example we have also shown how the 3-year carry forward of unused allowance can be used to offset or remove the tax charge.

The Firefighters’ Pension Scheme (FPS) provides benefits on a 1/60ths basis for each of the first 20 years of pensionable service, and 2/60ths for each of the following years. i.e. For each of the first 20 years of pensionable service, you will get $1/60^{th}$ of average pensionable pay and for each of the following years you will get $2/60^{th}$ of average pensionable pay

The New Firefighters’ Pension Scheme (NFPS) provides benefits on a 1/60ths basis for all pensionable service.

Example A – Group Manager B grade moving to Area Manager Development grade

(i) FPS example

Andy is a Group Manager Competent B grade accruing benefits in the Firefighters' Pension Scheme 1992 ("the FPS"). On 6 April 2014, Andy has completed 20 years' pensionable service. His pensionable salary for that year is £46,892. By 5 April 2015, Andy receives a promotion and his pensionable salary increases from £46,892 to £49,659 plus a 20% pensionable enhancement for Flexi Duty (i.e. £59,591).

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£46,892 x (20 x 1/60)] = £15,631
"Inflation proof" = £15,631 x 1.022 = **£15,975**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£59,591 x (20 x 1/60 + 1 x 2/60)] = **£21,850**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£21,850 - £15,975) x 16 = **£94,000**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £94,000 - £40,000 = £54,000.

Step 5(a): Calculate Tax charge payable (if no unused allowance carried forward from previous years)
For simplicity, we have assumed his marginal rate will be 40%.
Andy's tax charge = £54,000 * 40% = **£21,600**

Andy's Annual Allowance tax charge is therefore £21,600, despite only a £12,699 increase in pay.

Step 5(b): Calculate tax charge payable (with £100,000* total unused allowance from previous 3 years)
If Andy has some unused allowance, his tax charge would be reduced as follows:
Total allowance for current Pension Input Period = £40,000 + £100,000 = £140,000.
As £140,000 is greater than £94,000, Andy will not be subject to a tax charge.

(ii) NFPS example

If Andy had been a member of the New Firefighters' Pension Scheme (NFPS) his Annual Allowance test would be as follows:

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£46,892 x (20 x 1/60)] = £15,631
"Inflation proof" = £15,631 x 1.022 = **£15,975**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£59,591 x (21 x 1/60)] = **£20,857**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£20,857 - £15,975) x 16 = **£78,112**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £78,112 - £40,000 = £38,112.

Step 5(a): Calculate Tax charge payable (if no unused allowance carried forward from previous years)
For simplicity, we have assumed his marginal rate will be 40%.
Andy's tax charge = £38,112 * 40% = **£15,245**

Andy's Annual Allowance tax charge is therefore £15,245, despite only a £12,699 increase in pay.

Step 5(b): Calculate tax charge payable (with £100,000* total unused allowance from previous years)
If Andy has some unused allowance, his tax charge would be reduced as follows:
Total allowance for current Pension Input Period = £40,000 + £100,000 = £140,000.
As £140,000 is greater than £78,112, Andy will not be subject to a tax charge.

***Note:** *Your actual "unused allowance" will be based on your pension accrual over the previous 3 tax years, across all pension schemes in which you have been a member.*

Example B – High earning member of the FPS, no pay increase

(i) FPS example

In this example we show how a high earner with long service in the FPS could exceed the AA limit each year **without** receiving any pay rise. We have assumed the member is earning £80,000 pa and has 20 years' pensionable service as at 6 April 2014. CPI is assumed to have fallen to 0% (or below).

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£80,000 x (20 x 1/60)] = £26,667
"Inflation proof" = £26,667 x 1.00 = **£26,667**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£80,000 x (20 x 1/60 + 1 x 2/60)] = **£29,333**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£29,333 - £26,667) x 16 = **£42,656**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £42,656 - £40,000 = **£2,656.**

In fact, the member will exceed £40,000 each and every year he earns the double accrual rate if these assumptions remained stable. This would result in no unused allowance to carry forward to future years and certain tax charges.

