Cabinet Office

Employer Pensions Notice

EPN 133

Important! Tax simplification – Summary of changes

Audience **This Notice will be of particular interest to:**

- **HR Managers;**
- **pay and policy teams**
- **Payroll managers**

Actions

- To note scheme changes and issue the enclosed office notices at **Annex A** and **Annex B,** inserting appropriate information where indicated and including or deleting the optional text on Compulsory Early Retirement (CER) / Flexible Early Retirement (FER) estimates highlighted in **Annex A,** as soon as possible. Please issue Annex A first, and Annex B within 1 week if possible. **Do not change any of the wording without consulting CSPD.**
- To note that you may need to change your communications about early retirement exercises to reflect changes to the CER/FER arrangements.
- To note the provision of pensions and tax information and workshops for high earners (para 10) and the need to contact any high earners in your organisation
- To note the 'Tax changes – important notice' wording at **Annex C** that your APAC will issue with any estimates now for awards to be made after April 2006.
- To note the new timeframe for transfers of non occupational pensions into the scheme (see para 23).
- To consider the impact of scheme changes following tax simplification with your payroll provider (see para 34).

Timing **Immediate**

Civil Service Pensions

Contents

1. **Tax simplification -** From 6 April 2006, the present range of tax and pensions legislation will be replaced by a simplified system which permits schemes to relax many of the current limits but also introduces new controls mostly for the higher-paid. The new tax regime introduces a 'Lifetime Allowance' and an 'Annual Allowance' to replace all the current limits on tax-free contributions and benefits from pensions.

2. A number of the other new provisions are permissive, not mandatory. This means that although the law is changed, some of the provisions are optional and do not automatically over-ride pension scheme rules. Each pension scheme is able to make its own decisions as to whether it changes its rules to reflect these optional provisions of the legislation. We will consider, as part of the negotiations with the unions on changes to the pension arrangements, the extent to which we might introduce new flexibilities in due course. We will give you more details as this work progresses. In the meantime you need to be aware of what changes will happen in April 2006 so that you can advise your staff. There will be little impact on the majority of scheme members but the following changes will apply.

Lifetime Allowance

3. The Lifetime Allowance (LTA) is the total value of all pension benefits (except the State pension) that can be taken by or in respect of an individual without paying extra tax. Pension benefits are tested against the LTA at the time that the member takes their pension benefits. The LTA for 2006-7 will be £1.5million and will increase over the next 5 years to £1.8million. If the capital value of a member's benefits from all their pension arrangements exceeds the LTA they will have to pay extra tax on the excess.

4. Most members' pensions will be nowhere near the LTA. On introduction, the LTA will only affect people whose total pension at 6 April 2006 (not just their Civil Service pension) is likely to be around £70,000 per year or more. [For those who only have **classic** benefits the corresponding figure is around £65,000]. However, on retirement **every member** will be responsible for providing their APAC with details of the amount of LTA (if any) they have already used up so that the APAC can assess whether there is sufficient unused LTA to cover the pension benefits being drawn. They will then receive a certificate showing the amount of LTA used up by their PCSPS benefits. Where benefits exceed the LTA the APAC will calculate and deduct LTA charge tax. APACs will not set up pension payments until they have received the LTA information.

Pension award estimates for staff retiring on or after 6 April 2006

5. One aspect of the changes that may affect you sooner rather than later is where you are issuing estimates for retirement pension awards to members who are not expected to leave until after 6 April 2006, when the new tax legislation is introduced.

6. From January 2006 the letters your pensions administrator sends to members with awards and estimates for retirements on or after 6 April 2006 will explain the impact, if any, of the tax changes. Until then, APACs will include a notice with each estimate to advise members that the tax rules will be changing. The text attached at **Annex C** is <u>for your information only</u>.

7. Whilst it is always important to notify your APAC promptly of any retirements, it will be particularly helpful to give as much notice as you can of departures scheduled for the first

few months after the tax changes. This is to allow members enough time to provide the additional information needed by your APAC.

WPS contribution refunds

8. From 6 April 2006 we will be treating refunds of WPS contributions as part of the member's retirement lump sum entitlement. This means that they must be paid at the time the member starts to receive their pension. In some cases this will mean that some or all of the WPS refund will be paid earlier or later than would otherwise be the case.

