

## ERPF - Employer Bulletin 14

### Lifetime Allowance for pension savings.

Dear Employer

You may already be aware that the Lifetime Allowance (LTA) for pension savings will be reduced from 6 April 2016 from £1.25 million to £1 million.

The Lifetime Allowance is the total amount of pension saving that can be provided to an individual, usually when a member starts to draw a pension, without incurring a tax charge. Any excess amount taken over the LTA will incur a tax charge. The charge if taken as a lump sum is 55% and if taken as a pension is 25%.

While most Local Government Pension Scheme (LGPS) members are not affected by the Lifetime Allowance, higher earners should consider taking action if the value of their pension benefits are approaching, or are already above the Lifetime Allowance. Pensions are normally a long term commitment but what might appear modest today could exceed the lifetime allowance by the time the scheme member wants to draw their benefits.

Scheme members may consider it necessary to reduce their pension contribution, by joining the 50/50 section of the LGPS, or even stop making pension contributions altogether by opting out of the LGPS and may need to consider any Additional Voluntary Contributions being paid, even though they have not retired, to avoid their benefits exceeding the Lifetime Allowance. Members may even reconsider their retirement plans altogether. It is very important that members are aware that decisions they make or do not make may mean that they exceed the lifetime allowance and be subject to a tax charge in the future.

Lifetime Allowance protection regimes will be available to protect pension savings from 6 April 2016. There will be two new protection regimes, known as fixed protection 2016 and individual protection 2016 and these will have similar conditions to past protections. Members will be able to apply for these new protections by using a new on-line self-service system which will be available from July 2016. The new self-service system is still being developed and more information will be provided on this in due course.

To see a reduced version of the recent presentation provided by Suzanne Firth at the January Employer Workshops, please click [here](#). This covers specifically the LTA part of the presentation and a very simple worked example - which may help scheme members who need to consider their pension position.

Please ensure that any LGPS members, likely to be affected by the LTA, are made aware of the information provided in this bulletin. The HMRC document available [here](#) also contains communications for scheme members which employers may find useful.

Kind regards,

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