

Dear....

**The Local Government Pension Scheme (LGPS)
City of London Pension Fund Pension Savings Statement 2017/18**

I am required by HM Revenue & Customs (HMRC) to issue you with a Pension Savings Statement as the growth of your LGPS benefits in the City of London Pension Fund has exceeded the Annual Allowance (AA) limit for the tax year 2017/18. This growth is known as the Pensions Input Amount (PIA).

The enclosed statement contains your pension growth for 2017/18 and the three preceding years, plus the total value of any unused allowance for these periods. The unused amount is referred to as Carry Forward and is used to reduce the potential liability to a tax charge if your pension growth is in excess of the AA limit (£40,000) for this year.

If your pension growth has exceeded the 2017/18 AA limit and your Carry Forward from the three preceding years is not sufficient to offset the excess, you may be subject to a tax charge.

If your charge liability exceeds £2,000 you can request the City of London Pension Fund pays the charge to HMRC on your behalf in return for a permanent reduction to your pension benefits. This is known as Scheme Pays and the reduction is referred to as the Debit. If this is your preference, please complete the enclosed Scheme Pays form instructing us of the amount of the tax charge you want the Fund to pay on your behalf.

If your pension growth in the City of London Pension Fund, less the value of any available Carry Forward from the three preceding years, is greater than £40,000 I have enclosed an illustration of the estimated tax charge liability and the value of the potential Debit amount should you elect for Scheme Pays to meet this charge.

If your total pension growth, less the value of any available Carry Forward from the three preceding years, is less than £40,000 you will not need to take any further action.

Pension Savings Statement 2017/2018

Name:	
National Insurance Number:	

City of London Pension Fund 'Pension Scheme Tax Reference' (PSTR) number:	00329946RE
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Pension Input Period (PIP)	Standard Annual Allowance	Pension Input Amount (PIA)	Unused Allowance
2014/15	£40,000		
*2015/16	£40,000		
2016/17	£40,000		
Total Carry Forward to 2017/18			

*2015/16 was split into two periods. An £80,000 limit applied to the first period and the unused amount (to a maximum of £40,000) was carried forward to the second period.

Pension Input Period (PIP)	Standard Annual Allowance	Pension Input Amount (PIA)	Unused / Excess Allowance
2017/18	£40,000		

If your 'Unused / Excess Allowance' figure for 2017/18 is a negative value and having applied the 'Total Carry Forward to 2017/18' it is still negative you will be subject to a tax charge. Please read the 'illustration page' and the further information enclosed.

Please note, this information is based upon your LGPS benefits with the City of London Pension Fund only. Should you have further pension provision you must add the PIA from each scheme together to determine the full potential taxable excess.

This Pension Savings Statement should be retained for future reference.

For the tax year 2017/18 a Tapered Annual Allowance (TAA) may also apply. The TAA is applicable for individuals whose “threshold income” is more than £110,000 per year and whose “adjusted income” is more than £150,000 per year; in these circumstances their personal AA limit may be reduced to a minimum of £10,000. If I believe you may be affected by the TAA I have included an additional illustration of these values and the appropriate Voluntary Scheme Pays election form.

	Definition	Limit
Threshold Income	Broadly, your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement).	£ 110,000
Adjusted Income	Broadly, your threshold income plus pensions savings built up over the year.	£ 150,000

Threshold income includes all sources of income that are taxable, e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

Please use the links below to find further information about AA and TAA which may assist you in deciding what action you need to take. I have also enclosed a factsheet, notes and a table of responsibility for your attention.

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100>

<https://www.gov.uk/tax-on-your-private-pension/annual-allowance>

<https://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-and-tax/the-annual-allowance>

<http://www.hmrc.gov.uk/tools/pension-allowance/>

Please note, I am unable to provide you with any financial or taxation advice. It is your responsibility to determine your personal tax liability and report it to HMRC on your Self-Assessment tax return.

This is a complex issue and the contents of this letter are based upon my understanding of the legislation as it currently stands. The relevant regulations will be used to reach a decision in any dispute or disagreement. You may wish therefore to consider seeking independent financial or taxation advice before making an irreversible decision.

