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Tax Relief on Pension Savings: Annual Allowance

United Utilities Pension Scheme (UUPS)

The Government sets a limit on the amount of pension savings you can make each year, across all of your pension arrangements. This is known as the Annual Allowance (AA) and is set at £40,000 for the current tax year. Whilst you can make pension savings in excess of the AA, you will have to pay a tax charge on any excess.

How much are my pension savings? This is the total of:

Any contributions made by both you and the Company into your Defined Contribution (DC) pension pot, or DC top-up pot during the tax year

Any Additional Voluntary Contributions (AVCs) you have made during the tax year

If you are a a member of the Mirror Image or Hybrid Sections of the UUPS, the growth in your Defined Benefit (DB) pension during the tax year

Any pension savings you have made during the tax year within any non-UU pension arrangements

How do I check my pension savings?

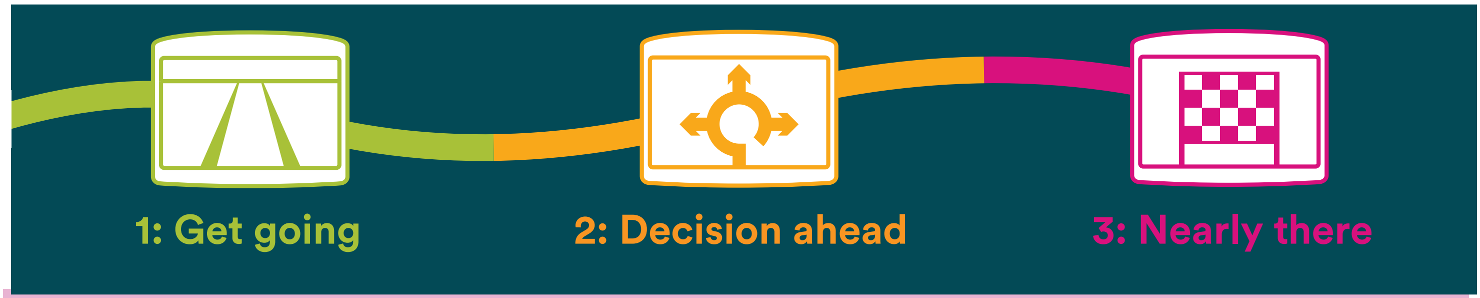
Members of the DC Section

You can log into your pension account via TargetPlan on Aegon's website to see what you and UU have paid into your pension pot. You can also contact Aegon direct. If these savings exceed the £40k AA in any one tax year, Aegon will write to you to let you know.

Members of the Hybrid/MIS Sections

You can contact Willis Towers Watson who will be able to tell you how much your pension savings are. This will include the contributions to your DC top-up or AVC pot. They will also write to you if these savings have exceeded the £40k AA in any one tax year.

If you exceed the AA, you can use any unused AA from the previous three tax years. So even if you exceed the AA in any one tax year, you might not necessarily have to pay a tax charge. If you exceed the AA, after taking into account any unused amounts from previous years, you will need to complete a self-assessment tax return to pay the tax charge. For details of any unused allowance from previous years, contact the Scheme administrator.



Money Purchase Annual Allowance (MPAA)

If you have started receiving pension benefits from a DC pot

If you have started to receive any Defined Contribution (DC) pension benefits (including AVCs) on a 'flexible' basis, your AA for any future DC pension contributions will be reduced to the 'money purchase Annual Allowance' of £4,000 per year. This means you will only be able to contribute a maximum of £4,000 per year into a DC pension pot, including any employer contributions. If you contribute more than that, you will have to pay a tax charge.

