

Annual Allowance (AA) tax charge 'Scheme Pays' pack

Annual Allowance (AA) tax charge – payment options

You do not need to tell BA Pensions if you pay your AA tax charge directly to HM Revenue & Customs (HMRC).

If you require your Scheme's Trustee to pay the AA tax charge on your behalf, please complete and return the Scheme Pays agreement below.

Paying an AA tax charge using existing AVC funds

If you have sufficient AVC funds within the BA AVC plan, you can instruct your Scheme's Trustee to pay your AA tax charge amount to HMRC from your existing AVC funds. Your AVC funds will be reduced at the date you enter into an irrevocable agreement with the Trustee (if your signed agreement is received before the 20th of the month, your AVC funds will be reduced on the 1st of the following month). You can choose which AVC fund(s) the charge should be paid from - the Short-dated Gilts Fund (SGF), the Mixed Portfolio Fund (MPF) or the Equity-biased Fund (EBF).

If you do not make a specific election your AA tax charge amount will be automatically deducted proportionately across all of your AVC funds.

If you do not have sufficient AVC funds to meet the whole AA tax charge, you can use them to meet part of the charge.

If you have an AVC account you can log onto [Mybapension online](#) to see your latest AVC statement or you can select the 'Smart Additional Voluntary Contributions' form within "Your e-Forms". Your latest available AVC balance information is displayed within the form.

Paying an AA tax charge by reducing your Scheme benefits

Whether or not you have AVC funds, you can choose to take the equivalent of a loan from the Scheme assets in return for your pension being reduced when you leave the Scheme (or at age 75 if earlier) in lieu of any AA tax charge paid by the Trustee.

The loan will be adjusted in line with the returns achieved by the Scheme's MPF AVC fund from the date you enter into an agreement with the Trustee until the date you leave the Scheme. When your Scheme membership ceases, the value of the loan at that date will be actuarially converted into a pension amount, which will then be deducted from the pension you have built up.

Very generally, if you leave the Scheme at age 60, each £10,000 of revalued AA tax charge would result in your pension being reduced by approximately £350 a year. If you leave at age 65, the reduction would be approximately £400 a year. These examples are for general guidance only as the actual pension reduction will vary according to your own circumstances.

Some parts of this pension calculation will change between the date any agreement is made and the date you leave the Scheme:

- *The pension reduction amount has been worked out using current factors which change each month in line with changes in market conditions. The factors also vary depending on your age at the time the pension reduction is applied.*
- *All the actuarial factors used in our calculations are reviewed following every triennial (three-year) actuarial valuation. The factors used to work out the pension reduction will be those that apply on the date your pension is reduced.*
- *The amount of the Scheme Pays debt increases in line with the returns of the MPF AVC fund.*

The unit price used when determining the number of notional Mixed Portfolio Fund AVC units to be created in lieu of the AA tax charge will be the unit price in force at the date the Scheme Pays agreement becomes effective. For example, if an agreement is received before 20th March, the MPF mid-market unit price announced for March (which would be announced around 15 April and known as the April unit price) would be used. If the agreement was received after 20th of March, the following month's unit price would be used (in this example that would be the May unit price). A different unit price may apply if your pension benefits would be coming into payment immediately. It is possible for the MPF unit price that will be used to calculate your debt at the date you leave the Scheme to be lower or considerably higher than the unit price that applied at the date the agreement was entered into.

What do I do now?

If you would like to proceed with using the Scheme Pays facility, please complete and return the Scheme Pays agreement below. We will acknowledge receipt of your form, usually within three weeks, and confirm the arrangements we have made to pay the AA tax charge due on your behalf. Please check that you have received this acknowledgement as we are unable to accept any forms received after the deadline below, even if you provide proof of postage.

For AA tax charges in respect of the year ending 5 April 2016, you must enter into a Scheme Pays agreement by 31 July 2017 or the date you draw your pension benefits, if earlier.

For AA tax charges in respect of the year ending 5 April 2017, you must enter into a Scheme Pays agreement by 31 July 2018 or the date you draw your pension benefits, if earlier.

You are responsible for informing HMRC that you have entered into a Scheme Pays agreement by completing form SA101 – see Note 7 in the attached Scheme Pays Agreement Notes.



Once you have entered into a Scheme Pays agreement, the agreement cannot be changed or cancelled. You should consider taking independent financial advice before making a decision.

If you have any queries regarding the Scheme Pays option or this form, please do not hesitate to contact the Pensions Team.

British Airways Pensions

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Scheme Pays Agreement

This is an irrevocable agreement requesting the Airways Pension Scheme (APS) Trustee, to pay an Annual Allowance (AA) tax charge on your behalf in exchange for an adjustment to your pension benefits. We have provided some 'Scheme Pays Agreement notes' below to help you with completing this form.