Yours sincerely

Pensions Manager

Notes

- If you exceed the AA or TAA limits you may carry forward unused allowance from the previous 3 years
- If you do not have sufficient unused allowance you will have a tax charge up to your highest rate of income tax
- If you are making in house Additional Voluntary Contributions (AVCs) the PIA shown will include any additional contributions paid in the relevant PIP
- You must notify HMRC, usually on your self-assessment return, of any tax charge
 - Post, by 31 October 2018
 - Online, by 31 January 2019
- If the charge is more than £2,000 you may elect for “scheme pays”. If this is your intention, please complete and return the enclosed election form.
- If you elect for “scheme pays” your LGPS pension will be actuarially reduced
- If your adjusted income is in excess of £150,000 your AA limit will be reduced by £1 for every £2 you exceed £150,000
- All values are based on information provided by your employer
- If you are unsure about anything relating to AA and TAA you should seek independent financial or taxation advice
- If you have other pension provision outside of the City of London Pension Fund you must add the PIA values for all schemes together
- A lower AA may apply if you have accessed any pension savings using the pension freedoms introduced in April 2015

Timeline & Responsibility

Dates	Action	Responsibility
5 October 2018	Pension Saving Statement	The Fund
31 December 2018	Notify Fund of Scheme Pays Election TAA	Scheme Member
31 January 2019	Self-Assessment Tax Return	Scheme Member
31 July 2019	Notify Fund of Scheme Pays Election AA	Scheme Member
14 February 2020	Payment of AA tax charge	The Fund (Scheme Pays) or Scheme Member

The notes above are for information purposes only and are intended to provide you with a general overview of scheme rules. In the event of any dispute over your pension, the appropriate legislation will apply.

Annual Allowance Illustration 2017/18

The following is for illustrative purposes only and shows the possible reduction to your annual pension if you elect for Scheme Pays. It is based on our understanding of pension legislation in force at the time of calculation.

The tax charge will be based on your marginal rate of tax and I have illustrated Scheme Pays under both a 40% and 45% tax rate.

Based on City of London Pension Fund benefit values only;

Excess over the Annual Allowance:	£
Less Carry Forward of Unused Allowance:	£
Annual Allowance Subject to Tax Charge:	£

Marginal Rate of Tax	Tax Charge	Debit Amount (Reduction to annual pension under Scheme Pays)
40%	£	£
45%	£	£

Please Note: The Debit amount is based on retirement at your normal pension age and may vary to the value shown:

- The amount is linked to the Consumer Price Index (CPI) for the period between the year of the charge and your date of retirement.
- If you retire earlier than your normal pension age the Debit amount will be reduced to take account of early payment.
- If you retire after your normal pension age the Debit amount will be increased to take account of late payment.

If you wish the City of London Pension Fund to make payment of your AA tax charge on your behalf and make a reduction to the value of your annual pension, then you should complete and return the enclosed Scheme Pays election form.

Your request for this option must be received by the Fund no later than 31 July following the tax year to which the charge relates, or your date of retirement if earlier. For example, if the charge was accrued in 2017/18 your notification must be received no later than 31 July 2019.

*To be eligible for Scheme Pays the tax charge must exceed **£2,000** and must be solely in relation to the pension benefits held with the City of London.*

Annual Allowance 'SCHEME PAYS ELECTION FORM – LGPS Tax Year 2017/18

Part A: Personal Details											
Title:				Full Name:							
NI Number:										Date of Birth:	
Home Address:											
								Postcode:			
Tel Number								Email:			
Part B: Annual Allowance (AA) Charge Information											
Tax Year to which my AA charge relates:								06/04/20..... - 05/04/20.....			
Amount of AA charge I wish the Scheme to pay on my behalf (please indicate if this is an estimated figure)								£			

Important Notes (please ensure that you read these before completing Part C)

1. You can only elect to use the 'Scheme Pays' facility if your total annual allowance tax charge for any tax year exceeds £2,000, and this charge relates to pension growth associated with the LGPS benefits in the City of London Pension Fund.
2. If you are taking all of your benefits from the LGPS during the tax year to which your annual allowance charge liability relates, your election for 'Scheme Pays' must be received by the City of London Fund prior to your retirement date.
3. Please note, you cannot elect for the 'Scheme Pays' facility (charge on the excess above £40,000 AA limit) until after the end of the tax year in which the annual allowance charge arises. You must elect for 'Scheme Pays' no later than 31 July 2019.
4. If you have declared an estimated annual allowance tax charge figure, there is a time limit for you to notify City of London Pension Fund of the correct amount of the annual allowance charge that you want the Scheme to pay. The Fund must receive the revised information no later than the 31 July following the end of the period of 4 years from the end of the tax year to which your annual allowance tax charge liability relates. For example, if your annual allowance charge relates to the tax year 2014-15, then your request to change your previous 'Scheme Pays' declaration must be received by the Fund no later than 31 July 2019.

