Pensions Update

Scheme Funding
The Scheme had a reasonably good year in 2011, which saw assets recover from the impact of market volatility to over £860m. The value of the Scheme is a timely reminder of the financial protection afforded to all members and their dependents.

Budget 2012
There will be no further changes to the taxation of pension benefits as a result of the Budget yesterday.

The Government has confirmed it will combine the basic state pension and the second state pension into a single tier pension for future pensioners. A White Paper will be published later this year.

Lifetime Allowance (LTA)
The LTA, which was introduced in 2006 and applies to all pension benefits in aggregate except State pensions, will reduce from £1.8m to £1.5m from 6 April 2012.

When this change comes into force, it will mean that the maximum total pension on retirement will reduce from £90,000 pa to £75,000 pa.

Those who applied for and were granted primary or enhanced protection prior to April 2009 will continue to receive those protections.

A new fixed protection for individuals with benefits in excess of £1.5m is available. In exchange for a fixed LTA of £1.8m, members will be required to cease making further pension provision and opt out of any pension scheme to which they belong. The election under this arrangement must be made by 5 April 2012.

If you think this new limit will affect you, you should seek independent financial advice in order to act before the end of this tax year.

Tax limits on pension contributions
As advised previously, new tax limits on pension contributions came into effect from April 2011. This change could have tax implications for some members as a result of a salary increase, redundancy or ill health retirement and it is important that all Scheme members are aware of the new £50,000 tax limit on pension contributions.
A frequently asked question sheet, including examples of how the new limits will work in practice, is available on the portal and the member website at www.mrcps.co.uk using scheme identification code 672785.

Expression of wish
Keeping the Trustees informed of your wishes regarding those you would want to receive the tax-free lump sum death benefit payable under the Scheme is very important.

Members are reminded to complete a form, which can be downloaded from the member website or the portal, and to update the nomination should your personal circumstances change.

Dependants’ pensions
Spouses and civil partners are recognised as beneficiaries under the rules of the Pension Scheme. It is also possible to nominate a partner to receive a pension in the event of your death. If you live with your partner and are financially dependent on that person you should complete a nomination form, which can be downloaded from the member website, so that the Trustees are aware of your wishes.

Jim Clerkin
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