

## NHS PENSION SCHEMES 03/2016

**WHO SHOULD READ:** HR and Payroll managers  
**ACTION:** Read and circulate to all interested parties  
**SUBJECT:** Changes to the Lifetime Allowance and the Annual Allowance from 6 April 2016

### The purpose of this circular is to:

- highlight changes to the Lifetime Allowance and advise members about protection
- highlight changes to the Annual Allowance

### Changes to the Lifetime Allowance (LTA)

The UK Government announced that the Finance Bill 2016 will introduce two important changes to the LTA:

1. the standard LTA will reduce from £1.25 million to **£1 million from 6 April 2016**
2. from 6 April 2016, there will be two more LTA protections available:
  - Fixed Protection 2016; and
  - Individual Protection 2016

Retiring members who want to take advantage of the higher LTA of £1.25 million must have a last day of pensionable membership, including annual leave entitlement, of 4 April 2016 or earlier. As a result the completed retirement application form must be with SPPA as soon as possible.

In line with previous Lifetime Allowance reductions SPPA will write to members we have identified as having a Lifetime Allowance of over 80% of £1 million. Please bring this to the attention of any staff that may be affected by this change.

To allow members to consider how they might be affected by the reduced LTA, employers should bring the LTA reduction to the attention of those members who are planning to retire during:

- the last quarter of 2015/16, and
- the first quarter of 2016/17



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This includes members who have already confirmed their intention to retire.

For members who are intending to retire on or before 5 April 2016 employers must ensure that their pension record is updated and the complete retirement application is with SPPA with sufficient time for the awarding process to be completed and allows for benefits to be authorised **before 6 April 2016**.

SPPA cannot accept responsibility for any delay in authorising benefits if the retirement application form is delayed, incomplete or the member has enhanced protection.

**Please see the SPPA website for more detailed [information](#).**

### **Annual Allowance changes**

The recently laid Finance (No 2) Act has introduced two important changes to Annual Allowance:

1. to adjust the pension input period during the 2015/16 tax year so that it becomes aligned with the tax year from 6 April 2016. Transitional rules have been brought in for the 2015/16 tax year to make sure that pension savings up to £80,000 made before 9 July 2015 are protected from the Annual Allowance charge.
2. to taper the Annual Allowance for members who have a 'threshold income' of over £110,000 and 'adjusted income' of £150,000 from 6 April 2016.

Please see the SPPA website for important [information](#).

**Pam Brown**  
**Director of Operations**  
**17 February 2016**

### **Contact information**

Please contact [SPPATax@gov.scot](mailto:SPPATax@gov.scot) if you have any enquiries about this circular.

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