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The standard Lifetime Allowance is reducing to £1 million from 6 April 2016.

Impact on members retiring in April who are affected by the change of Lifetime Allowance – delay in receiving retirement forms.

For all members who retire on or after 6 April 2016, the percentage of Lifetime Allowance used, and any Lifetime Allowance charge that may apply to their benefits, will be based on £1 million unless they hold a valid protection certificate from HMRC.

HMRC rules mean that they are assessed on the later of the date of retirement or the date that the last piece of paperwork required for the calculation of benefits is received. This could mean that someone retiring before 6 April has their benefits assessed under the lower Lifetime Allowance limit because the leaver form or retirement declaration form are received after 6 April.

Any delay in providing paperwork may therefore result in:

- a larger percentage of the Lifetime Allowance being used up – Lifetime Allowance charges may then apply because there is insufficient amount remaining if the date of assessment is after their retirement date; or
- a Lifetime Allowance charge or increased Lifetime Allowance charge.

Hampshire Pension Fund has no discretion on the date LGPS benefits are assessed and the Lifetime Allowance used.

The following illustrates the impact of the reduced Lifetime Allowance:

Member A:

LGPS benefits are payable from 1 April 2016. The retirement application form is received three months before retirement, LGPS benefits are calculated and authorised on 19 March 2016. Benefits are tested against a Lifetime Allowance of £1.25 million because the assessment date is the same as the payable date of 1 April 2016.

Member B:

LGPS benefits are payable from 1 April 2016. The retirement application form is completed three months before retirement but there is a delay before Hampshire Pension Fund receives the form and benefits are not authorised until 9 April 2016.

Because of the delay the assessment date is 9 April 2016 and LGPS benefits must therefore be tested against the lower Lifetime Allowance of £1 million.

Member C:

LGPS benefits are payable from 8 April 2016. The retirement application form is received before the last day of service, benefits are calculated and authorised on 16 March 2016. LGPS benefits are tested against a LTA of £1 million because the assessment date is the same as the payable date of 8 April 2016.

Note The forms Hampshire Pension Fund need to complete the retirement process is the leaver form from the employer **and** the retirement declaration form from the member.

Service Development Team

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