Personal details

Title:	<input type="text"/>	Full name:	<input type="text"/>
Staff no:	<input type="text"/>		
NINO:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Address:	<input type="text"/>		

Instruction

I hereby instruct the Trustee to pay the following AA tax charge on my behalf in return for my pension benefits being reduced as set out below ^(NOTE 1)

Pension input period to which the AA tax charge relates ^(NOTE 5) to

The amount of AA tax charge the Trustee is to pay is £ _____ ^(NOTE 2)

This AA tax charge is based on: **actual figures/estimated figures** ^(NOTE 6)
(Please delete whichever does not apply).

Preferred Option

There are two options available as to how pension benefits can be reduced in return for the Trustee paying your AA tax charge on your behalf. ^(NOTE 3)

Please indicate your preferred option by entering the amount of your AA tax charge in the relevant boxes.

1. Reduction in AVCs

I confirm that I wish to use the maximum available amount of my AVC funds to pay my AA tax charge ^(NOTE 3)

Full AA tax charge met from existing AVC funds
I wish to pay the **whole** AA tax charge from my existing AVC funds (please enter the amount you wish to be deducted from each fund – we have included your current AVC fund balances to help you):

EBF Please deduct £ _____

MPF Please deduct £ _____

SGF Please deduct £ _____

OR

AA tax charge partly met from existing AVC funds
Please reduce my AVC funds as follows in respect of **part** of my AA tax charge:

EBF Please deduct £ _____

MPF Please deduct £ _____

SGF Please deduct £ _____

2. Reduction in pension

Please reduce my pension in return for paying the following amount of AA tax charge (we will confirm in writing the number of MPF units equivalent to the Scheme Pays debt, or the pension deduction amount if you are taking your pension benefits immediately, when we received this form).

AA tax charge amount: £ _____

Once you have elected to reduce your pension you cannot change your mind or pay by any other method, such as from your AVC fund.

Declaration

I confirm that:

- I understand that once I enter into this agreement it cannot be withdrawn.
- My AA tax charge in relation to the above tax year exceeds £2,000.
- Any estimated AA tax charges have been calculated using the correct tax rates or my best estimate of the appropriate rates ^(NOTE 4)
- I understand that my benefits will be adjusted in accordance with the Scheme Pays operating rules. ^(NOTE 1)

Signed: _____ Dated: _____

SCHEME PAYS AGREEMENT NOTES

1. The terms for the Trustee paying an AA tax charge on your behalf are contained in the Scheme Pays operating rules. A copy of this document is available on request.
2. To instruct the Trustee to pay the charge you must have a pension input amount either in excess of the standard AA of £40,000, or your individual tapered AA, in APS and your total AA tax charge must be at least £2,000. You are only able to instruct the Trustee to pay an AA tax charge on your behalf which relates to benefits built up in APS.
3. You have the option to meet the debt incurred by the AA tax charge immediately by reducing your AVC funds by the same amount as the charge. You can choose to meet all or part of the debt in this way.

If you do not have sufficient AVC funds you can choose to meet part of the debt from your AVC funds and the remaining debt by reducing your APS pension. We will not know what your actual AVC fund balance will be at the time the debt will be incurred. Rather than enter an amount in the 'AA tax charge partly met from existing AVC funds' section you may wish to instruct us to maximise the payment from your AVCs by ticking this box. If you tick this box, any remaining AA tax charge amount will automatically be met by reducing your pension.

4. If you choose the reduction in pension option, the debt will increase in line with the returns on the Mixed Portfolio Fund (MPF) AVC fund. When you leave the Scheme the value of the debt at that time will be actuarially converted into a pension amount (using the factors that apply at that time) which will be deducted from the pension you have built up. You will also be required to convert some or all of any Scheme Pays debt into a pension reduction if you draw part of your pension entitlement under the Flexible Retirement option.

If you wish the Trustee to pay the AA tax charge at the point of leaving, the pension deduction will be applied immediately.

5. The figures within the instruction are in relation to a pension input period that runs from 1 April to 5 April if for 2015/16 and 6 April to 5 April each year from April 2016.
6. In normal circumstances it is expected that you will be providing actual AA tax charge figures. You must have entered into an agreement with the Trustee to pay the AA tax charge on your behalf before you start to draw all of your benefits. If you expect that you will need to pay an AA tax charge in respect of the year in which you commence payment of your benefits, you can instruct the Trustee to pay the potential AA tax charge based on estimated figures calculated by you.

One of the declarations in the Scheme Pays agreement is that you have used the correct tax rates or your best estimate of the appropriate tax rates.

If you are affected by the tapered AA, it is your responsibility to calculate your AA, and to calculate any AA tax charge that is payable. For more information on how to calculate the tapered AA, please visit: www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

If you subsequently find that the AA tax charge you entered was incorrect, although you cannot withdraw your instruction, you can submit another Scheme Pays agreement and any outstanding balance can then be paid on your behalf. If you have already drawn your whole pension and your pension needs to be reduced to accommodate the additional amount of AA tax charge, your previously higher pension payments together with any lump sum you elected to take at retirement may be deemed an 'unauthorised payment' by HMRC and could be subject to an additional unauthorised payments charge of up to 55%.

