

Pensions tax support for employers and members

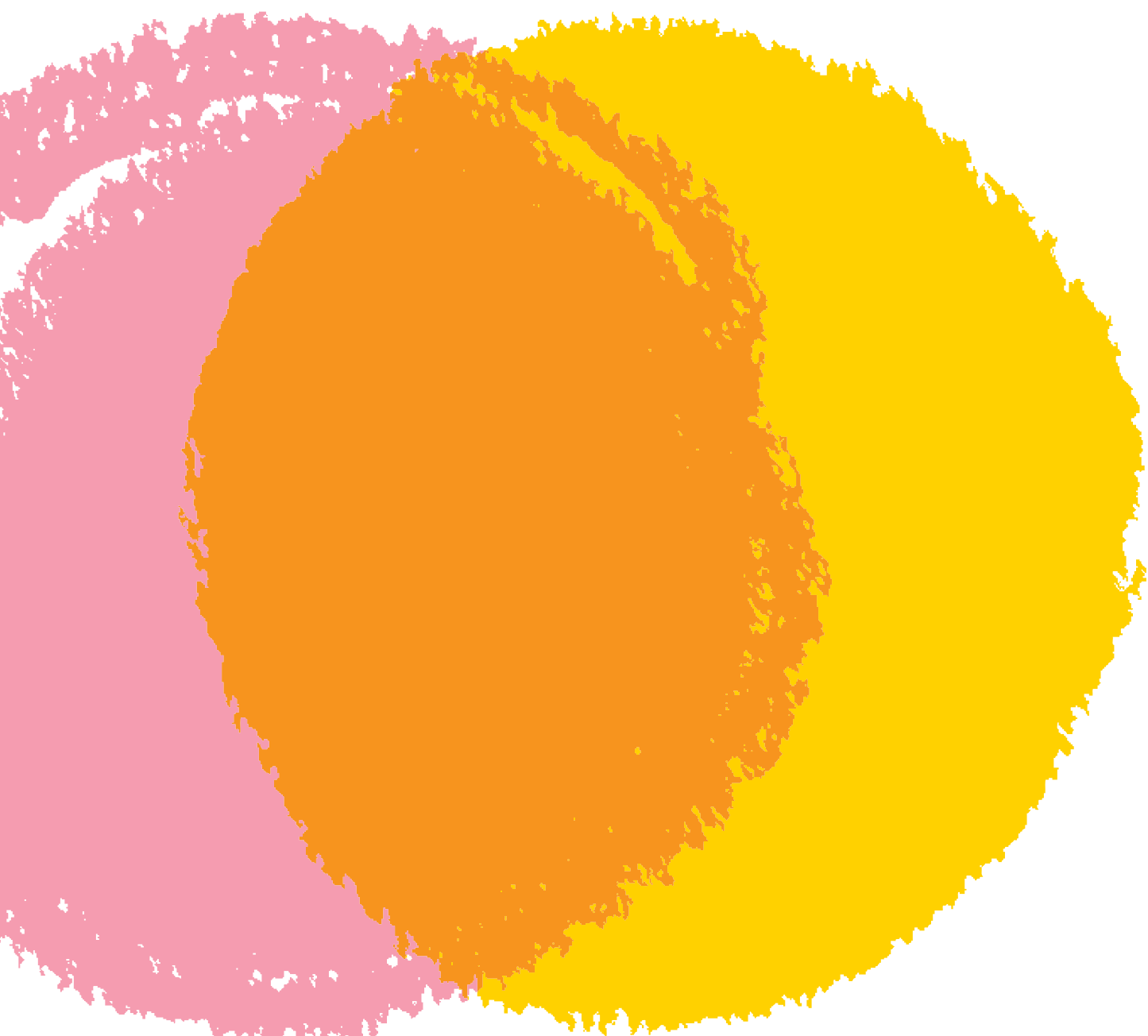
MyCSP has launched a new service for employers to help you and your senior staff understand the impact of changes to pensions taxation.

The limit on the tax efficient pension savings that can be made in any one year, the 'Annual Allowance', will reduce from £50,000 to £40,000 with effect from 6 April 2014.

