

**SCOTTISH TEACHERS' SUPERANNUATION SCHEME
CIRCULAR 2014/01**

WHO SHOULD READ: HR and Payroll managers
ACTION: Read and circulate to all interested parties
SUBJECT: Changes to the Lifetime Allowance (LTA) from 6 April 2014

The purpose of this circular is to:

- highlight changes to the LTA
- advise members about protection
- bring this to the attention of members retiring over the next few months

The Finance Bill 2014 confirms that, from 6 April 2014, the standard LTA will reduce from its current value of £1.5m to £1.25m. The LTA is a limit on the value of benefits that can be built up in pensions that benefit from UK tax relief. If a member's benefits are paid or authorised on, or after, 6 April 2014, their LTA position will be based on the reduced standard LTA unless they have HMRC Protection.

As a consequence of the reduction in the LTA from April 2014, there will be two new forms of transitional protection available, fixed protection (FP2014) and individual protection (IP2014).

Fixed Protection 2014 (FP2014)

This gives a LTA protection of £1.5m and individuals must apply before 6 April 2014 directly to HMRC. FP2014 is available to members who do not have Enhanced Protection, Primary Protection or Fixed Protection 2012. To keep FP2014 members:

- cannot start a new arrangement under a registered pension scheme other than to accept a transfer
- cannot have benefit accrual (see FP2014 guidance link below)
- will be subject to restrictions on where and how they can transfer benefits

As SPPA only know about the benefits accrued in the schemes that we administer, members are therefore responsible for testing for any benefit accrual across all the pensions that they hold.

If a member has FP2014 and their employer automatically enrolls them into the scheme, under HMRC rules, the member must opt out of the scheme within one month to be treated as having never joined.

Individual Protection 2014 (IP2014)

This will not be available to members who have primary protection or enhanced protection, where dormant primary protection is held. Applications can be submitted to HMRC from 6 April 2014 until 5 April 2017. This does not have the same restrictions as FP2014 but the

value of benefits must be at least £1.25m on 5 April 2014. Anyone with pension savings worth more than the limit LTA limit at retiral will be subject to a limit of £1.5m.

Employers actions

We have identified and contacted members who we consider may be affected by the LTA change and have also notified their employer. However, to allow scheme members to consider how they might be affected by the reduced LTA, employers are asked to bring this circular to the attention of those who are retiring over the next few months especially in view of the importance of the date of the authorisation or payment. The impact of this change to the LTA limit makes it all the more important that fully completed retirement applications are submitted in time to allow processing to be finalised before 6 April 2014.

It is important to note that SPPA has no discretion on the date the NHS benefits crystallise and the subsequent calculation of the LTA used.

SPPA cannot provide financial advice to scheme members and should seek independent financial advice if they are in any doubt about the protection options available from HMRC.

HMRC has published information about applying for Fixed Protection 2014 which can be found at <http://www.hmrc.gov.uk/pensionschemes/fp14online.htm>.

There is also a checking tool available at for individuals to check if they can apply for FP2014 at <http://www.hmrc.gov.uk/tools/lifetimeallowance/index.htm>

Full details about these protections can be found at <http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm> or

<http://www.hmrc.gov.uk/pensionschemes/fp2014guidance.pdf>

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19 February 2014

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