Although inflation is unlikely to remain at 0% for long periods of time, this example demonstrates that under certain circumstances, tax charges can be generated without receiving any pay rise.

Example C – Crew Manager Development grade moving to London and receiving London weighting allowance

(i) FPS example

Ryan is a Crew Manager Development grade accruing benefits in the FPS. On 6 April 2014, Ryan has completed 24 years' pensionable service. His pensionable salary for that year is £30,271. By 5 April 2015, Ryan has moved to London and receives the London weighting, increasing his pensionable salary by £5,160 to £35,431.

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£30,271 x (20 x 1/60 + 4 x 2/60)] = £14,126
"Inflation proof" = £14,126 x 1.022 = **£14,437**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£35,431 x (20 x 1/60 + 5 x 2/60)] = **£17,716**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£17,716 - £14,437) x 16 = **£52,464**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £52,464 - £40,000 = £12,464.

Ryan would therefore have to use the 3-year look back to attempt to offset the excess.

(ii) NFPS example

If Ryan had been a member of the NFPS his Annual Allowance test would be as follows:

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£30,271 x (24 x 1/60)] = £12,108
"Inflation proof" = £12,108 x 1.022 = **£12,375**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£35,431 x (25 x 1/60)] = **£14,763**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£14,763 - £12,375) x 16 = **£38,208**

Step 4: Test against Annual Allowance:
As £40,000 is more than £38,208 Ryan has not exceeded the Annual Allowance. His unused allowance to carry forward to offset future years is £40,000 - £38,208 = £1,792.

Example D – Firefighter Competent grade becomes eligible for Close Proximity Crewing enhancement

(i) FPS example

Tom is a Firefighter Competent grade accruing benefits in the FPS. On 6 April 2014, Tom has completed 15 years' pensionable service. His pensionable salary for that year is £28,481. By 5 April 2015, Tom has become eligible to receive a Close Proximity Crewing enhancement of 29%. This increases his pensionable salary at the end of the current Pension Input Period to £36,740.

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£28,481 x (15 x 1/60)] = £7,120
"Inflation proof" = £7,120 x 1.022 = **£7,277**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£36,740 x (16 x 1/60)] = **£9,797**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£9,797 **-** £7,277) x 16 = **£40,320**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £40,320 **-** £40,000 = £320.

Tom would therefore have to use the 3-year look back to attempt to offset the excess.

(ii) NFPS example

If Tom had been a member of the NFPS his Annual Allowance would be identical to the calculation above, as the member has less than 20 years' pensionable service.

Example E – Watch Manager Competent B grade moving to Station Manager Development grade

(i) FPS example

Simon is a Watch Manager Competent B grade accruing benefits in the FPS. On 6 April 2014, Simon has completed 21 years' pensionable service. His pensionable salary for that year is £35,311. By 5 April 2015, Simon receives a promotion and his pensionable salary increases from £35,311 to £36,729 plus a 20% pensionable enhancement for Flexi Duty (i.e. £44,075 in total).

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£35,311 x (20 x 1/60 + 1 x 2/60)] = £12,947
"Inflation proof" = £12,947 x 1.022 = **£13,232**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£44,075 x (20 x 1/60 + 2 x 2/60)] = **£17,630**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£17,630 **-** £13,232) x 16 = **£70,368**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by: £70,368 **-** £40,000 = £30,368.

Simon would therefore have to use the 3-year look back to attempt to offset the excess.

(ii) NFPS example

If Simon had been a member of the NFPS his Annual Allowance test would be as follows:

Step 1: Calculate pension benefit value at the end of the **previous** PIP and "inflation proof":
Pension = [£35,311 x (21 x 1/60)] = £12,359
"Inflation proof" = £12,359 x 1.022 = **£12,631**

Step 2: Calculate pension benefit at end of the **current** PIP:
Pension = [£44,075 x (22 x 1/60)] = **£16,161**

Step 3: Calculate increase in pension benefit value over the PIP:
Pension = (£16,161 - £12,631) x 16 = **£56,480**

Step 4: Test against Annual Allowance:
Annual Allowance exceeded by £56,480 **-** £40,000 = £16,480

Simon would therefore have to use the 3-year look back to attempt to offset the excess.