9. In circumstances where it will not be possible to pay the refund at the time the pension commences (e.g. where the member is already in receipt of their pension before 6 April 2006, but some or all of the refund is not due until they reach age 60 sometime after that date), we will convert the refund into a small additional pension and lump sum for the member.

Transitional arrangements

10. Anyone earning over £100,000 a year may be affected by the new LTA in due course and may also need to know about transitional arrangements for those who have, by 5 April 2006, built up pension benefits valued in excess of £1.5m. We wrote to HR Directors in May to tell them about the support programme being established for those most likely to be affected, asking them to encourage them to register for our "pensions and tax" group. **Please ensure that you have contacted all high earners in your organisation with the registration details.** You will find the individual's registration form on the Pensions and Tax page of the Employers and APACs site. Information for members on tax changes is on our website at www.civilservice-pensions.gov.uk/LTA.

11. In addition, we also encourage employers to register to ensure they receive further information. **If your organisation has not registered, please do so without delay** using the registration form at **Annex D.**

Pensions credit on divorce

12. Members who became entitled to a pension credit before 6 April 2006 following a divorce can apply to HM Revenue and Customs (HMRC) to increase their LTA. This is because their pension credit will count against their LTA.

Annual Allowance

13. In addition to the LTA, there will be an Annual Allowance. This defines the maximum amount by which the capital value of an individual's total pension rights can increase in any one year before they are liable to pay additional income tax at 40%. The Annual Allowance will be £215,000 in 2006-7. The amount of increase will be defined as:

– contributions paid into money purchase arrangements, plus

- the increase in any defined benefit pension, multiplied by 10, plus

- the increase in any defined benefit pension lump sum.

14. In practice, the Annual Allowance is most likely to bite in the following circumstances (individually or combined):

- a significant pay rise, particularly where someone has a lot of pensionable service

- an enhancement of service (other than on pension benefits coming into payment – e.g. on ill-health retirement or redundancy)

- a significant contribution into a pension scheme

- a credit of service more generous than that implied by the transfer value received

- aggregation of an earlier preserved pension (see paragraph 17 and bear in mind that this may also affect people rejoining the Civil Service)

If you think that actions you are taking as an employer may lead to a breach of the Annual Allowance for your staff in the future, you should discuss these with Civil Service Pensions Division without delay to ensure that you have considered any actions which may be possible to reduce the effect of the Annual Allowance charge.

15. **Annual Allowance reporting is the responsibility of the individual** and will be included in HMRC self-assessment returns sent out from April 2007.

16. Individuals will be required to report details of the increase in value of defined benefit pensions and of contributions to all other pension arrangements on their income tax self-assessment. Individuals who breach the Annual Allowance will be liable to pay income tax at a rate of 40% on the excess over the Annual Allowance. APACs will provide all high earners, plus anyone else who requests it, with a special benefit statement showing pension increase for the purposes of Annual Allowance reporting. This will be in place in time for the self-assessment returns due to HMRC after April 2007.

classic members with preserved awards – aggregation exercise

17. The Annual Allowance will not affect most people, but there is a small risk that it could affect some **classic** members who have a preserved pension award and who choose to aggregate their periods of service when they next leave the scheme, if this is before they take all their pension benefits. We are therefore giving all **classic** members who have been re-employed and have a preserved award a one-off opportunity to aggregate their pension benefits before 6 April 2006 (those who do not will retain their option to aggregate on leaving the scheme). We have asked APACs to write to re-employed **classic** members and tell them about the aggregation option and they will be doing so shortly. EPN 132 refers.

Changes to Compulsory Early Retirement (CER) and Flexible Early Retirement (FER).

18. We will not, in future, be able to pay a tax-free pension lump sum early to those leaving on CER or FER without also bringing their pension into payment early. This means that from 6 April 2006 we will pay an enhanced early pension rather than an annual compensation payment (ACP) to members of the **classic** scheme who leave on CER or FER, aged 50 or over, with 5 or more years' service.

19. For most people this will entail a change in name of the benefit rather than any change of substance. There will generally be no change in the way that the benefits are calculated or taxed but, since there will be no ACP when pension is paid early, the repackaging and commutation options will no longer be available. As the pension will be paid early, the member will also be able to take their AVC benefits.

