In recent months the Revenue (or Her Majesty’s Revenue and Customs, HMRC, as it is formally known) has made substantial changes to its pensions tax rules. The changes, which will only affect a relatively small proportion of scheme members, involve a reduction in what is referred to as the ‘annual allowance’ from £255,000 per annum to £50,000 per annum from 6 April 2011, and similarly a reduction in the ‘lifetime allowance’ from £1.8 million to £1.5 million with effect from 6 April 2012. In response to these changes, which can be very significant for those affected, USS has introduced scheme changes to provide members with three possible options in order that they might reduce or eliminate their liability to a tax charge. Importantly, however, there are no easy solutions available and the options that have been made available result in reductions to the scheme benefits that accrue during a year – in that way a member’s liability to tax can be reduced. We would emphasise that the Revenue’s tax changes affect a very small minority of members, and the suitability of any of the available options will depend upon a member’s individual circumstances. We would encourage members to seek independent financial advice.

There are some important time limitations which need to be taken into account for members who are considering – or indeed have already elected for – the Revenue’s new facility known as ‘fixed protection’. This facility, which is generally for members with very large pension values, can only apply where an individual makes an election with the Revenue on or before 5 April 2012, and those interested in this are likely to find that USS’s “enhanced opting-out” option will be of interest. However, members have very little time left to make an election, and they should therefore consider this issue as soon as possible.

Information on the Revenue’s tax changes – together with detailed information on the new options – can be found on the USS website at www.uss.co.uk (within the news section on the homepage and the Tax relief limits section of the Final Salary area). Members are encouraged to refer to these pages should they believe that the recent changes to the system of taxation introduced by the government will affect them. You will also find a list of USS contacts who will be able to assist members should they have any further queries or indeed should they require any benefit calculations.