Ways to pay the tax charge

If you are caught out by a tax charge you can pay it directly to HMRC. However, there is an alternative option – the "Scheme Pays" option.

Scheme Pays option

There may be circumstances in which an individual receives a large increase in their pension savings in a given year and cannot afford to pay the resulting tax charge. The Government has acknowledged this and, following consultation with the industry, has decided to allow such individuals to be able to make the payment from their pension entitlement (i.e. the "Scheme Pays" option). Payment of the tax charge will come from pension benefits accruing in that year.

An individual can only pay the tax charge from their pension savings (rather than income) where the charge exceeds £2,000.

An individual does not have to pay all of the charge via one method, but can split it so that some is paid from income and some from pension savings. However, schemes will only be obliged to offer members the option of paying their tax charge from their pension savings where the member has breached the AA limit outright in that scheme.

The method of determining how the pension is decreased once the Scheme Pays option has been applied is left to each scheme to decide. An example of how this works in the Firefighter's Pension Scheme is provided below.

SCHEME PAYS EXAMPLE – FIREFIGHTERS' PENSION SCHEME

The following example is taken from the Government Actuary's Department ("GAD") report entitled "Firefighters' Pension Scheme 1992; Tax charge debits".

Example: Calculation of AA Pension Debit ("AAPD") for a member below age 60

The following information is needed for the calculation:

A.	Member date of birth	23 January 1977
B.	Tax year annual allowance charge incurred:	2011/12
C.	Implementation date:	31 March 2012
D.	Member age:	35 years 2 months
E.	Gender:	Male
F.	Tax charge (AATC)	£4,000

AATC is the annual allowance tax charge payable by scheme administrator.

The formula for the AAPD below age 60 is: **AAPD = AATC / F(p)**

F(p) is a factor determined by GAD, used in determining the value of pension as a lump sum. In this case F(p) = 9.34.

Substituting our values into the formula we get: AAPD = £4,000 / 9.34 = **£428.27 pa**

This debit will be recorded on the member's pension record with implementation date 31 March 2012. The debit will be inflation-proofed from the implementation date until the member's retirement date. The debit will be used to reduce the total pension paid to the member at retirement.

APPENDIX A: INCREASE IN PAY NEEDED TO BREACH £40,000 AA LIMIT FOR FPS MEMBERS

	Current Salary	5 years' service at start of PIP	10 years' service at start of PIP	15 years' service at start of PIP	20 years' service at start of PIP	25 years' service at start of PIP	30 years' service at start of PIP
(Firefighter) Trainee	**£21,369**	£21,830	£12,121	£8,480	£5,303	£3,793	£4,220
(Firefighter) Development	**£22,258**	£21,698	£12,058	£8,443	£5,240	£3,755	£4,240
(Firefighter) Competent	**£28,481**	£20,775	£11,617	£8,182	£4,799	£3,495	£4,377
(Crew Manager) Development	**£30,271**	£20,510	£11,490	£8,107	£4,672	£3,420	£4,416
(Crew Manager) Competent	**£31,576**	£20,316	£11,397	£8,053	£4,579	£3,365	£4,445
(Watch Manager) Development	**£32,259**	£20,215	£11,349	£8,024	£4,531	£3,337	£4,460
(Watch Manager) Competent A	**£33,155**	£20,082	£11,285	£7,987	£4,467	£3,299	£4,479
(Watch Manager) Competent B	**£35,311**	£19,762	£11,132	£7,896	£4,314	£3,209	£4,527
(Station Manager) Development	**£36,729**	£19,552	£11,032	£7,837	£4,214	£3,149	£4,558
(Station Manager) Competent A	**£37,831**	£19,388	£10,954	£7,791	£4,136	£3,103	£4,582
(Station Manager) Competent B	**£40,510**	£18,991	£10,764	£7,679	£3,946	£2,991	£4,641
(Group Manager) Development	**£42,300**	£18,726	£10,637	£7,604	£3,819	£2,916	£4,681
(Group Manager) Competent A	**£43,569**	£18,537	£10,547	£7,551	£3,729	£2,863	£4,709
(Group Manager) Competent B	**£46,892**	£18,044	£10,311	£7,411	£3,493	£2,724	£4,782
(Area Manager) Development	**£49,659**	£17,634	£10,115	£7,296	£3,297	£2,608	£4,842
(Area Manager) Competent A	**£51,148**	£17,413	£10,010	£7,233	£3,191	£2,546	£4,875
(Area Manager) Competent B	**£54,473**	£16,920	£9,774	£7,094	£2,956	£2,406	£4,948