20. Employers will remain responsible for meeting all the extra costs of early departures. For **classic** members opting for the enhanced early **classic** pension, employers will still have to pay the cost of the pension in the same way as they currently have to pay the cost of the ACP. For **classic** members opting for the option described in paragraph 21 below, employers will pay the costs appropriate to that option.

21. The immediate payment of an enhanced pension may not suit everyone – for example, those whose pension benefits are close in value to or exceed the Lifetime Allowance or whose pension benefits will be reduced as a result of a court order following divorce. **classic** members leaving on CER or FER will therefore be able to choose instead to preserve their accrued **classic** pension benefits for payment at pension age. If they choose to do this they would receive the additional early exit benefits solely in the form of compensation (in the same way that **premium**, **classic plus** or **partnership** members leaving on CER or FER do).

22. We know that APACs are already sending benefit estimates to members considering leaving on CER or FER terms on or after 6 April 2006. We are revising the CER and FER estimate statements and accompanying letters for **classic** members, and will be asking APACs to send these in response to new requests from those whose estimated date of departure is 6 April 2006 or later (and to send them, on request, to anyone who has already received an estimate and who is interested in finding out more about the alternative option described in paragraph 21). APACs will calculate the estimates relating to this option manually until the relevant software is available. **This will involve them in additional work and you will need to discuss turnaround times and costs with any request for estimates.**

New time limit for transfers in from non occupational (not sponsored by an employer) pensions

23. An application for a transfer from a scheme other than another occupational pension arrangement (a personal pension or a deferred annuity contract) will be permitted only during the first 12 months of the member becoming eligible to join PCSPS. (Note: this introduces a restriction not currently in place and reverses in part the changes introduced in EPN110). The limit applies to all staff, not just new joiners from 6 April 2006.

New age limit for early payment of pensions for new entrants

24. From 6 April 2006 any new entrant will only be able to draw their pension from age 55. Current staff and those who join before 6 April 2006 will be able to draw pension (for instance on actuarially reduced terms or early retirement from classic – see paragraph 18 above) from age 50 as now. **You need to ensure that letters of appointment reflect this change.** This change does not affect pensions paid on ill-health retirement (where age limits do not apply).

New age limit of 75 from 6 April 2006

25. The new tax regime is clearly designed on the basis that members will draw benefits before their 75th birthday. Lump sum payments made after that time will be classed as an 'unauthorised payment' and the member will have to pay a 40% tax charge. The scheme will also have to pay a fine for making the unauthorised payment. We have therefore decided that membership of the pension scheme will terminate immediately before a person's 75th birthday and that members should receive their pension (this will not be subject to abatement if they choose to carry on working).

26. We realise that this will affect very few members but if you have any members likely to be affected, it is important that you put procedures in place, in conjunction with your APAC, to ensure that all "pension payment" action takes place in good time. We **must** pay lump sum benefits before a member's 75th birthday. Also, please be aware that we will require employers who fail to take appropriate action to reimburse both the member and, if appropriate, the scheme, for additional tax and penalties incurred.

Dependent child's pension – new age limit

27. The upper age limits for receipt of a dependent child's pension are currently:

- in **premium** and **classic plus** - age 18 or to age 26 if the beneficiary is either in full-time education or training, or unable to work due to disability

- In **classic** - age 17 or (if later) when the beneficiary ceases full-time education or training.

In general new dependent children's pensions beginning on or after 6 April 2006 must stop at the latest by the beneficiary's 23rd birthday. The change has no impact on invalidity pensions payable under **classic** (for which members contribute an additional 2% of pay), whenever the pension commences.

Topping up pensions - Changes from 6 April 2006

New contribution limits for CSAVCS scheme members.

28. The current limit on the amount that members can pay to the CSAVCS (up to 13.5% of pay for **classic** members and up to 11.5% for those in **premium**) will be relaxed – members will be able to contribute as much as they like up to 100% of their pensionable earnings and receive full tax relief, but see comments about the Annual Allowance (para 13). Members will be responsible for reporting and paying tax if they exceed the AA.

Tax free lump sum from CSAVCS

29. Members drawing their AVC benefits from 6 April 2006 will be allowed to take up to 25% of their fund as a tax-free lump sum (at present, there is no tax-free lump sum).

