

Changes to Pensions Tax Relief – Annual Allowance and Lifetime Allowance

The past few months has seen an increase in media attention over the government's proposals to reduce the tax relief you receive on your pension from April 2011. As a member of the Police Pension Scheme, there is an increased risk the changes may affect you.

This notification and the attached guide explain briefly what the changes are, who might be affected and what action, if any, you can take. The information contained is based on our current understanding of the proposals. As soon as we receive further detail about the changes, we will provide you with the information you need to review your individual position.

What is proposed?

- Your **Annual Allowance** will reduce from £255,000 a year to £50,000 a year.

Annual Allowance is the amount by which your pension pot can grow each year without a tax charge.

- Your **Lifetime Allowance** will reduce from £1.8 million to 1.5 million.

Lifetime Allowance is the amount of pension you can receive over your lifetime without incurring an extra tax charge.

What does this mean to me?

We understand the changes will affect only a limited number of members. However if, during your employment, you receive a large pay increase or an extra service credit, your pension pot may grow at a faster rate than the annual allowance. If this happens, you would have to pay a tax charge. Because of this, we have prepared the attached guide, which explains the proposals and gives an example of how a change can affect you. Please take time to read the guide.

Although the changes are not in force yet, if you think they will affect you, you should visit HM Revenue and Customs' website:

<http://www.hmrc.gov.uk/pensionschemes/index.htm>

You may also wish to seek independent financial advice.

Whilst we cannot provide any financial advice, from 2011/2012, we will calculate your Annual Allowance each year and include this information on your Annual Benefit Statements.

If you have any queries regarding this letter, please contact the Pensions Unit on **01642 727030**.