Please turn over

PART C: Annual Allowance ‘Scheme Pays’ Member Declaration (please read declaration before signing)

I, hereby, declare that:

- *I have read and understood the ‘Important Notes’ detailed overleaf.*
- *the amount of annual allowance tax charge liability that I wish the Scheme to pay, on my behalf, has been calculated using the correct marginal tax rate.*
- *I understand that I cannot withdraw this election once this has been received by the City of London Pension Fund*
- *I understand that this election must be received by the City of London Pension Fund by the statutory cut-off date if the scheme is to become jointly and severally liable to the annual allowance charge.*
- *I am aware that my LGPS benefits will be reduced to take account of the annual allowance tax that will be paid, on my behalf, by the Scheme.*
- *where applicable, I have stated that the annual allowance tax charge is an estimated figure; and I will subsequently notify the City of London Pension Fund regarding the revised annual allowance tax charge liability once this is known.*

Signed _____ **Dated** ____/____/____

Please return your completed election form to:

City of London Corporation, PO Box 270, Guildhall, London EC2P 2EJ

Email: pensions@cityoflondon.gov.uk

“Appropriate information contained on this form will be held on computer files and/or relevant filing systems for the purposes of General Data Protection Regulation (GDPR) and may be shared with other relevant establishments and agencies for the purpose of providing the appropriate service or meeting legislative requirements”.



Tapered Annual Allowance Illustration 2017/18

The following is for illustrative purposes only and show the possible reduction to your annual pension if you elect for Scheme Pays. It is based on our understanding of pension legislation in force at the time of calculation.

The tax charge will be based on your marginal rate of tax and I have illustrated Scheme Pays under both a 40% and 45% tax rate.

Estimated 'Adjusted Income' for Tapered Annual Allowance	£
Estimate Tapered Annual Allowance	£

Based on City of London Pension Fund benefit values only;

Excess between TAA and standard Annual Allowance:	£
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Less Carry Forward of Unused Allowance:	£
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Tapered Annual Allowance Subject to Tax Charge:	£
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Marginal Rate of Tax	Tax Charge	Debit Amount (Reduction to annual pension under Scheme Pays)
40%	£	£
45%	£	£

Please Note: The Debit amount is based on retirement at your normal pension age and may vary to the value shown:

- The amount is linked to CPI for the period between the year of the charge and your date of retirement.
- If you retire earlier than your normal pension age the Debit amount will be reduced to account of early payment.
- If you retire after your normal pension age the Debit amount will be increased to take account of late payment.

If you wish the City of London Pension Fund to make payment of your TAA tax charge on your behalf and make a reduction to the value of your annual pension, then you should complete and return the enclosed TAA Scheme Pays election form.

Your request for this option must be received by the Fund no later than 31 December following the tax year to which the charge relates, or your date of retirement if earlier. For example, if the charge was accrued in 2017/18 your notification must be received no later than 31 December 2018.

*To be eligible for Scheme pays the tax charge must exceed **£2,000** and must be solely in relation to the pension benefits held with the City of London.*

Tapered Annual Allowance

‘SCHEME PAYS ELECTION FORM – LGPS

Tax Year 2017/18

Part A: Personal Details									
Title:								Full Name:	
NI Number:								Date of Birth:	
Home Address:									
								Postcode:	
Tel Number:								Email:	
Part B: Tapered Annual Allowance (TAA) Charge Information (both fields are mandatory)									
Tax Year to which my TAA charge relates:								06/04/20..... - 05/04/20.....	
Amount of TAA charge I wish the Scheme to pay on my behalf (please indicate if this is an estimated figure)								£	

Important Notes (please ensure that you read these before completing Part C)

1. You can only elect to use the ‘Scheme Pays’ facility if your total annual allowance tax charge for any tax year exceeds £2,000, and this charge relates to pension growth associated with the LGPS benefits in the City of London Pension Fund.
2. If you are taking all of your benefits from the LGPS during the tax year to which your annual allowance charge liability relates, your election for ‘Scheme Pays’ must be received by the City of London Fund prior to your retirement date.
3. Please note, you cannot elect for the ‘Voluntary Scheme Pays’ facility (charge on the excess above the TAA limit) until after the end of the tax year in which the annual allowance charge arises. You must elect for ‘Voluntary Scheme Pays’ no later than 31 December 2018.
4. If you have declared an estimated annual allowance tax charge figure, there is a time limit for you to notify City of London Pension Fund of the correct amount of the annual allowance charge that you want the Scheme to pay. The Fund must receive the revised information no later than the 31 December following the end of the period of 4 years from the end of the tax year to which your annual allowance tax charge liability relates. For example, if your annual allowance charge relates to the tax year 2014-15, then your request to change your previous ‘Scheme Pays’ declaration must be received by the Fund no later than 31 December 2018.

