ANNUAL ALLOWANCE AND LIFETIME ALLOWANCE - FREQUENTLY ASKED QUESTIONS

What is changing?

There is currently a limit to how much you can save, in a pension scheme, or how much pension you can build up, each tax year (the Annual Allowance (AA)) and still receive tax relief.

There is also a limit to the total benefits you can build up over your lifetime (the Lifetime Allowance (LTA)) above which you will pay extra tax.

On 6 April 2016, the Government is changing these limits.

Why have these changes been made – is this a Group decision?

No, these changes have been introduced by the Government and will apply to all UK taxpayers with pension savings.

Why do I need to know?

These changes reduce the limits for tax relieved pension saving so you might pay more tax than you intended.

It is important that you use the support that the Group and the Government are making available so that you can understand if the changes affect you.

Will the Group make any required changes for me?

No. The Group will make no changes unless you take action. The Group cannot say for certain how these changes will affect you and it is your responsibility to find out if you are affected and take any appropriate action.

This looks very complicated – should I be worried?

You should not be worried. The Group and Government has made support available to help you. Make use of this and make sure you understand if you are affected.

What if I'm affected and do nothing?

Your tax liability will increase. This could include paying tax on some of the contributions paid into your defined contribution pension scheme or on some of the benefits you accrue during the year in your defined benefit pension scheme. It could also include triggering a tax charge payable when you draw your benefits. However, this may still be a reasonable decision for you compared to the alternative. It is important that you make use of the support available to help you understand the changes and any impact on you.

I haven't received a letter – does this mean I'm not affected?

Not necessarily as the Group has sent letters to those who may be affected based on information about your Group salary and pension savings only. But you will certainly not be affected by the Annual Allowance if your total taxable pay in any year, after accounting for your pension contributions, is less than £110,000.

You will only be affected by the Lifetime Allowance change if your pension saving is more than £1 million now or in the future. That's the value of your pension funds in defined contribution schemes like Your Tomorrow and the equivalent value of an annual pension of £50,000 in a defined benefit scheme.

Who can advise me what to do next?

The Group or your pension scheme trustees can help you understand the options available to you, but they cannot give you any advice. If you believe that you are impacted by the changes and you are unsure what to do next you could take independent financial advice.

You can find an adviser at www.unbiased.co.uk

Is this linked to the National Insurance changes from 6 April 2016?

No. The National Insurance changes from 6 April 2016 are as a result of changes to the State Pension and will mean colleagues in our defined benefit schemes will usually pay higher National Insurance contributions which will mean a reduction in take home pay.

Should I take independent financial advice?

It is ultimately your decision, but we would only suggest it if you believe that you are impacted by the changes and you are unsure what action to take. You should first use the support made available by the Group and the Government.

You can find an adviser at www.unbiased.co.uk