
RAILPEN

UNIPER GROUP OF THE ESPS

Annual Allowance Webinar – Retirement Balance Plan

RAILPEN

1 AND 3 NOVEMBER 2022

INTRODUCTION - YOUR RAILPEN TEAM



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IMPORTANT

- **PLEASE NOTE:** This part of the presentation applies to Uniper Retirement Balance Plan (RBP) members .
- If you are a different category member of the ESPS e.g. a Powergen category member of the Uniper ESPS then different benefits will apply.
- These presentation slides are based on the current rules, scheme factors and pensions legislation which are **always subject to change**.
- Railpen, Uniper and the Trustees are not authorised to provide financial advice.
- In the event of any inconsistencies between these presentation slides and the rules of the Uniper Retirement Balance Plan, the rules of the Uniper Retirement Balance Plan prevail.

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ESPS = Electricity Supply Pension Scheme

AGENDA

- How much can you save into your pension
- What is the Pension Input Amount (PIA) ?
- RB Plan – How do you calculate your PIA?
- What happens if my PIA exceeds the Annual Allowance?
- Can I work out what my PIA will be next year?
- Is there anything I can do to reduce my PIA next year?
- Scheme Pays
- Useful links for further information
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HOW MUCH CAN I SAVE IN TO MY PENSION?

- The amount you save into your pension is known as the Pension Input Amount (PIA)
- There's technically no limit to how much you can save BUT there is a limit on the amount that can be saved with tax relief and before a tax charge might apply.
- This limit, known as the Annual Allowance, is currently £40,000 (or 100% of your earnings if this is less than £40,000).
- Your Annual Allowance may also be reduced if you are subject to a tapered Annual Allowance.
- Tapered Annual Allowance currently applies to those with total taxable income from all sources above £200,000 a year.

HOW IS THE PIA CALCULATED?

- For defined benefit pensions, your PIA is based on the capital value of the increase in your pension benefits over the tax year.
- You also need to add any savings you make to any other registered pension arrangement (including any bonus waiver contributions to the Uniper Pension Plan).
- It is not the amount you and the Company contributed to the RB Plan.
- Your PIA for your RB Plan benefits can be found on your Annual Benefit Statement and your Pension Saving Statement.

RBP - HOW DO YOU CALCULATE THE PIA?

- The PIA is calculated by subtracting the opening value of your pension benefits from the closing value.
- **Opening value:**
 - The value of your retirement balance at the start of the tax year (6 April 2021) are increased by CPI (for the year to September of the previous tax year). For the 2021/22 tax year this was 0.5%.
- **Closing value:**
 - This is the value of your retirement balance at the end of the input period (tax year) which is 5 April 2022 (this includes the increase to your fund made on 1 April 2022 due to Indexation).
- $PIA = \text{Closing Value} - \text{Opening Value}$ (if a positive value)

WHY IS MY PIA SO MUCH BIGGER THAN IN PREVIOUS YEARS?

- The reason for the increase to the level of the PIA for the 2021/22 period was largely a combination of:
 - (1) the low increase to the Opening value.

The Opening Value was increased by CPI and the rate used was 0.5% (the figure for the year to September 2020).

- (2) the rate of this year's increase which was applied to your fund's value on 1 April 2022 (Indexation) which was 4.9%.

RB PLAN - INDEXATION

What is indexation?

- At the start of each Plan year (1 April) your retirement balance receives an increase. The rate is determined by the Company.

What was the rate of increase used on 1 April 2022?

- The Company decided that the increase that should be applied as at 1 April 2022 was 4.9%. (This was based on the increase in the RPI over the previous 12 months to September 2021).

RB PLAN – EXAMPLE CALCULATION

An example member on a salary of £60,000 on the 40% benefit level with a fund value of £400,000 at 05/04/2021 would have a pension input calculation of the following:

- Opening fund value at 05/04/2021: £400,000
- Increase to fund value over the year: £24,000
- Indexation at 4.9%: £20,776
- Closing Fund value at 05/04/2022: £444,776

RB PLAN – EXAMPLE CALCULATIONS

- Under this example this member's pension input amount would be as follows:
 - $£400,000 + 0.5\% = £402,000$
 - $£444,776 - £402,000 = £42,776$ PIA
- This member's pension input amount is in excess of the Annual Allowance limit of £40,000.

THE THREE YEAR LOOK BACK AND PENSION SAVINGS STATEMENTS

- If your Pension Input Amount (PIA) is in excess of £40,000, Railpen has a statutory requirement to send you a Pension Savings Statement. Under the Regulation, this must be sent to you by 5th October for the previous tax year.
- Any amount over £40,000 can be offset against any unused allowance from the previous 3 tax years.
- This calculation will be shown on your Pension Savings Statement with a section quoting the amount we believe will be liable to tax.
- This amount may be £0.00, in this case we believe you have enough unused allowance to cover the value in excess of the Annual Allowance.
- However, if you are contributing to any other pension schemes, including the UPP though the bonus waiver scheme or have a total taxable income (from all sources) of over £200,000 you may be liable to a tax charge even if we have calculated this as £0.00 on your Pension Savings Statement.