Please turn over

PART C: Tapered Annual Allowance (TAA) 'Scheme Pays' Member Declaration (please read declaration before signing)

I, hereby, declare that:

- I have read and understood the 'Important Notes' detailed overleaf.*
- the amount of tapered annual allowance tax charge liability that I wish the Scheme to pay, on my behalf, has been calculated using the correct marginal tax rate.*
- I understand that I cannot withdraw this election once this has been received by the City of London Pension Fund*
- I understand that this election must be received by the City of London Pension Fund by the statutory cut-off date.*
- I understand that I will remain solely liable for any tax charge incurred as a result of exceeding the tapered annual allowance.*
- I am aware that my LGPS benefits will be reduced to take account of the tapered annual allowance tax that will be paid, on my behalf, by the Scheme.*
- where applicable, I have stated that the tapered annual allowance tax charge is an estimated figure; and I will subsequently notify the City of London Pension Fund regarding the revised tapered annual allowance tax charge liability once this is known.*

Signed _____ **Dated** ____/____/____

Please return your completed election form to:

City of London Corporation, PO Box 270, Guildhall, London EC2P 2EJ

Email: pensions@cityoflondon.gov.uk

"Appropriate information contained on this form will be held on computer files and/or relevant filing systems for the purposes of General Data Protection Regulation (GDPR) and may be shared with other relevant establishments and agencies for the purpose of providing the appropriate service or meeting legislative requirements".



LGPS factsheet

Pensions Taxation - Annual Allowance

HM Revenue and Customs impose two controls on the amount of pension savings you can make without having to pay extra tax. These controls are known as the Annual Allowance and Lifetime Allowance. This is in addition to any income tax you pay on your pension once it is in payment.

This factsheet looks at the Annual Allowance which is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge.

What is the Annual Allowance?

The Annual Allowance (AA) is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. This is in addition to any income tax you pay on your pension once it is in payment.

If the value of your pension savings in any one year (including pension savings outside of the LGPS) are in excess of the annual allowance, the excess will be taxed as income.

The Government reduced the AA from £255,000 to £50,000 from 6 April 2011 and then reduced it again to £40,000 from 6 April 2014. Further changes to the annual allowance have been made for higher earners from 6 April 2016, which resulted in special transitional rules for the 2015/16 tax year. These changes are covered in more detail later in this factsheet.

Pension Input Period	Annual Allowance
1 April 2011 to 31 March 2012	£50,000
1 April 2012 to 31 March 2013	£50,000
1 April 2013 to 31 March 2014	£50,000
1 April 2014 to 31 March 2015	£40,000
1 April 2015 to 5 April 2016	£80,000 (transitional rules apply)
6 April 2016 to 5 April 2017	£40,000 (unless tapering applies)
6 April 2017 to 5 April 2018 onwards	£40,000 (unless tapering applies)

Am I likely to be affected by the Annual Allowance?

Most people will not be affected by the AA tax charge because the value of their pension saving will not increase in a year by more than £40,000, or, if it does they are likely to have unused allowance from previous years that can be carried forward.

You are most likely to be affected if:

- you have a lot of scheme membership and you receive a significant pay increase, and/or;
- you pay a high level of additional contributions, and/or;
- you are a higher earner, and/or;
- you transfer pension rights into the LGPS from a previous public sector pension scheme¹ under the preferential club transfer rules and your salary (full time equivalent) upon joining the LGPS is somewhat higher than the salary you earned when you left the previous scheme, and/or;
- you combine a previous LGPS pension benefit that was built up in the final salary section of the LGPS with your current pension account and your salary (full time equivalent) has increased significantly since leaving and re-joining the scheme, and/or;
- you have accessed flexible benefits on or after 6 April 2015

Your pension fund will inform you if your LGPS pension savings exceed the standard AA in any year by no later than 6 October of the following year.

The 50/50 section of the LGPS

If you wish to slow down your pension build up to avoid or mitigate an AA tax charge the 50/50 section of the LGPS allows you to pay half your normal contributions and build up half your normal pension, whilst still retaining full life and ill health cover. Visit the [LGPS member website](#) for more information on this option.

