



Changes to the Lifetime Allowance for pension savings from April 2016

The government announced at Budget 2015 that it will reduce the Lifetime Allowance for pension savings from £1.25 million to £1 million from April 2016.

The Lifetime Allowance is the maximum amount of pension savings that a person can make tax-free over their lifetime. When they take their pension anything over their tax-free lump sum will normally be taxed at their marginal rate of income tax. If their pension savings are higher than the Lifetime Allowance then any pension savings above this level will be subject to an additional tax charge.

This change could affect:

- Members of Classic who have or expect to have an annual pension of £43,500. Members who earn £77,00 and above with 45 years' service may be in this position as well as higher earners with shorter service
- Members of Premium, Nuvos and Alpha who have or expect to have an annual pension of £50,000 (before lump sum contribution). Members who earn £66,000 with 45 years' service may be in this position as well as higher earners with shorter service

Any personal pensions or Added Pension /AVCs in the Civil Service Scheme will also count within the Lifetime Allowance limit so may cause members to exceed the Allowance even if their RCPS pension is within the limit.

From 2018-19, the Lifetime Allowance will be increased by inflation (the Consumer Prices Index). When a member draws their pension benefits JSS will tell them what proportion of the LTA has been used with their RCPS pension. If the member has other pensions they should then provide this information to their pension provider.

For those who may be affected by the reduction in the Lifetime Allowance the Government has announced that a transitional period will be available, more information about this and the protection available can be found on the HMRC Lifetime Allowance Page www.hmrc.gov.uk/manuals/rpsmmanual/RPSM11100000.htm

If you would like advice about how these changes affect you and your circumstances and advice about what you should do please speak to a Financial Adviser.

Our pensions and tax page <http://jsspensions.nerc.ac.uk/help/tax.asp> also provides some further information on Lifetime and Annual Allowances.