

## Information for members of the Research Councils Pension Scheme

### Lifetime Allowance: £1m from April 2016

#### What Do I Need To Know

Your pension pot is measured against a Lifetime Allowance. On 6 April 2016 the Lifetime Allowance reduces from £1.25 million to £1 million. If, when your pension is paid, you exceed the Lifetime Allowance you may have to pay a tax charge to HMRC. Members are able to take out protection with HMRC against these tax charges, this notice outlines how and who may be affected by the Lifetime Allowance.

Members that reach or exceed the Lifetime Allowance may want to seek further independent financial advice on their specific circumstances.

The value of pension savings for Lifetime Allowance purposes is calculated by multiplying your pension by 20 and adding on any automatic lump sums. It's likely the Lifetime Allowance of £1m will be exceeded if:

- You're in Premium or Nuvo with a pension above £50,000, or;
- In Classic with a pension of £43,500 with an automatic lump sum of £130,500 (3 times the pension)

For Lifetime Allowance purposes you should include all pensions you have, not just your RCPS one.

JSS will advise you of the value of your RCPS pension for Lifetime Allowance purposes when your pension is put in to pay; this is known as a benefit crystallization event (BCE). This year JSS will also advise you of the value for Lifetime Allowance purposes in your 2016 Annual Benefit Statement which is due to be issued late June 2016.

#### Protection

HMRC have made three types of protection available for those people that may be at risk of exceeding the Lifetime Allowance. The first of these is '**Individual Protection 2014**', also called IP2014, and is for anyone who had pension savings above £1.25 million on 5 April 2014. This can be applied for online:

<https://online.hmrc.gov.uk/shortforms/form/IP2014?dept-name=&sub-dept-name=&location=36>

The second and third types of protection are Fixed Protection 2016 (FP2016) and Individual Protection 2016 (IP2016). These cannot be applied for online because they are under the remit of the Finance Bill 2016 which has yet to receive Royal Assent. Instead applications are made by writing to HMRC directly. HMRC anticipate that online applications for Fixed and Individual Protection 2016 will be possible from July 2016. Here are some brief details about the 2016 protection:

- **Fixed Protection 2016** (FP2016) gives protection from a lifetime allowance tax charge for pension savings up to £1.25m. This protection doesn't ask for pension saving values at a set date.
- **Individual Protection 2016** (IP2016) gives an exact amount of protection between £1m and £1.25m; the exact amount is based on value of all pension savings as at 5 April 2016.

#### Contact JSS:

<http://jsspensions.nerc.ac.uk/contact.asp>

#### JSS Website:

<http://jsspensions.nerc.ac.uk/default.asp>

#### Publication Date:

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HMRC have provided further detailed guidance including templates of the letters you will need in order to write to them to apply for 2016 protection; you should follow this process if you are accessing your benefits before July 2016 and want to apply for protection: <https://www.gov.uk/government/publications/pension-schemes-newsletter-76-february-2016/pension-schemes-newsletter-76-february-2016>. Alternatively a summary of the lifetime allowance protection is available here: <https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>. Please note that protection cannot be applied for retrospectively.

If HMRC approve your application they will issue you with a protection certificate. If you have or receive one you should send a copy to JSS and to the administrators of any other pensions you have.

Fixed Protection 2016 may be lost if you make further savings to your pension, enroll to a new scheme, or make a transfer to or from another scheme.

PLEASE NOTE: It is your responsibility to decide if you want or need to apply for Lifetime Allowance protection, as well it being your responsibility in deciding whether to accrue pension savings that exceed your protected limit or the £1 million Lifetime Allowance limit. JSS cannot provide financial advice therefore you should seek independent advice relating to your specific circumstances.

The Financial Conduct Authority provides information about finding a financial adviser here: <http://www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser>.

If you think you are at risk of exceeding the £1 million limit and want to double check what the value of your RCPS pension is for Lifetime Allowance purposes please contact us using the link below.

HMRC provide some further information about tax on pension savings and contributions here: <https://www.gov.uk/tax-on-your-private-pension/overview>.

### **Updated 23 May 2016**

HMRC have updated their guidelines for members wishing to take out Individual Protection 2016 or Fixed Protection 2016. Further Information about this can be found here:

<https://www.gov.uk/government/publications/pension-schemes-newsletter-78-may-2016/pension-schemes-newsletter-78-may-2016>

This link will take you directly to the article

<https://www.gov.uk/government/publications/pension-schemes-newsletter-78-may-2016/pension-schemes-newsletter-78-may-2016#lifetime-allowance>