New contribution limits for Stakeholder pensions – including the partnership pension

30. The contribution limits are being relaxed on these products as well. This means that members who contribute to the **partnership** pension account or to a Free-standing AVC (FSAVC) will also be able to pay more than they do at the moment.

Personal pension eligibility widened

31. From April 2006, any scheme member will be able to make contributions to a personal pension or a stakeholder pension (at present this is restricted to those earning under £30,000 a year). However, **please note that employers must <u>not</u> give any advice to staff about the wisdom or otherwise of taking out a personal pension in addition to the Civil Service pension**. There is a lot of media publicity about Self Invested Personal Pensions, or SIPPs (second homes, buy-to-let etc) and it is the individual's own responsibility to take advice on their investments and to understand the possible tax consequences of them.

32. A model Office Notice is attached at **Annex B** for you to issue to staff. **Please do not change the wording in any model Office Notice without consulting CSPD.** You should insert references to your APAC where indicated and issue this to staff through your usual communication route. **Please issue this notice shortly after the general notice at Annex A.**

What will not change at April 2006 – for classic, classic plus and premium schemes

33. As noted in paragraph 2, we do not intend to implement all provisions of the tax simplification changes into the Civil Service pension arrangements from April 2006 (although we will consider further changes as part of the "Building a sustainable future" discussions with the unions on pensions reform). In the meantime, you should note that **the following will not change at 6 April 2006**:

(a) the maximum amount of the tax-free lump sum that scheme members can take from their **classic, classic plus** or **premium** pension

(b) the limit on the maximum years of pension that members can earn in the scheme

(c) the amount of added years that members can buy

(d) the earnings cap that limits the amount of salary on which members can build up scheme benefits

(e) the purchase of added years by lump sum and/or periodical contributions

(f) the time limit for an application for a transfer from an occupational (employer-sponsored) scheme – such transfers will continue to be permitted at any time during active membership (up to one year before normal pension age).

Payroll implications

34. As a result of the planned scheme changes to remove AVC and stakeholder contribution limits, you should check with your payroll provider to ensure that any limits written into the software can be removed – for example the payroll system may have a validation check that blocks or flags up AVC contributions that exceed the current tax limit of 15% of pay. You should also check that your payroll provider is not proposing to make any changes to remove the earnings cap.

Reference This document refers to EPN 110, EPN 127, EPN 131 and EPN 132

Contacts Enquiries about content, distribution or to receive in a different format

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You can find copies of all current EPNs and forms on our website **www.civilservice-pensions.gov.uk** in the Employer and APACs section username **employers** password **mc2fxqfy**

Annex A

OFFICE NOTICE

Civil Service Pensions

New tax rules on pensions - will they affect you?

From 6 April 2006 HM Revenue and Customs (HMRC) are changing the current tax rules that limit pension contributions and the amount of benefits that you can build up in a pension scheme.

For most people, the tax changes will be beneficial as they will increase the amount you can save in pension schemes without paying income tax on your contributions. We will be issuing a further notice on 'Topping up your Civil Service pension benefits from April 2006' shortly.

What are the new rules?

There will be just 2 controls on pensions saving, the Lifetime Allowance and the Annual Allowance.

The **Lifetime Allowance** (LTA) – From 6 April 2006, everyone will have a Lifetime Allowance (LTA) – this is the total capital value of all pension benefits (except the State pensions) before you pay extra tax. If your pension takes you over your LTA, you will have to pay tax on the excess benefits. As the LTA will be £1.5m to start with, **most people will be able to save as much as they wish**. On current figures, unless your pensions in total are likely to be over around £70,000 a year, you are unlikely to exceed your LTA. If you only have **classic** benefits the corresponding figure is around £65,000

How is your pension valued for the LTA?

Any occupational pensions where the scheme is promising to pay an amount of pension on retirement in the future are valued by **multiplying the current pension earned by 20**. Any lump sum benefit (for instance in **classic**) is taken at its current value. This formula applies to 'frozen' pensions from previous employments as well as any pension being built up in current employment. Money purchase pensions such as personal pensions or Additional Voluntary Contributions (AVCs) have a fund value associated with them. The value of these pensions is the **fund value**.

