



Employer Pensions Notice

EPN 236

Important message for high earners

Transitional protection deadline approaching fast

Audience This Notice will be of particular interest to:

- HR Managers and policy teams

Action If you have not already acted on HR Directors' Bulletin no 37, please issue the attached notice to senior staff (only)

Timing Immediate

1. HR Directors' Bulletin 37 (issued on 23 September 2008) asked departments to alert senior staff to the fact that people who wish to register pension benefits with HMRC for "transitional protection" need to do so before HMRC's deadline of 5 April 2009. We understand that some HR practitioners may have missed this message, so we are sending out this reminder. If you have already read and acted on the message in HR Directors' Bulletin no 37 you should ignore this EPN.
2. A new pension and tax regime came into effect from 6 April 2006 ("A-day"). The new regime is intended to be far simpler for the vast majority of people. This is achieved by relaxing limits on pension contributions and then assessing pension benefits – at the time that a pension is drawn – against the Lifetime Allowance (LTA). Where pension benefits (in total) exceed the LTA, additional tax is payable – but the LTA is such that only a tiny proportion of people will pay LTA tax. The LTA was set at £1.5m on A-day (equivalent to a pension of around £65,000pa in **classic**) and will increase to £1.8m by tax year 2010/11. It is currently (tax year 2008/9) £1.65m.



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3. The new regime applies to all members of registered pension schemes. To ease the transition, and to ensure that people who had built up substantial pension benefits before A-day were not subject to retrospective taxation, individuals are able to register their pension benefits with HMRC for transitional protection. There are two forms of transitional protection and it is possible to register for either or both
 - Primary Protection is available only to people whose pension benefits at 5 April 2006 were valued at £1.5m (the value of the LTA at April 2006) or more. Primary Protection provides a personalised LTA.
 - Enhanced Protection protects pension assets accumulated before April 2006 from LTA tax and is mainly intended to safeguard pension pots which benefit from good investment growth. In defined benefit schemes the principle is the same but the test is more complicated.

4. Employers should be aware that it is an individual's personal responsibility to manage their tax affairs, including application for registration for transitional protection. However, the Civil Service's policy has been to provide a reasonable amount of information to senior staff. This included an awareness programme over the winter of 2005/6, comprising seminars for high earners and their employers and supported by information on the Civil Service pensions' website. We also provided 1:1 briefings to those who thought that they had benefits at, or close to, the LTA.

5. The deadline for registering with HMRC for transitional protection is 5 April 2009 and we are asking departments to remind their senior staff of this, using the Notice attached. As this will be relevant for only a small proportion of staff, we suggest that you circulate only your SCS (or those paid at equivalent levels).

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Reference This document refers to HR Directors' Bulletin no 37

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

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01256 846414

**Employer Helpdesk, Civil Service Pensions, Grosvenor House, Basing
View, Basingstoke, RG21 4HG**

You can find electronic copies of the EPG, all current EPNs and forms on our website www.civilservice-pensions.gov.uk in the Guidance for employers section.

If this notice is to be circulated to members, then please remove contact details as the helpdesk is for employers only. Members should be directed to your pensions administrator if they have any queries.

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Please issue the following notice to SCS and any other staff paid at similar rates. This notice is not appropriate for issue to all staff.

PENSIONS AND TAX – APRIL 2009 DEADLINE IS APPROACHING

The pension and tax regime changed on 6 April 2006 (“A-day”). Under the new regime, everyone has a Lifetime Allowance (LTA). Where the totality of an individual's pension benefits exceeds the LTA (£1.65m in the current tax year 2008/9) – LTA tax is payable.

Under the new regime, individuals may register their benefits with HMRC for “transitional protection”. This is intended to safeguard pension benefits built up before April 2006; it is not intended to provide protection for pension benefits built up since April 2006. **The deadline for registering for transitional protection is 5 April 2009** – anyone who plans to register their pension benefits, but has not yet done so, must make sure that they set aside time to complete this task before the deadline.

Registration with HMRC is a taxpayer's personal responsibility; it is not the responsibility of their employer or pensions administrator.

There are two forms of transitional protection and it is possible to register for either or both:

- Primary Protection is available only to people whose pension benefits at 5 April 2006 were valued at £1.5m (the value of the LTA at April 2006) or more. Primary Protection provides a personalised LTA.
- Enhanced Protection protects pension assets accumulated before April 2006 from LTA tax and is mainly intended to safeguard pension pots which benefit from good investment growth. In defined benefit schemes the principle is the same but the test is more complicated.

For further information on transitional protection, including how to value your pension at A-day, see the HMRC website www.hmrc.gov.uk/pensionschemes or the “high earners” section of the Civil Service Pensions' website. For active members of the Civil Service pension scheme, with no other pension benefits, the tax value is calculated by multiplying pension (at A-day) by 20 and, for **classic** and **classic plus** members, adding the lump sum.

Example: At 5 April 2006, Jane had built up a **classic** pension of £60,000 and lump sum of £180,000. Jane's A-day valuation is £1.38m (20 x £60,000 + £180,000)

The transitional protection form and associated guidance are available on the HMRC website and also on the Civil Service Pensions' website.

If you need information about your Civil Service pension, please contact your administrator.

If you have questions about the LTA, please email: LTA@cabinet-office.x.gsi.gov.uk.