Before considering any action to reduce your tax liabilities you should always seek independent financial advice from an FCA registered adviser. For help in choosing an independent financial adviser visit the [money advice website](#).

How is the Annual Allowance calculated?

The increase in the value of your pension savings in the LGPS in a year is calculated by working out the value of your benefits immediately before the start of the 'pension input period', increasing the value by inflation and then comparing it with the value of your benefits at the end of the 'pension input period'.

The 'pension input period' (PIP) is the period over which your pension growth is measured. From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Prior to the 2016/17 the PIP for the LGPS was 1 April to 31 March, except for the year 2015/16 when special transitional rules apply.

In the LGPS the value of your pension benefits is calculated by multiplying the amount of your annual pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme plus any AVCs you or your employer has paid during the year.

¹ A public service pension scheme includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering local government workers, or teachers, or health service workers, or fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

If the difference in the value of pension benefits at the end of the PIP less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the AA then you may be liable to pay a tax charge.

It is important to note that the assessment for the AA covers any pension benefits you may have where you have been an active member during the year, not just benefits in the LGPS. For example, if the increase in the value of your LGPS benefits was calculated as £30,000 in 2014/15 when the AA was £40,000, but you also had an increase in the value of other pension benefits of £15,000 in the same year, that would mean you had a total increase in pension benefits of £45,000. If you did not have any carry forward (see below for more information), you would be liable for a tax charge for the amount you exceeded the AA by, even though at face value you did not breach the AA in either scheme.

Carry forward

You would only be subject to an AA tax charge if the value of your total pension savings for a year increase by more than the AA for that year. However, a three year carry forward rule allows you to carry forward unused AA from the previous three years. This means that even if the value of your pension savings increase by more than the AA in a year you may not be liable to the AA tax charge.

For example, if the value of your pension savings in 2014/15 increased by £50,000 (i.e. by £10,000 more than the AA) but in the three previous years had increased by £25,000, £28,000 and £30,000, then the amount by which each of these previous years fell short of the AA for those three years would more than offset the £10,000 excess pension saving in the current year. There would be no AA tax charge to pay in this case.

To carry forward unused AA from an earlier year you must have been a member of a tax registered pension scheme in that year.

Changes to Annual Allowance

The Finance (No 2) Act 2015 introduced two important changes to the AA with effect from 6 April 2016.

1. An annual allowance taper for high earners from 6 April 2016
2. To adjust the 'pension input period' during 2015/16 so that it becomes aligned with the tax year from 6 April 2016

1. Tapered Annual Allowance for higher earners

From the tax year 2016/17 the AA is tapered for members who have a 'Threshold Income' in excess of £110,000, and 'Adjusted Income' in excess of £150,000. For every £2 that your Adjusted Income exceeds £150,000, your AA is tapered down by £1 (to a minimum of £10,000).

	Definition	Limit
Threshold Income	Broadly your taxable income after the deduction of your pension contributions (including AVCs deducted under the net pay arrangement)	£110,000
Adjusted Income	Broadly your threshold income plus pensions savings built up over the tax year	£150,000

Threshold income includes all sources of income that are taxable e.g. property income, savings income, dividend income, pension income, social security income (where taxable), state pension income etc.

Please note, you are not allowed to deduct from taxable income any amount of employment income given up for pension provision as a result of any salary sacrifice made on or after 9 July 2015.

How does the taper work?

From 6 April 2016, the taper reduces the AA by £1 for £2 of adjusted income received over £150,000, until a minimum AA of £10,000 is reached. This means that from 6 April 2016 the AA for high earners is as follows:

Adjusted Income	Annual Allowance
£150,000 or below	£40,000
£160,000	£35,000
£170,000	£30,000
£180,000	£25,000
£190,000	£20,000
£200,000	£15,000
£210,000 or above	£10,000

Examples

Cerys

Gross Salary 2016/17	£120,000	
Less employee pension contributions	£13,680	11.4%
Threshold Income 2016/17	£106,320	Below £110,000 so the AA will not be tapered and remains at £40,000
Pensions saving in the year	£39,184	Less than £40,000 so no tax charge

Sanjay

Gross salary 2016/17	£130,000	
Less employee pension contributions	£14,820	11.4%
Plus taxable income from property	£30,000	
Threshold Income 2016/17	£145,180	
Plus pensions saving in the year	£42,449	
Adjusted Income 2016/17	£187,629	Greater than £150,000 so AA will be tapered
Tapered AA	£21,185*	
In excess of AA	£21,264	Pension saving of £42,449 less tapered AA
AA tax charge at marginal rate (assumed to be 40%)	£8,505	21,264 x 40%

*Taper = £187,629 - £150,000 = £37,629 / 2 = £18,815. Standard AA £40,000 less £18,815 = £21,185

Please note, the examples above make no allowance for any carry forward. The pension savings in the year assume that both Sanjay and Cerys have no final salary benefits in the LGPS and that they are not paying any additional contributions.