Any pensions in payment on 6 April 2006 are valued by **multiplying the annual amount by 25**.

Example

A **classic** member earns £40,000 and has 20 years' service so has built up a pension of £10,000 plus a lump sum of £30,000. The member also has AVCs valued at £15,000. The value of these benefits for LTA purposes is:

Pension: £10,000 x 20 = £200,000

Lump sum	= £30,000
AVC fund	= £15,000
Total	= £245,000

How will the LTA affect you?

Everyone who brings a pension into payment, whether it is an occupational pension or a personal pension, will use some of their LTA. **Even if your pensions are small and will not exceed the LTA, you must keep records of any pensions that are paid to you.**

- When you come to draw your pension:
  - it will be assessed against your remaining LTA to check whether extra tax is due (even though most people's pensions will not reach anywhere near the LTA).
  - Every pension you draw will use up part of your LTA (the only exception to this is the State pension). When you want any new pension payments to begin you must tell the administrator the percentage (%) of the LTA that has been used up by any pensions you already have in payment, and any benefits you are about to take in other schemes. You will be given information showing the amount of LTA used for any pension paid after 6 April 2006 by the relevant administrator.
  - If you do not provide information promptly about the LTA you have already used up (if any), this will delay your administrator paying your pension.
- Please note that, if you have a pension in payment before 6 April 2006, this will be treated as having used up part of your LTA. The relevant pension provider will tell you how much LTA this represents. You will need to keep information about such pensions that you have, so that you can provide it to your pensions administrator.
- If you already have a pension credit in respect of a divorce before 6 April 2006 you can apply to HMRC to increase your LTA. This is because the pension credit will use up part of your LTA when it comes into payment.

The **Annual Allowance** (AA) **-** is a limit on the increase in the value of pension rights or benefits that you can have in any tax year without paying extra income tax at 40%. The Annual Allowance will be £215,000 in tax year 2006-7. **As with the LTA, the majority of members will not be affected.**

AA Key points:

- To check whether you have exceeded the AA, you add up:
  - The increase in value of your defined benefit (e.g. **classic**) pension multiplied by 10,

    - plus the increase in value of any automatic lump sum, plus

    - the amount of any contributions you (and your employer for **partnership** members) make to a money purchase pension.

  - **If you exceed the AA in any tax year you will be responsible for reporting this to HMRC by completing a self-assessment return and paying income tax at 40% on the excess**. Self-assessment tax returns sent out from April 2007 will include questions about the Annual Allowance. Your pensions administrator will be able to give you information to help you complete your post April 2007 tax form if this applies to you.

- For more information - see the Pensions and Tax pages on the Civil Service Pensions website **www.civilservice-pensions.gov.uk/lta**

Scheme changes as a result of tax simplification

Changes to Compulsory Early Retirement (CER) and Flexible Early Retirement (FER) - There are some minor technical changes to CER and FER as a result of tax simplification rules. See Annex A (1) for details.

OPTIONAL TEXT – DO NOT INCLUDE IF YOU HAVE NOT ISSUED ANY CER/FER ESTIMATES

- If you may be leaving after 6 April 2006 and have had an estimate that did not include an explanation of the changes, please contact *[HR contact details……………………….]* if you would like to receive further details.

Changes to payment of WPS (widows' pension scheme) refunds - After 6 April 2006 these refunds will be paid as part of the retirement lump sum when you first draw your pension. See Annex A (2) for details.

Change to age limit for dependent children's pensions - Any new dependent child's pension paid after 6 April 2006 stop at age 23 even if the child is still in full time education or training. Special rules will apply to dependent children's pensions already in payment or beginning before 6 April 2006.

New age limit - We will not be able to pay tax-free lump sums to **members who have reached age 75**. We will require members to draw their pension before their 75th birthday and we will not abate (reduce or suspend) their pension if they carry on working past 75.

