



Superannuation Arrangements of the University of London

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Dear Member,

Changes to Pensions Tax Relief from 6 April 2011

The Government recently announced new rules that affect how pension savings are taxed from 6 April 2011.

For SAUL members the increase in the value of your pension benefits from 1 April to 31 March each year (your "pension input period" – see overleaf) is measured against an 'Annual Allowance'. If your benefits increase by more than the Annual Allowance you may be taxed.

Although the legislation has not yet been finalised, you can find full details of the planned changes on the reverse of this letter.

Very few SAUL members will be affected so this letter is really for information only unless:

- you are a high earner or moderate earner with long service;
- you receive a large pay rise; or
- your employer grants you additional service in SAUL.

We are considering how these changes might affect future ill-health retirements.

SAUL Trustee Company will contact you in June each year if the growth in your SAUL benefits exceeds the Annual Allowance. For more information please read the summary of changes overleaf or visit our website: www.saul.org.uk. If you still have questions, please contact your employer's Pensions Officer.

Yours sincerely,

SAUL Trustee Company

For more information about SAUL and its benefits, including the latest news, visit our website at www.saul.org.uk



Summary of changes to pensions Tax Relief from 6 April 2011

What is tax relief?

You don't pay tax on your contributions to SAUL. In practice this means that you only are taxed on your pay after your SAUL contributions have been deducted from your salary.

What is the new limit on tax relief?

From 6 April 2011 the government is reducing the amount of pension savings you can make to *all* registered pension schemes during a "pension input period" before being taxed. The limit is called the Annual Allowance and is £50,000 a year.

SAUL's pension input period

Under relevant legislation, SAUL Trustee Company has nominated 31 March 2007 as the end date for SAUL's first pension input period, so SAUL's pension input period for all members will run from 1 April to 31 March in each year.

How are my pension savings measured against the limit?

In SAUL your pension savings are the increase in the value of your benefits from 1 April to 31 March each year. This is the difference between:

- the value of your benefits at the start of the year which is then increased in line with the Consumer Prices Index (CPI); and
- the value of your benefits at the end of the year.

The difference is measured against the Annual Allowance by multiplying the increase in your pension by 16 and adding the increase in your lump sum. In practice, if the value of your basic SAUL pension goes up by £2,632 in the year (and the value of your lump sum goes up by £7,896) after allowing for any increase in CPI, you'll exceed the Annual Allowance. We show your basic pension and lump sum figures on your annual benefit estimate.

What happens if I exceed the limit?

You pay tax on pension savings above the Annual Allowance at your marginal rate. The marginal rate is the highest tax band in which you pay tax.

If you have unused Annual Allowance in the previous three years you may be able to use this to offset any pension savings which exceed the Allowance.

Other pension schemes

The Annual Allowance applies to all your pension savings so if you are paying contributions to other registered pension schemes, you should check that your total savings do not exceed the Allowance.

More information

If your pension savings in SAUL exceed the Annual Allowance we'll let you know. If this happens you may wish to get financial advice. You can also speak to your employer's Pensions Officer or visit HM Revenue & Customs website: www.hmrc.gov.uk/pensionschemes/annual-allowance/index.htm