

Chamberlain's Department

Dr Peter Kane MA, MSc, CPFA
Chamberlain (Finance Director)

Mr....

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Our ref PG/PEN/AA 18_19

Date

Dear Mr....

**The Local Government Pension Scheme (LGPS)
City of London Pension Fund Pension Savings Statement 2018/19**

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 2018/19. 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 2018/19 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 2018/2019

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
*2015/16	£40,000		
2016/17	£40,000		
2017/18	£40,000		
Total Carry Forward to 2018/19			

*2015/16 was split into two periods. An £80,00 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
2018/19	£40,000		

If your 'Unused / Excess Allowance' figure for 2018/19 is a negative value and having applied the 'Total Carry Forward to 2018/19' 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.

<p>This Pension Savings Statement should be retained for future reference.</p>

For the tax year 2018/19 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

Matt Mott
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 2019
 - Online, by 31 January 2020
- 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 2019	Pension Saving Statement	The Fund
31 December 2019	Notify Fund of Scheme Pays Election TAA	Scheme Member
31 January 2020	Self-Assessment Tax Return	Scheme Member
31 July 2020	Notify Fund of Scheme Pays Election AA	Scheme Member
14 February 2021	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 2018/19

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:	£ 0.00
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 2018/19 your notification must be received no later than 31 July 2020.

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 2018/19

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 2020.
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 2018-19, then your request to change your previous 'Scheme Pays' declaration must be received by the Fund no later than 31 July 2020.

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 2018/19

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:	£
Less Carry Forward of Unused Allowance:	£
Tapered 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 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 2018/19 your notification must be received no later than 31 December 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.

Tapered Annual Allowance 'SCHEME PAYS ELECTION FORM – LGPS Tax Year 2018/19

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 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 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 2018-19, then your request to change your previous 'Scheme Pays' declaration must be received by the Fund no later than 31 December 2019.

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:

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Email: pensions@cityoflondon.gov.uk

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