



## Changes to the Annual Allowance and Lifetime Allowance – April 2016

### Will the April 2016 pension tax changes affect you?

In the summer of 2015 the Government announced changes to pension taxation which could affect you. A summary of these changes, links to more detailed information and webinar for those who believe they could be affected are provided below. So read on!

### What is changing?

Significant changes to the amount you can save in a pension without incurring a personal tax charge are coming in from April 2016:

- The Lifetime Allowance (LTA) - the maximum value of pension benefits you can build up tax-efficiently during your lifetime will reduce from £1.25 million to £1 million
- The Annual Allowance (AA) for pension savings will reduce from £40,000 (potentially as low as £10,000) for high earners
- High earners are those with a Threshold Income of over £110,000 **and** Adjusted Income of over £150,000



### The Jargon Explained ...

**Lifetime Allowance (LTA)** – this has been in place since 6 April 2006 and is the maximum value of total pension benefits you can build up over your life without incurring a tax charge.

**Annual Allowance (AA)** – this has been in place since 6 April 2006 and is the maximum amount of pension savings you can build up each year without incurring a tax charge.

**Threshold Income** – All UK taxable income, plus any pension contributions paid under salary sacrifice since 8 July 2015.

**Adjusted Income** - All UK taxable income, plus the value of your defined benefit pension built up over the year. You will also need to include pension contributions you and/or your employer make to a personal pension plan or to a defined contribution arrangement (including Additional Voluntary Contributions).

To help you understand if the changes could affect you, we have worked with Willis Towers Watson and Close Brothers, an IFA, to provide you with support documents which you can access using the links in this information sheet.

If you think you may be affected, or are unsure if you are affected, then we strongly recommend you seek independent financial or tax advice. **GE cannot provide advice.**

### Will I be affected by the LTA reducing to £1m from £1.25m?

You will need to consider whether the total combined value of all your pension savings may exceed the LTA when you take your benefits. This will include the value of your GE pension plus any other pension savings you have.

- If your total pension savings at retirement are estimated to be **below £1 million** when you retire, this change is **unlikely to affect you**.
- If your total pension savings are estimated to be **over £1 million** you may need to **take action** to protect your pension savings.

The Government have introduced **Individual Protection 2016** which protects the value of the fund at 5 April 2016 up to a maximum of £1.25m while you continue to contribute to a pension, and **Fixed Protection 2016** (not available to those with Enhanced or Primary protection) will allow a LTA of £1.25 million to be retained but you must stop making any further pension savings from 5 April 2016.

The deadline for applying for protection has not yet been confirmed, so you should keep this under review by checking the HMRC website.

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

### Will I be affected by the changes to the AA?

If all your UK taxable income or Threshold Income is less than £110,000 then these changes will not affect you.

If your Threshold Income is over £110,000 you will need to check your Adjusted Income. If all UK taxable income, plus the value of your defined benefit pension built up over the year, and/or contributions by you or GE to a defined contribution scheme or other personal pension contributions you make, exceed £150,000 you will be affected by the changes.

Your AA (starting at the current level of £40,000) will reduce by £1 for every £2 of income you receive over £150,000, but the AA will be no lower than £10,000. This means if your Adjusted Income is £210,000 or more, your AA will be £10,000.

Willis Towers Watson has developed an **AAIncomeApp** which will help you to calculate your Threshold and Adjusted Income. This can be downloaded on google play for Android phones or App Store for iPhone and iPads. There is a guide on the changes to the AA which covers what is included in UK taxable income and how to use their App. This can be found [here](#)



## What help is available for me to understand if I am affected by the changes to the AA and LTA?

1. A simple guide to the changes is available [here](#)
2. A detailed guide to the changes, AA carry forward and how to use the AAIncomeApp is available [here](#)
3. Check your benefit statement to see if you are close to or over the current AA and any carry forward available. You can also use the AA modelling tool available [here](#) which allows you to model how much pension you have built up which counts towards the AA in a tax year, and any potential tax impact.
4. Close Brothers have recorded a webinar on the changes which you can access [here](#).

## How can I make changes to my pension?

You can make changes to your ordinary contribution rate each 6 April, by completing the contributions options form.

## What should I also be considering if I am thinking about making changes to my pension?

1. If you think you may be affected then we recommend you seek independent financial or tax advice. Either of these websites can be used to find an IFA if you do not already have one <https://www.unbiased.co.uk/> or <https://www.moneyadviceservice.org.uk/en>
2. If you are a member of the Alstom Pension Scheme (Defined Benefit Scheme) and choose to opt out, remember that you will not be able to re-join this Scheme at a later date. Members opting out who have benefits in the ABB Section would also lose the right to draw their pension unreduced from age 60.
3. If you are a member of the Alstom Pension Scheme and you need to reduce your accrual rate (from 1/65th to 1/75th, for example) in April, you will not be able to move back up to 1/65th until the following April.
4. If you have any questions about your benefits in the Alstom Pension Scheme or Alstom Group Personal Pension Plan, please contact the relevant scheme administrator:

### **Alstom Pension Scheme:**

JLT employee Benefits - Tel: 01372 200363 Email: [alstom\\_pensions@jltgroup.com](mailto:alstom_pensions@jltgroup.com)

### **Alstom Group Personal Pension Plan:**

Aviva Life - Tel: 0800 260 0386 Email: [alstom@aviva.co.uk](mailto:alstom@aviva.co.uk)