2. Aligning the ‘Pension Input Period’ with the tax year

The ‘pension input period’ (PIP) is the period over which your pension growth is measured. Up until 2014/15 the PIP in the LGPS ran from 1 April to 31 March. From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Special transitional arrangements apply for 2015/16 meaning that there are 2 PIPs in 2015/16, as set out below:

Pre-alignment tax year: 1 April 2015 to 8 July 2015 - the revised AA during this period is £80,000

Post-alignment tax year: 9 July 2015 to 5 April 2016 - the AA for this period is the amount of the £80,000 not used up from the pre-alignment tax year (subject to a maximum of £40,000) together with any carry forward available from the three previous years.

If you have flexibly accessed any benefits in a money purchase pension arrangement on or after 6 April 2015 (see below) you should contact your pension fund for information about how the pre and post alignment tax years will work as it will be different to the above.

Annual Allowance ‘Flexible Benefit’ access

If you have any benefits in a money purchase (defined contribution) pension arrangement which you have flexibly accessed on or after 6 April 2015 then the Money Purchase Annual Allowance (MPAA) rules may apply. However, the MPAA will only apply if your total contributions to a money purchase arrangement in a Pension Input Period exceed the MPAA.

Generally, if you have flexibly accessed any benefits in a money purchase arrangement on or after 6 April 2015, any further contributions you make to a money purchase scheme in subsequent tax years will be tested against the MPAA. If your contributions exceed the MPAA your defined benefit pension (LGPS) savings will be tested against the alternative AA and you will pay a tax charge in respect of your money purchase saving in excess of the MPAA.

Tax Year	MPAA	Alternative annual allowance if MPAA is exceeded
2016/17	£10,000	£30,000
2017/18 onwards	£4,000	£36,000

Special transitional rules applied for the tax year 2015/16 – contact your pension fund for more information, if applicable.

If you access flexible benefits you will be provided with a flexible access statement; you should provide your LGPS pension fund with a copy of this statement.

Flexible access means taking a cash amount over the tax-free lump sum from a flexi-access drawdown account, taking an uncrystallised funds pension lump sum (UFPLS), purchasing a flexible annuity, taking a scheme pension from a defined contribution

scheme with fewer than 12 pensioner members or taking a stand-alone lump sum if you have primary but not enhanced protection².

How would I pay an Annual Allowance tax charge?

If you exceed the AA in any year you are responsible for reporting this to HMRC on your self-assessment tax return.

Your [pension fund](#) is obliged to notify you if your LGPS benefits (plus the amount of any Additional Voluntary Contributions (AVCs) you may have paid) exceed the standard AA, or if they believe you have exceeded the MPAA, in a year. They must inform you by no later than 6 October of the following tax year. However, your pension fund is not obliged to inform you if you exceed the tapered annual allowance.

If you have an AA tax charge that is more than £2,000 and your pension savings in the LGPS alone have increased in the year by more than the standard AA you may be able to opt for the LGPS to pay some or all of the tax charge on your behalf. The tax charge would then be recovered from your pension benefits.

If you want the LGPS to pay some or all of an AA tax charge on your behalf, you must notify your pension fund no later than 31 July in the year following the end of the year to which the AA charge relates. However, if you are retiring (and draw all of your benefits from the LGPS) and you want the LGPS to pay some or all of the tax charge on your behalf from your benefits, you must tell your pension fund before you become entitled to those benefits.

Am I affected?

If you think you are affected by the AA more information is available on the Government's website - <https://www.gov.uk/tax-on-your-private-pension/annual-allowance>. If you are unsure if you will be affected by the AA use the [AA quick check tool](#) on the LGPS member website.

This factsheet provides an overview of the AA rules at April 2018. It should not be treated as a complete and authoritative statement of the law. The rules governing AA can be complex and are subject to change; if you are unsure how to proceed you are advised to obtain independent financial advice. For help in choosing an independent financial advisor visit the [money advice website](#).

More information

If you have any questions about your LGPS membership or benefits, please contact:

² A stand-alone lump sum is a lump sum relating to pre 6 April 2006 where the whole amount can be taken as a lump sum without a connected pension