



PRESS RELEASE

SPC launches helpful aid to administering the new lifetime allowance

The Society of Pension Consultants has created a simplified document, designed to help the UK's pension schemes administer the lifetime allowance under the new pension tax regime (set to run from April 6th 2006).

The document – in the form of a standardised explanation which administrators can distribute to scheme members – has been produced by the SPC's Administration Committee and is easily accessible via the web.

SPC Secretary John Mortimer explains: "In the run-up to April 6th, 2006 – 'A Day' for the new pension taxation regime - we expect scheme administrators will have to deal with significant numbers of requests for benefit information from members, seeking to assess what action they should take regarding primary and enhanced protection of existing benefits, in relation to the lifetime allowance under the new regime.

"The SPC's Administration Committee hopes those in charge of schemes will find this 'information statement' helpful as a basis for channelling members' requests for information in broadly the right direction, given that the knowledge base of the member him or herself might be basic. We've tried to keep the statement as simple as possible. The idea was not to set out an authoritative and comprehensive explanation of the working of enhanced and primary protection."

SPC stresses that the statement is not designed to replace independent financial advice to individuals on their own position in relation to the rules of their specific scheme.

The statement is based on the Committee's current understanding of the Finance legislation, which might change before A Day, meaning that the figures included are provisional.

Editor's note: A copy of the statement is attached, and readers can also access it free of charge from the SPC's website (www.spc.uk.com).

ENDS

For further details

John Mortimer

020 7353 1688

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NOTES FOR EDITORS

SPC is the representative body for the providers of the advice and services needed to establish and operate occupational and personal pension schemes and related benefits. Its Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of the advice and services.

The vast majority of the 500 largest pension funds use the services of one or more of its Members. Many thousands of smaller funds and individuals also do so. SPC's growing membership collectively employs some 14,000 staff providing pension related advice and services.

NAME OF SCHEME

THE NEW LIFETIME ALLOWANCE AND YOUR BENEFITS

The Finance Act 2004 introduces a single tax regime that will apply to all UK tax-privileged pensions from 6 April 2006 (A Day). This new regime introduces a "Lifetime Allowance", which is the total allowable value of tax-privileged pensions from all sources. If the value of your total pensions, within the current limits, exceeds the Lifetime Allowance, you will have to pay additional tax, called a recovery charge, of 25% on the excess. For the 2006/07 tax year this allowance is £1.5 million. Persons who are entitled to or are prospectively entitled to benefits in excess of this level may apply to protect existing benefits provided they are within current Inland Revenue limits as at 5 April 2006.

This can be done through either primary or enhanced protection:

- Primary Protection - this can be utilised by persons whose total pensions valued at A Day are greater than £1.5 million. Your lifetime allowance will be higher than £1.5 million and will enable you to continue to build up further pension. A recovery charge may be payable on part of the pension which exceeds your Lifetime Allowance.
- Enhanced protection - is an alternative to primary protection and is also available for those persons whose benefits do not exceed £1.5 million on 5 April 2006. This form of protection does require that with effect from 6 April 2006, you do not continue to build up pension benefits in your current arrangement, or any other arrangement. However, this protection is intended to guarantee that your benefits are exempt from any recovery charge.

The new regime also introduces a new tax-free cash limit of broadly 25% of the Lifetime Allowance. If you apply for either Primary or Enhance Protection, your tax-free cash entitlement prior to A Day may also be protected.

The decision to apply for either protection will be yours. In order to make this decision, you will require certain information about your benefits from your current and previous pension schemes. Once you have collected all the information that you need from each scheme you will be able to see if the value of your benefits exceeds the Lifetime Allowance. You will have three years from 6 April 2006 to register your funds for protection. If you wish to consider Enhanced Protection, you must still make up your mind before 6 April 2006 in order to stop building up any further pension from A Day.

The attached statement provides you with details of your pension value and tax free cash entitlement available from this scheme prior to 6 April 2006.

We recommend that you seek independent financial advice to help you understand how the new rules will affect you personally.

ESTIMATED BENEFITS AS AT (05/04/06)

Personal details

Name:

Date Joined Company

Date of Birth:

Date Joined Scheme:

National Insurance
Number:

Date of Statement:

Information for Checking Against the Lifetime Allowance

Your Pension per annum as at 05/04/06 £x,xxxx pa

Your Pension Value as at (05/04/06?) **£x,xxxx**

Value as proportion of the Lifetime Allowance of £1.5 million XX%

Maximum Tax-free Cash sum

In exchange for part of the pension above
Value as at (05/04/06) £XXXX

Value as a proportion of the Lifetime Allowance for cash of 25% of your Pension Value or 25% of £1.5 million, if lower XX%

Total used of the Lifetime Allowance

Value as at (05/04/06) £xxxxxx

Value as a proportion of the Lifetime Allowance XX%

Notes

1. The "value" figures show a capital value of your scheme pension assuming that £1 of pension per annum is equal to £[??] in value. These figures [include]/[do not include] the value of any Additional Voluntary Contributions you are currently paying.

The figures quoted are based on a salary figure of £ and a fund value of £ as at the date of this statement. Length of service has been assumed up to [the same date]/[5 April 2006].

2. Your Pension Value and Maximum Tax-free Cash Sum includes benefits you have transferred in [from XYZ Scheme] / [as a result of a Pension Credit].
3. Your Pension Value and Maximum Tax-free Cash Sum [takes into account]/[takes no account of] other benefits which you may have built up in another scheme.
4. The figures given above are based on our understanding of the Finance Act 2004 as currently drafted. This may change in the future once the final regulations are produced.
5. If you apply for protection and your total cash is greater than 25% of the lifetime allowance you must ask for a specific cash calculation.