Taking benefits on a flexible basis includes:
- taking money from a 'flexi-access' drawdown fund;
- taking all of your DC pot as cash (over certain limits);
- taking a cash sum from your DC pot without also purchasing an annuity or starting a drawdown fund;
- taking more than the limit from a 'capped' drawdown fund

This applies whether the benefits you are receiving are from a UU pension scheme or are from elsewhere, although it only applies if it is DC benefits that you are receiving and they have been paid on a 'flexible' basis as described above. If you are unsure if this applies to you, check with the administrator that is paying (or paid) your DC benefits. They should have sent you confirmation that this would apply at the point that you started to receive your DC benefits. If it is a UU pension that you have started receiving money from, you will need to contact either Aegon, if you have taken benefits from the DC section of the UUPS, or Willis Towers Watson if you have taken DC benefits from the Hybrid or MIS schemes (i.e. DC top-up pot or AVCs).

If you are restricted to the MPAA of £4,000 you will NOT be able to make use of any unused allowance from previous years (as mentioned on page 1) to offset DC savings

If you are subject to this reduced allowance and are a contributing member of a UU pension scheme, you will need to let the scheme administrator know - Aegon for the DC Section of UUPS, or Willis Towers Watson for the Hybrid or MIS sections of the UUPS. You may also wish to reduce your future DC contributions to avoid exceeding the limit and having to pay a tax charge. You can do this using the online form on the UU pensions website.

If you are thinking of starting to receive any of your pension benefits from UU (or from elsewhere) whilst carrying on working for UU, you might want to consider the impact of the MPAA if you intend to join the DC section to build up a further DC pot.

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If you are subject to the MPAA and exceed the limit, you will need to complete a self-assessment tax return to pay the tax charge due.
For more information visit the Government's website:

www.gov.uk/tax-on-your-private-pension/annual-allowance

1: Get going

2: Decision ahead

3: Nearly there

The Tapered Annual Allowance

If your taxable income is more than £110,000

If you expect your income to be more than £110,000 in the tax year, your AA may be reduced below £40,000. This will depend on your 'Threshold Income' and 'Adjusted Income'. The reduction to your AA (known as the 'Tapered Annual Allowance') is on a sliding scale, with a minimum allowance of £10,000 per year. If you have a tapered AA, you may still be able to use any unused AA from the previous three tax years.

1. Threshold Income

First you will need to calculate your Threshold Income. This is the total of your taxable income during the tax year, including your total income from UU (including overtime, bonus etc) as well as any income from elsewhere, such as rental income, savings interest and dividends received.

2. Adjusted Income

Second, you will need to calculate your Adjusted Income. This is the total of your taxable income during the tax year (as above), plus the value of your pension savings during the year. This will be the contributions made by you and UU into your DC or DC top-up pot, plus the increase in value of your Hybrid or MIS benefits (the scheme administrator will be able to tell you this amount), plus any non-UU pension savings.

*Please visit **www.gov.uk/tax-on-your-private-pension** for full details of how to calculate your Threshold and Adjusted Income.*

If your Threshold Income is LESS than £110,000 then your AA will remain as £40,000 for that tax year regardless of your Adjusted Income.

If your Threshold Income is MORE than £110,000 but your Adjusted Income is LESS than £150,000 then your AA will remain as £40,000 for that tax year.

If your Threshold Income is MORE than £110,000 **and** your Adjusted Income is MORE than £150,000 your AA will reduce by £1 for every £2 of Adjusted Income over £150,000. The minimum tapered AA is £10,000 for those with an Adjusted Income over £210,000.

If you think you will be subject to the Tapered Annual Allowance, you may wish to speak to an Independent Financal Adviser to help you review your pension savings and any tax charge due.

You should also let the UU Pensions Department know, although please note that no one at UU can give you advice on your pension benefits. It is your responsibility to keep track of your pension benefits and pay any tax charge due as a result of exceeding any HMRC allowances.

