

Barnett Waddingham annual allowance survey

High earners could find themselves footing large tax bills when a series of changes to pensions tax relief are implemented in April 2016.

““

The main finding of the survey is that, of the responses received, the vast majority of companies will offer cash in lieu of pension.

The level of tax relief - Annual Allowance (AA) - is to fall dramatically, potentially reducing the AA from its current £40,000 limit to £10,000 for some of the highest paid executives (and with hefty tax charges should these limits be breached).

Barnett Waddingham has carried out a survey of how companies are gearing up to assist their high earners mitigate the impact of the tapered AA and the reduced Lifetime Allowance (LTA) from 6 April 2016.

The main finding of the survey is that, of the responses received, the vast majority of companies will offer cash in lieu of pension.

One surprising result is that over 50% are still considering what changes or options, if any, to introduce to their remuneration and pension policy to assist their senior staff mitigate the potential impact of the forthcoming reductions in pension allowances. Many of these companies are, presumably, awaiting the Budget on 16 March 2016 before they will finalise their plans on an future changes.

Our analysis of the responses from companies who have considered the implications are:



**WILL MAKE NO
CHANGE TO THEIR
PENSION AND
REMUNERATION
POLICY**



**WILL OFFER
CASH IN LIEU
OF PENSION
CONTRIBUTIONS**



**WILL RESTRICT FUTURE
CONTRIBUTIONS TO
£10,000 WITH THE BALANCE
THE BALANCE PAID AS A
CASH SUPPLEMENT**

Over **95%** of the companies offering cash in lieu of pension contributions will reduce the level cash for the additional employer National Insurance Contributions (NICs) to keep it cost neutral for the employer.

None of the companies are offering any unapproved unfunded benefits.

The other findings of the survey regarding Defined Contribution (DC) and Defined Benefit (DB) arrangements are:



**OFFER A DC
ARRANGEMENT
ONLY**



**PROVIDE A DC
ARRANGEMENT TO NEW
EMPLOYEES AND A DB
ARRANGEMENT OPEN
TO LONGER SERVICE
EMPLOYEES ONLY**



**OFFER
DB ONLY**

Outside of the survey, we have seen a few companies in discussion to close their DB schemes to accrual. Although no direct reference has been made to the implications of pensions tax changes on senior staff as a reason to close the DB schemes, it would not be surprising if this is a major factor for the affected decision makers to now considering closing their DB schemes to all accrual.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact Bhargaw Buddhdev via the following:

✉ executivepensions@barnett-waddingham.co.uk

☎ 020 7776 2200

🖱 www.barnett-waddingham.co.uk/executive-pensions



Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at Cheapside House, 138 Cheapside, London EC2V 6BW. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority. Barnett Waddingham Actuaries and Consultants Limited is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.