

## NHS Pensions - The lifetime allowance and fixed protection 2014

### What is changing?

HMRC (HM Revenue and Customs) have confirmed that, from 6 April 2014, the lifetime allowance (LTA) will be reduced to £1.25 million from the current level of £1.5 million.

HMRC have announced there will be a new form of protection known as 'fixed protection 2014'. Fixed protection will be available to all members.

Anyone with existing primary, enhanced protection or fixed protection 2012 cannot apply for fixed protection.

### Where can I find out more information about fixed protection?

More information on fixed protection can be found at:

<http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm>  
<http://www.hmrc.gov.uk/pensionschemes/fp2014guidance.pdf>

This is NHS Pensions current understanding of fixed protection 2014:

### I am retiring in 2014 - am I affected?

HMRC have announced that if you take all your benefits from a registered pension scheme on or before 5 April 2014 then you will not be affected by the reduction in lifetime allowance. However, if your NHS benefits are authorised after 5 April 2014 or are revised after this date you will be subject to the reduced LTA.

### How do I apply for fixed protection?

You can obtain an application form from HMRC, this is available at <http://www.hmrc.gov.uk/news/fixed-protection.htm> If you want to apply for fixed protection 2014 because of the reduction in the lifetime allowance you **must** make an application to HMRC before 6 April 2014.

### Do I need a valuation of my pension fund to apply for fixed protection?

No. You do not need to have built up pension rights of more than £1.25 million to apply for fixed protection. You will not need to give a valuation of your pension savings on the form when you apply for fixed protection.

## **How does fixed protection work in relation to the NHS Pension Scheme?**

The NHS Pension Scheme (NHSPS) is a defined benefit scheme. This means that fixed protection will be lost if there is 'benefit accrual' in the NHSPS. For active members, this means that if the increase in your pension and lump sum exceeds the Consumer Prices Index, you will lose fixed protection.

### **Can I lose fixed protection?**

Yes. If you choose to apply for fixed protection and continue to pay contributions to the NHSPS **you** must check each year to ensure you have not had relevant benefit accrual (please see the examples on the HMRC website).

For many members who want to apply for fixed protection, this may mean that they may need to opt-out of the NHSPS if they want to retain fixed protection.

If members have other contributions paid to other money purchase pension schemes (such as the NHS Money Purchase AVC Scheme), **you** must check with HMRC to see if these contributions must cease.

If you have relevant benefit accrual **you** must inform HMRC.

Employers started auto enrolling employees into a pension scheme from October 2012. If you have either enhanced or fixed protection and don't opt out of the pension scheme within one month of automatic enrolment you'll lose your protection. Your employer should tell you when you're automatically enrolled into a pension scheme.

There are other instances where fixed protection will be lost, and these can be found on HMRC's website.

### **Should I apply for fixed protection?**

You will need to consider your own particular circumstances before deciding whether to apply. You may wish to consider seeking independent professional advice before making any decision. NHS Pensions cannot give you advice on this.

### **Opt outs (ceasing contributions)**

For those members who make the decision to opt out of the scheme, they must do this by using the form SD502 (available on this website). If the SD502 is received by 31 March 2014, when the NHSPS year ends, there will not be any relevant benefit accrual, if you opt out after this date you will need to check for relevant benefit accrual.

### **How will fixed protection interact with primary protection, enhanced and fixed protection 2012 protection?**

Primary protection and enhanced protection are the two methods whereby individuals could protect pension rights accrued before 6 April 2006. The closing date for applying for these protections was 5 April 2009 so you can no longer normally apply for them.

Primary, enhanced protection and fixed protection 2012 will continue. The reduction in the standard lifetime allowance will not change how these types of protection work. If you have primary protection the amount of your benefits protected from the lifetime allowance will not change. If you have enhanced or primary protection you will not be entitled to fixed protection 2014.

### **Individual Protection 2014**

HMRC will also be introducing another form of protection from LTA charges known as Individual Protection 2014. HMRC have published draft legislation about this protection. Further information can be found at <http://www.hmrc.gov.uk/pensionschemes/pension-savings-la.htm>.