



Northern Ireland Assembly

Pension Tax Changes 2011 Important Information

November 2011

This is an important change and will have financial implications for you. Please read this leaflet carefully.

What is the Annual Allowance?

The Annual Allowance is the amount of pension savings you can build up tax free in any tax year across ALL YOUR PENSION SCHEMES.

In a defined benefit scheme such as the Assembly Members Pension Scheme (AMPS) this is not the same as the amount of contributions you have paid. The amount of pension savings built up in the AMPSs for 2011 – 12 is calculated as:

The value of
your AMPS
pension at 31
March 2012

Less

The value of your
AMPS pension at 31
March 2011 adjusted
for inflation

Multiplied by a =
flat rate factor

The amount of
Annual Allowance
used up in this
Pension Scheme

The Main Changes:

- From the 2011 – 2012 tax year the Annual Allowance is reducing from £255,000 to £50,000.
- From 6 April 2011 the Lifetime Allowance has reduced from £1.8 million to £1.5 million.
- You may carry forward 3 years of unused Annual Allowance (calculated as for 11-12)
- From 6 April 2011 a flat rate factor of 16 will be used to calculate pension build up in a tax year

These tax changes apply to **ALL** your pension savings not just your Assembly pension.

It is your responsibility to ensure that you pay the correct tax charge.

The Pensions Team will provide you with details of the amount of your Annual Allowance used up in the Assembly Members Pension Scheme (AMPS).

If you are a member of the AVC scheme you must add the amount you have paid in contributions over the period.

If the amount of annual allowance you have used up exceeds £50,000 you MAY be subject to a tax charge.

The new tax rules allow you to carry forward unused allowance from the previous 3 tax years calculated as for this year (i.e. as though the annual allowance was £50,000 and the factor 16. This means that even if you have exceeded the annual allowance this year you may not have to pay a tax charge depending on the figures for the previous 3 years.

Please note that while we can give you information, the Pensions Team is prevented by the Financial Services Act from giving financial advice. If you require financial advice you should consult an independent financial adviser.

What happens next?

After the end of each tax year we will provide you with a statement showing how much of the annual allowance you have used up in this tax year in the Assembly Members Pension Scheme. If you have other pension arrangements you will need statements from all your schemes so that you can assess whether a tax charge may be due. If you think you might be subject to a tax charge you should consider seeking professional advice.

We will not automatically be calculating figures for previous tax years unless you exceed the AA in the AMPS in this tax year 11 – 12. However, we will calculate the figures on request. Please contact the Pensions Team in writing or by e-mail using the contact details below.

Some Examples

Member A

Elected March 2007
Salary £43,101
Paying 6% contributions
Not an office holder

Pension at 31 March 2011 = £3,448 pa

Adjusted for inflation = £3,555 pa

Pension at 31 March 2012 = £4,310 pa

Amount of Annual Allowance used up
£4,310 - £3,555 = £755 x 16 = £12,080

Member B

Elected November 2003
Salary £43,101
On 1 April 2009 changed to the higher
accrual rate of 1/40th paying 11.5%
contributions
Not an office holder

Pension at 31 March 2011 = £6,896 pa

Adjusted for inflation = £7,110 pa

Pension at 31 March 12 = £7,974 pa

Amount of Annual Allowance used up
£7,974 - £7,110 = £864 x 16 = £13,824

Member C

Elected 1998
Salary £43,101
On 1 April 2009 changed to the higher
accrual rate of 1/40th paying 11.5%
contributions
This Member has held various offices for
varying periods of time including Commission
Member, Committee Chair and Minister

Pension at 31 March 2011 = £14,040 pa

Adjusted for inflation = £14,475 pa

Pension at 31 March 12 = £15,118 pa

Amount of Annual Allowance used up
£15,118 - £14,475 = £643 x 16 = £10,288

None of these Members have exceeded the Annual Allowance in the AMPs in 2011 – 12.

However if any of these Members contribute to other pension arrangements, either work based or private, or contribute towards AVCs then they will need to look carefully at all their arrangements to ensure that the **total amount of annual allowance used up across all their pension schemes** does not exceed the limit of £50,000.

If it does, action is required.

It is YOUR responsibility to ensure that you pay any tax charge owing

For further information please contact the Pensions Team in the Assembly's HR Office:

Louise Anderson (905)21685

William Long (905)21699

Aidan Kennedy (905)21855

Room 404, Parliament Buildings

e-mail: pensions@niassembly.gov.uk

fax: (905)21658