APPENDIX B: INCREASE IN PAY NEEDED TO BREACH £40,000 AA LIMIT FOR NFPS MEMBERS

	Salary	5 years' service at start of PIP	10 years' service at start of PIP	15 years' service at start of PIP	20 years' service at start of PIP	25 years' service at start of PIP	30 years' service at start of PIP
(Firefighter) Trainee	**£21,369**	£21,830	£12,121	£8,480	£6,573	£5,399	£4,604
(Firefighter) Development	**£22,258**	£21,698	£12,058	£8,443	£6,549	£5,384	£4,595
(Firefighter) Competent	**£28,481**	£20,775	£11,617	£8,182	£6,383	£5,276	£4,526
(Crew Manager) Development	**£30,271**	£20,510	£11,490	£8,107	£6,336	£5,245	£4,507
(Crew Manager) Competent	**£31,576**	£20,316	£11,397	£8,053	£6,301	£5,223	£4,492
(Watch Manager) Development	**£32,259**	£20,215	£11,349	£8,024	£6,283	£5,211	£4,485
(Watch Manager) Competent A	**£33,155**	£20,082	£11,285	£7,987	£6,259	£5,195	£4,475
(Watch Manager) Competent B	**£35,311**	£19,762	£11,132	£7,896	£6,201	£5,158	£4,451
(Station Manager) Development	**£36,729**	£19,552	£11,032	£7,837	£6,163	£5,134	£4,436
(Station Manager) Competent A	**£37,831**	£19,388	£10,954	£7,791	£6,134	£5,114	£4,424
(Station Manager) Competent B	**£40,510**	£18,991	£10,764	£7,679	£6,063	£5,068	£4,394
(Group Manager) Development	**£42,300**	£18,726	£10,637	£7,604	£6,015	£5,037	£4,375
(Group Manager) Competent A	**£43,569**	£18,537	£10,547	£7,551	£5,981	£5,015	£4,361
(Group Manager) Competent B	**£46,892**	£18,044	£10,311	£7,411	£5,892	£4,958	£4,324
(Area Manager) Development	**£49,659**	£17,634	£10,115	£7,296	£5,819	£4,910	£4,294
(Area Manager) Competent A	**£51,148**	£17,413	£10,010	£7,233	£5,779	£4,884	£4,278
(Area Manager) Competent B	**£54,473**	£16,920	£9,774	£7,094	£5,690	£4,826	£4,241

APPENDIX C: KEY TO THE HEAT MAP

HEAT MAP:

Appendices A and B set out tables showing the increase in pensionable salary needed to breach the proposed £40,000 AA limit for members of both the FPS and NFPS. The tables use information for a variety of roles and years' service.

A heat map indicates the % increase in pay that would trigger a tax charge (in the absence of any unused AA from previous tax years).

KEY:

Over 50% increase in pay
Between 40% and 50% increase in pay
Between 30% and 40% increase in pay
Between 20% and 30% increase in pay
Between 10% and 20% increase in pay
Under 10% increase in pay

ASSUMPTIONS USED:

In calculating the heat map figures we have assumed that the Consumer Price Index (CPI) inflationary measure for uprating the previous year's Pension Input Amount was **2.2%.**