

# Prison Governors Association

Representing: The Prison Governors of the United Kingdom since 1987



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## Bulletin 821

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Dear Colleagues,

### Pay Rise – Word of Warning

The pay pause has been lifted, so we wait with bated breath for a pay award in the coming year, however there are pitfalls to increases in pay you need to be mindful of.

If you are considering a period of temporary cover, promotion, or PIT then be aware that you may breach the Annual Pension Allowance (AA) and receive a tax bill to resolve (Links below to AA information).

<https://www.civilservicepensionscheme.org.uk/members/pension-savings-statements/annual-allowance/>

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110>

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm051100#the-tapered-annual-allowance>

It is important to understand that growth of pensions pots is not linked to the size of your salary, but to the increase in salary each year. If you are at the top of your pay band with a static salary, it is highly unlikely you will breach unless there is an increase in the maxima. Most of our pay bands take around 5 years to progress from minima to maxima, which means generally an annual pay increase of 4 – 5% for around 5 years. If your salary is increasing due to this, PIT payments or temporary cover, you are at risk of breaching the £40K threshold.

In a 12-month period your pension pot can only grow by £40K after which there will be personal tax liabilities. This is called the annual allowance, and anything above this is subject to tax at 40%. This maximum annual allowance is applied to all pension growth each financial year. Many of our members will have two

pensions, Classic and Alpha. As Classic is a final salary pension, growth will be applied to both of your salary increases (Link below to Classic pension information).

Tax is your responsibility, but MyCSP will send you a letter entitled a Pensions Savings Statement alerting you to any potential breach. (Guide to Pensions Savings Statement attached with this bulletin).

It is important that you read this letter and act. The HMRC website has a pensions savings annual allowance calculator which will help you find if you have a tax bill to pay. You will need your Annual Benefit Statement to hand to access the information required for the calculator.

We have raised this issue with HMPPS as a possible barrier to members seeking promotion, progression and transfer but they are powerless to resolve this as it is Government tax law. We have also raised the issue with MoJ and Ministers.

The McCloud judgment may have an impact, but this is not yet clear and tax liabilities should be resolved by the individual during the tax year they are incurred.

The PGA is not a pension tax consultant so members with concerns should seek independent financial advice or contact MyCSP or HMRC direct.

At our request HMPPS has agreed to offer pension sessions to any member who receives a Pensions Saving Statement letter from MyCSP. Please take up this offer.

Further comments regarding this subject can be sought from Mitch Albutt ([mitchell.albutt@justice.gov.uk](mailto:mitchell.albutt@justice.gov.uk))

Thank you.

**Andrea Albutt**  
**President**

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