

## **University of Liverpool Pension Fund (ULPF) Pension Tax changes**

### **Introduction**

The Government has proposed greater restrictions on the amount that you can build up towards your pension and benefit from tax relief. There are two restrictions that were introduced in April 2006 that can apply to your pension savings. The restrictions apply to:

- the amount you can increase your pension value by in one year (annual allowance); and
- the amount you can have as a total value from all your pension savings in your lifetime (lifetime allowance).

It is highly unlikely that any members of ULPF will be affected by these pension tax changes. However, HM Revenue and Customs requires all schemes to declare a 'Pension Input Period' for measuring the annual allowance and to notify members accordingly.

### **What is the annual allowance?**

The annual allowance is a limit that applies to the increase in the value of your benefits from one year to the next. The current annual allowance is £255,000. However with effect from 6 April 2011 it is proposed that the annual allowance will be reduced to £50,000.

### **What is the ULPF Pension Input Period?**

The Pension Input Period (PIP) is the period over which the annual allowance is worked out. You will have a pension input period under ULPF which runs from 1 August to 31 July.

### **How will the change to the annual allowance affect me?**

It is highly unlikely that any members of ULPF will be affected by the change to the annual allowance, with the indications being that the changes will primarily affect individuals earning over £100,000 per annum. However if you receive a large increase in salary and have a long period of pensionable service in ULPF you could be affected. In these circumstances, however, you can access any unused annual allowance from the previous three years to offset the impact of some or all of the increase. The annual allowance calculation will be carried out each year by ULPF and you will be notified if you have exceeded the annual allowance for that year.

### **What happens if I exceed the annual allowance?**

It is likely you will need to declare your pension savings amount on a tax return and you will pay any excess at your marginal rate of income tax.

### **What is the lifetime allowance?**

The lifetime allowance is the total amount that you can build up from all your pension savings in your lifetime (excluding state pension benefits) without incurring a tax charge. It is currently £1.8 million. However, the Government has proposed that it is reduced to £1.5 million from April 2012. It is highly unlikely that any ULPF members will be affected by the reduction in the lifetime allowance.

### **Where can I find more information?**

You can find more information on the HM Revenue & Customs website:  
<http://www.hmrc.gov.uk/pensionschemes/annual-allowance/index.htm>

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