At the same time, the 'Lifetime Allowance' (the overall limit on the value of pension benefits an

individual can take at retirement before tax charges become payable) will reduce from £1.5m to £1.25m. New protections are being introduced and so members need to consider whether to apply for these.

Members whose pension growth has exceeded the Annual Allowance charge in 2011/12 or 2012/13 and who have a tax charge to pay must complete a self-assessment form.



Who is likely to be affected?

The reduction in the Annual Allowance and Lifetime Allowance will not just affect the very highest earners.

Some members earning £70,000 may be affected and, from April 2015, anyone joining the new career average scheme and earning over £108,000 is likely to breach the Annual Allowance regardless of how long they have been in the Civil Service Pension Scheme.

A Lifetime Allowance of £1.25m is equivalent to a pension at retirement of £62,500 and so members who retire with 40 years' service and a salary at retirement of £94,000 could face pensions tax charges.

Members falling into the following categories are likely to be affected now or in the near future:

- salary of £70,000 or over and service of 20 years or more and recent promotion may breach the new Annual Allowance
- salary of £94,000 or more with 40 years' service may breach the new Lifetime Allowance
- salary of £100,000 or over and service of 20 years or more may breach the new Annual Allowance
- from April 2015, members earning more than £108,000 and moving to the new career average scheme, regardless of previous service are likely to breach the Annual Allowance
- ill-health retirements
- Club transfer to the PCS from another public sector scheme or linking of service

Action for members and important dates

If members are required to pay an Annual Allowance tax charge:

By 31 December 2013 - opt to make a "scheme pays" election if they wish to pay Annual Allowance tax charge from the scheme

By 31st January 2014 they must amend or complete their self-assessment

For members who may be affected by the Lifetime Allowance:

By 5 April 2014 - members may apply for Fixed Protection 2014 to retain current Lifetime Allowance of £1.5m

Members can apply for Individual Protection 2014 after 5 April 2014

Members likely to exceed the Lifetime Allowance should be aware of the reduction in the limit in April 2014 and the new protections that may be available to them. They will need to consider whether or not they want to apply for either Fixed or Individual Protection in order to protect the value of benefits built up to date.

Fixed Protection would require accrual of all future pension benefits to cease at 5 April 2014, therefore members must register for Fixed Protection by 5 April 2014 if they wish to retain the Lifetime Allowance of £1.5m

The considerations faced by members are complex. The factors they will need to consider include:

- when they intend to retire
- the mix of pension and cash that they intend to take at retirement
- what future inflation/ salary growth are likely to be (and hence how their benefits might grow in the future)
- whether they have further pension savings from other sources (e.g. previous employers), or indeed other savings in general
- the position in relation to dependants' benefits granted on death in service
- the position relating to ill health benefits
- their current tax position and their expected tax position in retirement
- whether they might wish to consider flexible working (e.g. partial retirement).

What do employers need to know?

Because the tax charges can appear very high, the changes to the Annual and Lifetime Allowances are likely to lead to a number of members considering early-retirement, partial retirement and/or leaving the pension scheme.

The individuals making these decisions will, by definition, be long-standing, relatively highly paid members who may be critical to the functioning of your organisation.

By taking a proactive approach, you can obtain early visibility on the likely impact of these changes on your organisation. You can engage with your senior staff which may lead to a better outcome for both of you.

Additionally, where an employee is offered a promotion, the timing may impact on any Annual Allowance tax charge and so both parties may wish to take this into consideration.

How can MyCSP help?

MyCSP has launched a new service to employers to help you support your staff who may be impacted by the tax changes. The services are listed below:

- Pensions tax seminars for senior staff
- Projections for individuals to show the potential impact of pensions tax in various scenarios
- One-to-one sessions with senior staff

The services will provide information only and we will not provide financial advice. Before employees take any decisions about the options available to them, they should consider taking their own independent advice. Further details are given below.

Pension tax seminars for senior staff

Small group sessions providing an overview of how tax limits and protections affect those in the Civil Service Pension Scheme. This will include a reminder of how benefits under the Scheme are accrued.

