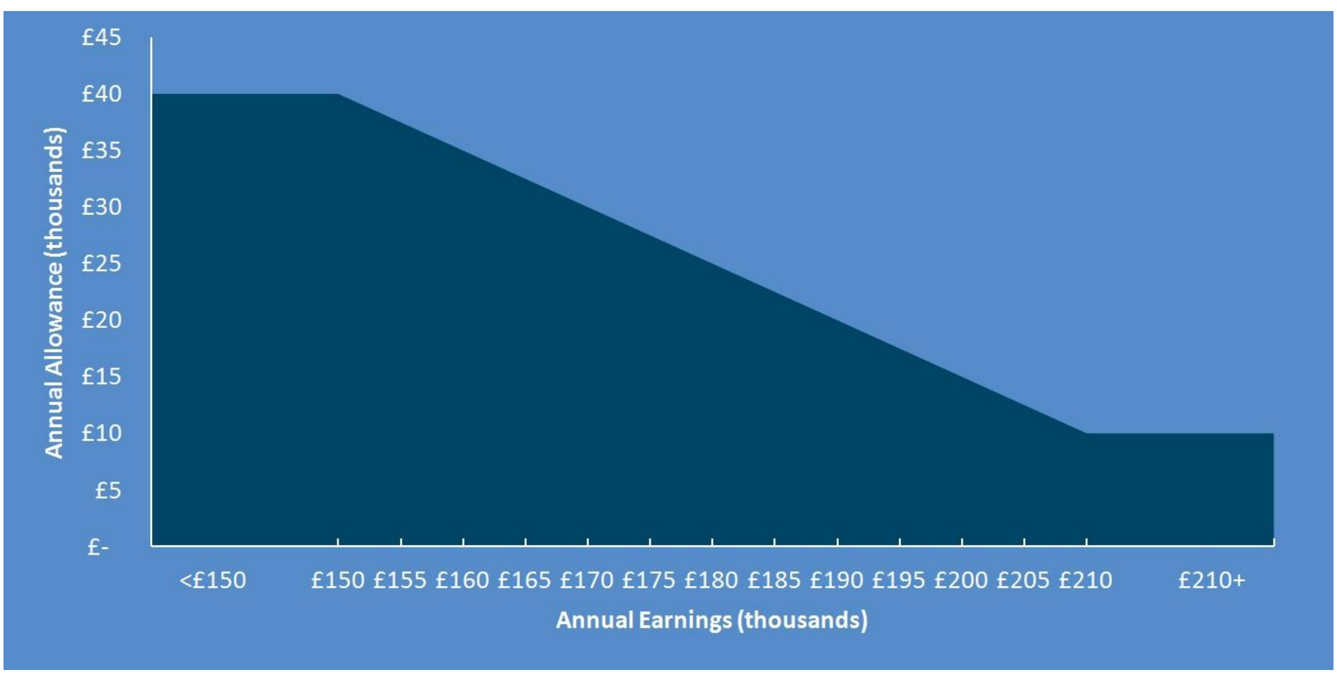
The lifetime allowance

The lifetime allowance (LTA) is the total amount of all your private and work pensions, not including State pensions, that you can build up without triggering an extra tax charge. The Chancellor announced, in the 2015 Budget, that the Government intends to reduce the current LTA of £1.25 million to £1 million from 2016. While most people won't be affected by the LTA, it is really important to monitor the total value of all your pension benefits as what might appear modest today could exceed the LTA by the time you want to take your benefits.

Tapered annual allowance (AA)

The AA is the yearly amount of pension savings you can build up in registered pension schemes before a tax charge is applied. The Government proposes to introduce a 'tapered AA' from 6 April 2016 for those earning over £150,000 in a tax year. For the purposes of calculating these earnings, you need to take into account income you receive from all sources, including things like other savings or investments, rental income, or pensions already in payment, as well as the value of pension contributions that your employer makes on your behalf. This tapering will reduce an individual's AA by £1 for every £2 of income over £150,000, subject to a minimum allowance of £10,000. This is illustrated in the graphic below:



The new State Pension

From April 2016, the State Second Pension (S2P) will be abolished and replaced by a single flat-rate State Pension. The actual weekly amount will be set later in 2015 but it will be no lower than £151.25 a week. You will only receive the total amount if you have a record of at least 35 years of National Insurance (NI) payments. This compares with the current basic State Pension of £113.10 a week, which requires 30 years of NI payments. Previously you could claim some State Pension with only one year's NI contributions, but from April 2016 this will change and you will need at least 10 years NI contributions to claim any State Pension. However, it should be noted that if you cannot, or have been unable to work, then NI credits may be given and it could be possible to pay voluntary NI contributions to make up for any gaps in your record.

If you have also previously built up a Defined Benefit pension within the HIPS Scheme or any other Defined Benefit scheme you may have been contracted out of the State pension Scheme during that period. This may mean that you will not necessarily get the full flat amount from the State on reaching State Pension age.

Additionally, changes are also being made to the option to delay claiming your State Pension in order to receive a bigger pension from April 2016. Instead of receiving an increase in the pension rate of 1% for every five weeks of deferment, it will be 1% for every nine weeks.

The changes will only apply to people who reach State Pension age after April 2016. This will not affect people who have already reached State Pension age.

Savings Credit, which is paid by the Government to people who have saved some money for their retirement, will also be abolished in 2016.

You can find out more about State pensions at: www.gov.uk/browse/working/state-pension

The 'triple lock' guarantee

The Government plans to keep the triple lock guarantee on increases to State pensions.

The triple lock means pensioners receive increases to their State benefits based on the highest increase in National Average Earnings (NAE), the Consumer Prices Index (CPI), or 2.5% until at least 2020. It also means that there will now be a minimum amount that the State pensions may increase by.

As a result pensioners may see their State Pension entitlement rise to £7,000 by 2020.