Further scheme changes - There are further scheme flexibilities permitted by the new tax rules and Cabinet Office will consider these, but in the meantime, the following elements of **classic**, **premium** and **classic plus** rules will **<u>not</u>** change:

- o the maximum amount of the tax free lump sum that you can take when you retire
- o the limit on the maximum number of years of reckonable service you can earn
- o the amount of added years you can buy
- o the earnings cap that limits the amount of salary on which you can build up scheme benefits
- o the time limit on transfers from an occupational (employer-sponsored) scheme

Where to find more information:

- ➢ See the Civil Service Pensions' website www.civilservice-pensions.gov.uk for:
    - o 'pensions and tax' pages about the Lifetime Allowance and Annual Allowance;
    - o general information about the Civil Service pension arrangements
- ➢ See HM Revenue and Customs' website: www.hmrc.gov.uk/pensionschemes/newsletter1.htm

  for details of the legislation, but **please note that the some of the changes to the tax rules will only apply if schemes change their rules.**

ANNEX A to Office Notice

A(1) Changes applicable to staff in **classic,** aged 50 or over, with 5 or more years' service leaving on **Compulsory Early Retirement (CER) and Flexible Early Retirement (FER)** –

- Under current rules, the compensation payable on CER and FER to members of **classic** is paid as a mix of compensation payments and enhanced pension. On CER, the benefits payable are:

  - an enhanced pension and tax-free pension lump sum. The lump sum is paid immediately, but the pension is frozen for payment at age 60. An annual compensation payment (ACP), generally equivalent to the enhanced pension, is payable from the date of departure until the pension begins at age 60; plus

  - a lump sum compensation payment of 6 months' pay on leaving.

The same benefits are payable on FER apart from the compensation of 6 months' pay.

- Because of the new tax rules, Cabinet Office has to make some technical changes to the arrangements for **classic** members who leave on CER or FER. We will not be able to pay a tax-free pension lump sum early to anyone leaving on CER or FER without also bringing their pension into payment early. This means that we must pay an enhanced early pension rather than an annual compensation payment (ACP) to members of the **classic** scheme who leave on CER or FER, where a tax free lump sum is payable, on or after 6 April 2006. Any WPS refund for single people must also be paid at the same time (see A (2) below).

- For most people this will only mean a change in the name of the benefit rather than any change of substance. There will generally be no change in the way that the benefits are calculated or taxed, but the new tax rules will mean that they will not be able to repackage or commute their benefits. (When pension is paid early, there will be no ACP to exchange for a higher lump sum compensation on departure).

- The immediate payment of an enhanced pension may not suit everyone – for example, those whose pension benefits are close in value to or exceed the Lifetime Allowance or whose pension benefits will be reduced as a result of a court order following divorce. They will therefore be able to choose instead to preserve their **classic** pension benefits to be paid at pension age and take the additional early exit benefits solely in the form of compensation (in the same way that **premium**, **classic plus** or **partnership** members leaving on CER or FER do). Our pensions administrator will include information about this option when they provide members who have been offered CER or FER with an estimate of the benefits they will receive.

A(2) Changes to payment of WPS refunds – applicable to all staff in ***classic*** and staff in ***classic plus*** who were single* on 30 September 2002 and have remained so ever since

- If you remain single until you leave service, you may be eligible for a refund of some or all of the WPS contributions you have paid. From 6 April 2006 these refunds will be treated as part of your retirement lump sum entitlement and, therefore, will be paid at the time you start to receive your pension.

- In some cases this will mean that some or all of the WPS refund will be paid earlier or later than would otherwise be the case. The amount of the refund will be adjusted to reflect the early or late payment.

- If it is not possible to pay the refund at the time the pension commences (e.g. where a member is already in receipt of their pension before 6 April 2006, but some or all of the refund is not due until they reach age 60 sometime after that date), we will have to convert the refund into a small additional pension and lump sum.

* Single' means you are neither:
    - married; nor
    - in a civil partnership (i.e. a same-sex relationship that has been registered under the Civil Partnership Act 2004).

A (3) Change to age limit for dependent children's pensions

From 6 April 2006 any dependent child's pension that may be payable must stop at the latest by the child's 23rd birthday. Transitional rules will apply where a dependent child's pension is already in payment on 5 April 2006. The change will not affect invalidity pensions to children payable under **classic** (for which members contribute an additional 2% of pay), whenever the pension begins.

Annex B

OFFICE NOTICE

Civil Service Pensions

Civil Service pension arrangements
Topping-up your Civil Service pension benefits from April 2006

From April 2006, the current tax restrictions on pension saving will be relaxed considerably. In theory, you will be able to save an amount equivalent to your annual salary each year. Please see the earlier notice on ‘New tax rules on pensions – will they affect you?’

