

CLWYD PENSION FUND

SCHEME OF DELEGATION

The Clwyd Pension Fund has certain functions which are delegated to the Chairman, Vice-Chairman and/or Officers of the Fund by the Pension Fund Committee. This paper outlines the decision made, the powers under which it is made, when the decision was taken, and by whom.

DELEGATED POWERS BEING USED (extracted from agreed PFC delegations):	Delegation:	<p>Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund.</p> <p>Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.</p> <ul style="list-style-type: none"> • Policy for Administration and Communication of Tax Allowances to Scheme Members -
	Delegated Officer(s):	PAM in consultation with HCPF
	Communication and Monitoring of Use of Delegation	<p>Ongoing reporting to PFC for noting</p> <p>Fundamental changes to this Policy will be highlighted to the Pension Fund Committee prior to its approval to allow the Committee to highlight any concerns.</p>

SUBJECT: Approval of minor changes to the CPF Policy for Administration and Communication of Tax Allowances to scheme members.

BACKGROUND:

This request asks for the approval of minor changes to the CPF Policy for Administration and Communication of Tax Allowances to scheme members, mainly due to the changes to the thresholds for Annual Allowance and Lifetime Allowance announced in the Government's Spring Budget on 15 March 2023.

Background to the policy

The Annual Allowance and Lifetime Allowance are limits set by the Government in relation to ensuring that pension scheme members pay tax charges where they benefit from large pension savings, either on an annual basis (the Annual Allowance or AA) or at the point of retirement or another crystallisation (the Lifetime Allowance or LTA). Originally very few pension scheme members were impacted by the thresholds, however the amount of the AA and LTA thresholds have decreased significantly. As a consequence, year on year, more members are brought into scope of a potential tax charge.

Given the complexity of calculations and rules as to how benefits are compared with the thresholds, the Fund previously developed this policy to clarify how this complex area of pensions will be communicated to scheme members and how the Pensions Administration team will support the members of the Fund.

The policy's key purpose is to provide a clear framework setting out how the Fund will communicate information relating to tax allowances to scheme members.

The ultimate objectives of the Policy are to:

- provide regular information to all scheme members on the AA and LTA thresholds, including where further information may be found
- identify specific groups of individuals who may be impacted by either of the thresholds in the near future, and highlight this risk to them
- communicate with individuals where it appears that they have exceeded either of the thresholds, providing information beyond the minimum legal responsibilities to assist the scheme member in fully understanding the impact on them.

The Policy outlines principles for how communications will be made to scheme members mainly focussed on the following three areas:

- Generic communications to all scheme members, via the website/newsletters/alerts and on Annual Benefit Statement (ABS) for all active members
- Targeted communications for those members at risk of breaching an allowance including letters with the offer of workshops and one-to-one guidance sessions, and

- For those members that do exceed a threshold and therefore may be subject to a tax charge, the communications they will receive highlighting what has happened and how to deal with it.

The Policy clearly highlights that members of staff employed by the Fund are not financial advisers and they cannot provide financial advice.

Policy review

The Policy for Administration and Communications of Tax Allowances to scheme members is subject to review every three years and so was next due for review during 2025. However, due to the changes to tax thresholds announced in the March 2023 budget it has been reviewed earlier following this. The relevant changes announced in the Government's Spring Budget that impact the Policy include:

- The Lifetime Allowance is due to be abolished altogether from 2024, but still exists for 2023/24 but the tax charge has fallen away. However, generally speaking the action required by the Fund in 2023/24 is still the same, i.e. the LTA still needs to be calculated.
- The Annual Allowance was increased from £40,000 to £60,000 from 6 April 2023
- The Tapered Annual Allowance (a reduced allowance for members with higher earnings) was increased from £4,000 to £10,000 (with a rise in the "adjusted income threshold", which is used to assess those to whom the tapered allowance might apply, to £260,000).

The recommended updates incorporating these changes are shown with tracked changes in the attached draft updated version. In addition, there are other small changes to grammar and wording.

RECOMMENDATION:

To agree to the tracked changes as shown on the attached version of the Fund's Policy for Administration and Communications of Tax Allowances to scheme members.