

Pensions tax support

The Government sets a limit on the pension savings you can make each year before having to pay a tax charge. This limit is called the Annual Allowance and is currently £40,000 for most people. For some high earners it can be even less; as little as £10,000 for people with taxable earnings (including non-employment income plus annual pension savings) of more than £210,000.

You can carry forward unused Annual Allowance from the previous three tax years to cover any pension savings in excess of your Annual Allowance but if you exceed the Annual Allowance you'll have to pay a tax charge at your marginal rate of income tax.



If the value of your pension benefits is more than the Annual Allowance you may need to pay a tax charge

You'll need to tell HMRC if you have a tax charge by making a declaration on your tax return. You can choose to pay the tax charge yourself or ask your pension scheme to pay it in exchange for your benefits being reduced. This process is called 'Scheme Pays'. The deadline for making a Scheme Pays election for 2018/19 is 31 July 2020.

At retirement, your pension benefits from all schemes, excluding the State pension, will be tested against a further limit called the Lifetime Allowance. This increases in line with inflation each year, as measured by the Consumer Prices Index (CPI). The 2018/19 Lifetime Allowance has been announced as £1,055,000.

If the value of your benefits exceeds the Lifetime Allowance when you retire, you'll need to pay a separate tax charge which may be over and above any Annual Allowance charges you've paid.

How will this affect you?

You might have questions about how these charges affect you:

- will I have to pay a tax charge if I get a pay rise?
- can I carry forward any Annual Allowance from previous years?
- if I do have to pay a tax charge, should I pay it myself or ask the Scheme to pay?
- if I retire early will I avoid a Lifetime Allowance tax charge?
- will the retirement options I choose reduce any tax charges I have to pay?
- should I opt out of pensions altogether to avoid any future tax charges?



Mercer can answer your questions about pensions tax

Mercer's experience in the University sector

Mercer provides pensions-related advice to over 50 Higher Education clients. We've been SAUL's Actuary and lead pension adviser for over 30 years so have a detailed understanding of the Scheme.

We use a modelling tool, Mercer Crest, which has been customised for the Higher Education sector. Mercer Crest will help you understand your options and how pension taxation affects you.

Expert support from Mercer

Mercer would be delighted to offer you guidance on pensions taxation. The cost of this service will typically be between £1,000 and £2,000 plus VAT.

If you would like to take up this offer, please contact SAUL at taxchanges@saul.org.uk.

SAUL will send you more details of Mercer's service including an engagement letter.

You should return your signed engagement letter, along with a utility bill or recent bank statement, to Kevin Painter or Nigel Roth at Mercer. Kevin and Nigel are members of Mercer's Higher Education Pensions Group.



Kevin Painter – Higher Education Specialist

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Kevin is a member of the DC and Savings and Pensions Tax Area of Focus speciality groups.

He has helped a number of universities' Remuneration Committees respond to new pensions tax legislation and spoken about pensions tax at several conferences. Kevin helped prepare the UCEA guidance paper on pension taxation issues.

Kevin is an Associate of the Chartered Insurance Institute (ACII) and an Associate of the Personal Finance Society (APFS).



Nigel Roth – Head of Mercer's Pensions Tax Area of Focus in the UK

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Nigel is a Senior Partner of Mercer. He is leading Mercer's Pensions Tax Area of Focus group, a nationwide team of experts specialising in pensions taxation.

He has been involved in pension taxation initiatives for a number of universities and worked extensively with SAUL. Nigel largely prepared the 2015 edition of UCEA's guidance paper on pension taxation issues.

Nigel is a Fellow of the Institute and Faculty of Actuaries (IoFA). He has also attained the Certificate in Financial Planning in the UK.