The sessions also provide an overview of the:

- tax-rules regarding pensions savings
- Partnership Scheme (AA and LTA impact)
- 2015 scheme (AA and LTA impact)
- actions that members need to take
- options and flexibilities under PCSPS
- HMRC calculator
- self-assessment completion process for pension savings
- protection and payment options available to members (Scheme Pays, protections)
- key dates and information requirements
- Auto Enrolment and protection processes
- sources for further information and/or financial advice
- case study examples

The sessions will be held at the employers' premises with ideally no more than twelve members in order for the session to be interactive. Presentations would be expected to last around two hours with plenty of time for questions and discussion. It may be beneficial for the HR or Reward Director to attend the sessions to identify where further support may be required for certain individuals. Options for further support can then be discussed at the end of the session.

Whilst not a requirement, members may get more from the session if they obtain information from the pension schemes of which they are a member in advance of the presentation.

Hard copies of the presentation will be available for attendees to take away for their personal use.

Our pension tax seminars can also be carried out on a one-to-one basis if there are sensitivities around particular individuals, for example the most senior staff, members considering ill-health retirement or about to be promoted.

Annual allowance projections

Where an individual is considering options which may impact their Pension Input Amount (PIA), and hence potential tax charge, we can provide projections which will enable them to understand the impact of various scenarios. This can assist you and the member in workforce planning.

Lifetime Allowance projections

We are able to provide projections for members in various scenarios, for example different leaving dates, partial retirement scenarios, commutation amounts, protections, etc. in order to help members understand the impact on their pension and any tax charge. Again, this helps members and employers with workforce management and can help to prevent disengagement amongst senior staff as a result of the tax charges and thus perceived loss of value of their employer-sponsored pension scheme.

Members should provide all necessary information on their other pension arrangements and caveats will apply.

One-to-one member sessions

One-to-one sessions are helpful for members who:

- have received the projections described above in order to help them understand the information and to provide an opportunity to ask questions and consider alternative scenarios
- are likely to exceed the LTA or AA in future
- may be eligible for protections
- require assistance in completing their self-assessment and paying over the right amount of tax to HMRC
- have received a Pension Saving Statement

The content of each session will be tailored to the employer's and member's circumstances and could include, in addition to the content set out above for the seminars:

- support in using the HMRC calculator
- guidance in self-assessment completion process for pension savings
- how the Annual Allowance may impact the individual in various scenarios, e.g. opting for protection, opting out of the scheme, joining the Partnership scheme.

We believe that it is beneficial for the employer to also attend these sessions in order to provide open dialogue between the member and the employer regarding future career decisions.

The AA and LTA can lead to members making decisions about leaving service or opting-out of the scheme and these sessions can play an important part in their decision-making process.

More information or to book:

To discuss your requirements please contact
training@mycsp.co.uk
 01903 835717

Pensions Taxation Group Seminars

Option	Cost
One two-hour session (suggested limit of 12 attendees)	£1,500
Full day with up to three two hour sessions	£2,450

Projections

Option	Cost
Annual Allowance projection	Total cost will vary according to requirements and complexity. Pricing to be agreed on a case by case basis.
Lifetime Allowance projection	
Protection options	

One-to-one member sessions

It will be more cost effective to hold a number of one-to-one sessions back to back on the same day. Prices will vary according to the number of sessions held and the preparation and follow-up requested but indicative figures are provided in the table below.

Option	Indicative Cost
Three individual sessions over a half day, including two hours preparation per member to provide information relating to the individual's own circumstances.	£2,280
Full day with up to six individuals but with no preparation.	£1,950

VAT and disbursements such as travel, subsistence and accommodation are payable in addition.

The services are an Employer Optional Service covered under the contract between Cabinet Office and MyCSP. The Cabinet Office has generally approved the scope of the pensions taxation support services being offered to employees by MyCSP. However, Cabinet Office is not responsible for, and has not undertaken a detailed review of the specific course content. Any information provided is provided by MyCSP alone and shall not be regarded as the provision of information or advice from the Cabinet Office. Employees should also be aware that other pensions taxation support services are available.