CARRY FORWARD – EXAMPLE CALCULATION

Uniper Group of the ESPS - Retirement Balance Plan				
Mr J Smith				
The table below outlines the calculation of your pension savings in accordance with HMRC guidance				
Tax year ending	2018/2019	2019/2020	2020/2021	2021/2022
PIA for tax year	£22,000	£26,000	£25,000	£41,600
Standard AA	£40,000.00	£40,000.00	£40,000.00	£40,000.00
Excess over the standard AA				£1,600 (A)
Unused AA (*)	£18,000	£14,000	£15,000	
Total unused	£18,000	£32,000	£47,000 (B)	
		(A) – (B)	Total amount liable for a tax charge (**)	£ 0.00

YOU NEED TO TAKE INTO ACCOUNT OTHER PENSION ARRANGEMENTS

- The annual allowance is a limit on contributions to all pensions schemes
- You will need to contact the administrators of the other arrangement(s) and ask for a Pension Savings Statement covering your pension savings for 2018/19 to 2021/22.
- For those that have contributed to the Bonus Waiver you need to contact Fidelity **Pensions.service@fil.com** to obtain a **Pensions Savings Statement**

WHAT TO DO IF YOU OWE A TAX CHARGE

- The tax charge is calculated by adding the amount by which you have exceeded the Annual Allowance (allowing for unused allowances from the three previous years) to your other taxable income - tax will then apply depending on what tax band the excess amount falls into.
- If you are liable for a tax charge there are two way this can be dealt with:
 - **1** The tax can be paid directly to HMRC via a self assessment tax return. If you choose to do this you do not need to notify us and there will be no change to your pension benefits
 - **2** You can request the scheme to pay the tax charge on your behalf, this is called '**Scheme Pays**' and your Group benefits will be reduced by a corresponding amount.
- **In both cases the charge needs to be declared on a self assessment tax return.**

SCHEME PAYS

- Scheme Pays means that the pension scheme pays the tax charge but your pension benefits in the RB Plan are reduced accordingly at retirement to reflect the fact a tax charge has been paid on your behalf.
- The Uniper Group Trustees (in respect of the tax year 2021/2022) have decided that members can opt to use Scheme Pays in respect of any Annual Allowance tax charges that have been incurred in the tax year 6 April 2021 to 5 April 2022.
- If you have a tax charge because you have contributed to other pension arrangements (such as the bonus waiver) then you can use Scheme Pays in the RB Plan for the whole tax charge.
- You cannot use Scheme Pays for any historic tax charges. i.e. you can only use Scheme Pays for tax charges in the current tax year (6 April 2021 to 5 April 2022).

HOW SCHEME PAYS WORKS

Any tax amount you elect to be paid under scheme pays will be held on your record as a negative DC credit and will attract interest annually until the point you decide to take your benefits.

- The interest rate is determined annually by the Scheme Actuary.
- For example: In 2016 Annual Allowance tax charge of £3,000 incurred and a negative DC account was created
 - 2016 £3,000
 - 2017 £3,069
 - 2018 £3,133.45
 - 2019 £3,218.05
 - 2020 £3,285.63
 - 2021 £3,374.34

At retirement this negative credit will be deducted from your Retirement Balance before it is used to purchase any pension benefits.

Please note: the Trustee determines the methodology for Scheme Pays and it could change at any time. The slides set out the current methodology.

HOW DO I REQUEST SCHEME PAYS?

- If you want to request Scheme Pays you will need to complete a ‘Scheme Pays’ election form which is available on request from Railpen.
- We recommend that you advise Railpen as soon as possible to allow time for Railpen to send you the appropriate form and for you to receive a confirmation letter once it has been actioned by Railpen. The turnaround time for Railpen is around 10 working days from each piece of correspondence received.
- If you intend to invoke Scheme Pays you need a reference number from Railpen (stated on the confirmation letter) and you need to indicate this on your Self Assessment Tax Return for 2021/22 (which needs to be submitted before 31 January 2023).
- The Trustees, the Company and Railpen are NOT authorised to provide you with any financial advice
- We recommend that you seek independent financial advice before making any decision regarding Scheme Pays.

RB PLAN - CAN I WORK OUT WHAT MY PIA WILL BE NEXT YEAR?

- This will depend on your individual circumstances such as the contribution rate selected through your Flexible Benefits window and any salary rises you may have had over the year. It also depends on the increase applied on 1 April 2023 (Indexation).
- The Company has not yet made a decision in the relation to the increase to be applied on 1 April 2023. This will be determined shortly and communicated to members in due course.

RB PLAN – WHAT STEPS CAN I TAKE TO REDUCE MY PIA NEXT YEAR?

- For those individuals that are making Additional Voluntary Contributions (AVCs), members will have a one-off opportunity outside the Flexible Benefit window to reduce or cease their AVCs.
- After all of the annual allowance sessions have been completed, HRUK will send a copy of the slides to members with a form to complete in relation to AVCs. If members wish to reduce or cease their AVCs the form will need to be completed and returned to HRUK by 18 November 2022.
- Members can also make decisions in relation to the amount of AVCs they make (during the tax year 23/24) when the Flexible Benefit window opens.

USEFUL LINKS FOR FURTHER INFORMATION

[PTM053301 - Annual allowance: pension input amounts: defined benefits arrangements: general - HMRC internal manual - GOV.UK \(www.gov.uk\)](#)

[Pension savings — tax charges \(Self Assessment helpsheet HS345\) - GOV.UK \(www.gov.uk\)](#)

[Check if you have an annual allowance tax charge on your pension savings - Check if you have an annual allowance tax charge on your pension savings - GOV.UK](#)

<https://ukpensions.uniper.energy>

ANY QUESTIONS?