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For more information please visit the Government's website:

www.gov.uk/tax-on-your-private-pension

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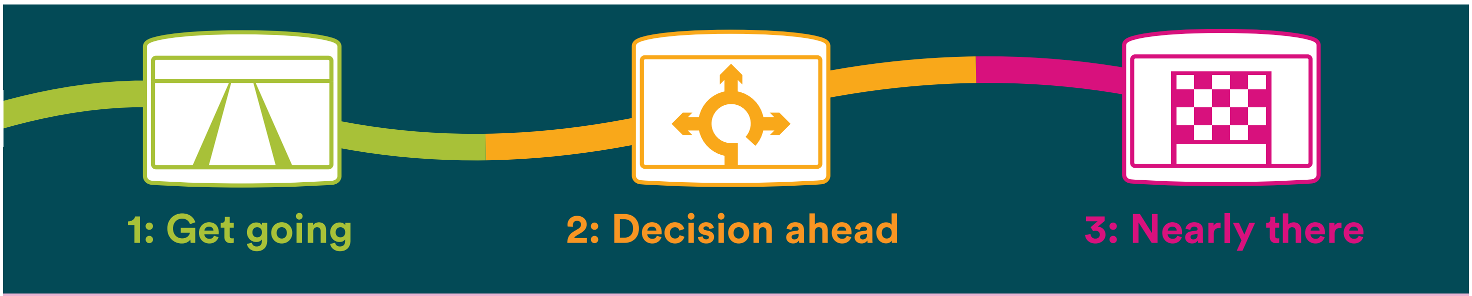

Frequently Asked Questions

How will I know my income for the current tax year to calculate my tapered AA?

In practice you will not know your final Threshold and Adjusted Income until the end of the tax year. You may however be able to make a reasonable estimate and therefore have some idea of whether your AA will be tapered or not. If you exceed any tapered AA (after taking into account unused AA from previous years) you will still have to pay a tax charge.

How do I find out if I am subject to the MPAA?

If you have started to draw any Defined Contribution (DC) pension benefits, either from UU or elsewhere, you can contact the administrator that is paying (or paid) those benefits who will be able to help you.

What happens if I think I'm going to exceed any of the allowances?

If you have already exceeded the AA, tapered AA or MPAA, you will have to pay a tax charge. You will need to complete a self-assessment tax return and HMRC will work out how much you owe. The charge is essentially income tax at the rate you would have paid had you received the pension savings as taxable income instead. If you think you might exceed one of the allowances but haven't yet, you may wish to review whether continuing to make pension savings is appropriate for your financial circumstances, and whether to reduce your future pension contributions. You can make changes to your contributions via the UU pensions website, or contact the pensions administrator for help.

How do I pay any tax charge due?

AA tax charges are usually paid directly to HM Revenue & Customs through the self-assessment tax return. In some circumstances, you can ask the Scheme to pay the charge from your pension benefits - this is known as 'Scheme Pays'. If you have to pay a charge and would like to know more about Scheme Pays, contact the pensions administrator.

Where do I go for more help on this subject?

In the first instance, the scheme administrators will be able to provide you with more information about how much AA your UU benefits have used. They will also contact you direct if your UU benefits exceed the £40k AA in the most recent tax year. Please note they will not take into account benefits elsewhere; a reduced AA if you have not informed them you are subject to the MPAA; or any tapered AA. If you need help regarding the Tapered AA or relating to pension benefits not provided by UU, you may want to contact an Independent Financial Adviser. You can also find more information on all of these allowances at: **www.gov.uk/tax-on-your-private-pension**.

You should not rely on UU or the UU pension administrators to monitor your pension savings for you - it is your responsibility to be aware of the pension savings you are making and to pay any tax charge due. Remember that no one at UU can give you advice on your pension benefits and it is your responsibility to pay any tax charge due as a result of exceeding the AA, MPAA or tapered AA.

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The information in this leaflet is accurate to the best of our knowledge at the time of being produced - February 2019. It does not constitute financial advice nor does it confer a right to benefits under any UU pension arrangement. Nothing in the leaflet can over-ride the Trust Deed and Rules, or over-riding legislation.

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