Cabinet Office has announced the rules and flexibilities that will apply to topping-up Civil Service pensions from 6 April 2006 (‘A-day’).

Are you in the Civil Service AVC Scheme (CSAVCS)?

New contribution limits

- You will no longer be restricted to the current limit of 15% of salary to cover contributions to both the CSAVC scheme and the Civil Service pension scheme. You can increase your pension saving in your CSAVCS but any contributions you pay will count towards your Annual Allowance (£215,000 for 2006-7)
- **CSAVCS tax-free lump sum**
- In addition, when you draw your CSAVCS benefits, you will be able to take up to 25% of your fund as a tax-free lump sum (subject to the new tax limits).

Do you have a partnership pension account or stakeholder pension?

- As with the CSAVCS you can increase your contributions but remember that both your contributions and those made by your employer count towards your Annual Allowance

Are you buying Added Years?

- The rules for (and limits on) purchasing added years by lump sums and periodical contributions will continue without change.

Are you considering transferring-in benefits from other pension arrangements?

New time limit for transfers from any pension schemes. Transfers from schemes other than occupational (employer-sponsored) pension schemes such as personal pensions or stakeholder pensions

An application will only be accepted within 12 months of you being eligible to join **premium** or **classic**, so:

- if you joined before 6 April 2005 and want to transfer in your personal pension you must have made an irrevocable application before 6 April 2006

- if you joined on or after 6 April 2005 the 12-month limit will apply to you. For example, if you joined on 1 July 2005 you must have contracted for the transfer to go ahead by the end of June 2006

Transfers from occupational pension schemes

- These will continue as now. This means that you must apply to transfer from schemes in the Public Service Transfer Club within the first 12 months of becoming eligible to join **classic** or **premium** for the beneficial Club terms to apply. You can apply to transfer benefits from other occupational schemes at any time up to one year before your normal pension age, usually your 59th birthday.

Do you want to contribute to a Stakeholder pension or a personal pension?

New access to Stakeholder and personal pensions

- All members of occupational pension schemes, such as the Civil Service pension scheme, will be able to save in a personal or stakeholder pension as well as in their employer's scheme. This new flexibility includes Self-Invested Personal Pensions (SIPPs) Bear in mind that neither your employer nor your APAC can advise you on the wisdom of any financial investments and also do not forget that any contributions you make will count towards your Annual Allowance.

Would you like more information?

- If you want to apply to transfer benefits from another scheme or personal or stakeholder pension into the Civil Service pension scheme, either before the rules change in April 2006 or later, please contact your Civil Service pensions administrator, *(employer to insert name of APAC and contact details).*

- You can find information about boosting your pension on the Civil Service Pensions' website:

  www.civilservice-pensions.gov.uk

- See the Pensions and Tax pages of the Civil Service Pensions' website for more information about tax relief on pension saving:

  www.civilservice-pensions.gov.uk/lta

ANNEX C

For your information only – text that APACs will attach to estimates issued up to January 2006 for awards due for payment after 6 April 2006

Civil Service Pensions

TAX CHANGES - IMPORTANT NOTICE

The enclosed estimate statement gives you an early indication of the benefits you are likely to receive when you leave. The Government is introducing changes to UK tax rules on pensions which will include any pension payments made after 6 April 2006. We will give you more details when we confirm your benefits.

For more information see the ‘Pensions and Tax’ pages on our website:

www.civilservice-pensions.gov.uk

ANNEX D

CabinetOffice

CORPORATE APPLICATION TO JOIN "PENSIONS AND TAX" GROUP

Department / employer		
Nominated representative(s)		
Address for correspondence *(see note below)*		
E-mail address(es)		
Does your organisation:	belong to the PCSPS?	☐
	operate its own pension arrangements by-analogy to the PCSPS?	☐
Note: we will send most communications to you by e-mail. If this is not convenient, please let us know.		

Please return this form to:

Ann Youngs
Civil Service Pensions Division
Cabinet Office
9th floor, Grosvenor House
Basing View
BASINGSTOKE
RG21 4HG

or e-mail to: LTA@cabinet-office.x.gsi.gov.uk