Our Ref: PS/KG

Your Ref:

Direct Line: 0151 242 1354

Please ask for: Kevin Greenough

Date: 27 October 2010

Pensions Tax Relief
Room 2/E2,
HM Treasury,
1 Horse Guards Road,
London
SW1A 2HQ

Dear Sirs,

Restricting pensions tax relief through existing allowances: a summary of the discussion document responses.

I refer to the above mentioned document dated 14 October 2010 and am responding on behalf of Wirral Council in its capacity as the Administering Authority of the Merseyside Pension Fund to the request for representations on the issues around reducing the Life Time Allowance (LTA).

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils and over 100 other employers on Merseyside and elsewhere throughout the UK.

The Fund has over 50,000 active contributing members, 41,359 pensioners and just over 34,000 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £4.5 billion. The LGPS is a defined benefit, final salary public sector occupational scheme.

The Fund is concerned that sufficient consideration is given to the preservation of existing primary and enhanced protections against the LTA, and that suitable protection is granted for those members who have accrued pension benefits in excess of £1.5M by April 2012 up to an overall limit of £1.8M. It is suggested that this can be achieved by revisiting the Primary Protection model used when the LTA was first introduced. The Fund does not support the re-introduction of enhanced protection in advance of April 2012, as this was a process full of complexity which was difficult to communicate to members and a burden to administer.

The Fund also feels that the factor used for the valuation of defined pension benefits should remain as a flat factor of 20. To change it or to introduce any age related factors would inevitably complicate existing protections, and the administration of the LTA charge.

The proposed changes announced to the Annual Allowance (AA) to restrict tax relief should yield sufficient tax revenue, and will require pension administrators to communicate, monitor and report to their members on the potential impact on individuals, without also further complicating the LTA regime.

It is also felt that the existing anti-forestalling provisions and the introduction of the new AA regime from 2011 should be sufficient to limit and prevent individuals' ability to avoid the new LTA charge before its introduction in 2012, removing any need to introduce the changes earlier. Indeed, pension administrators will need until 2012 to communicate these changes and any relevant protections to their members and to make any necessary procedural changes. Indeed 2011 will be a busy enough time introducing new processes and communicating to members regarding the changes to Annual Allowance charges.

If you require any further information or assistance do not hesitate to contact me.

Yours sincerely

Director of Finance