

**Welcome to
issue 2 of
Your time.**



In issue 1 we looked at the various types of tax codes and the current Personal Allowance rates. In Part 2: Understanding Your Tax Code, we will concentrate on taxation matters related to individuals who are in receipt of multiple incomes. In this issue, we have also included some information related to the National Fraud Initiative for 2010, as well as a guide to understanding your pension payslip.

We hope that you find this information useful and, as always, we welcome any feedback regarding this newsletter or our service, in general. You may have recently received a customer satisfaction survey from us, requesting your feedback regarding various aspects of our service. It is our aim to send out these surveys on an annual basis, and we will use this information when reviewing all aspects of our customer service. Your views are important to us, and we appreciate your time taken in completing these.

**Pension Services Website
Goes Live**

The Essex Pension Fund website went Live on 8 June 2010. The website contains general information relating to pensions in payment and also includes archived PDF versions of our pensioner newsletter. The website address is:
www.essexpensionfund.co.uk



Inside this issue:

- P1 Issue overview
- P1 September payslip run
- P1 Pension services website
- P2 Part 2: Understanding your tax code
- P3 National Fraud Initiative
- P3 Emergency budget
- P4 Understanding your payslip

Bulk Payslip Run For September

For September 2010, we will be generating payslips for all of our pensioners. This bulk payslip run will help us to identify those individuals who we have lost contact with. It is now an audit requirement that we suspend payment of a pension should we receive any returned correspondence, which includes undelivered payslips. We will reinstate the pension once we are in receipt of correct address details in writing, signed either by the pensioner or the person acting as their legally appointed representative.

Our Contact Details:

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Part 2: Understanding Your Tax Code

Multiple Tax Codes

There are instances when you can have more than one tax code. This is usually because you are either in receipt of multiple pensions or you are receiving a pension as well as an income from a job. If this is the case, HM Revenue & Customs will issue you with a separate PAYE coding notice (form P2) for each source of income. It is important that you check each tax code to ensure that you are paying the right amount of tax. Should you have a query regarding any of your tax codes, you will need to contact your Tax Office—their contact details will be displayed on the relevant PAYE coding notice.

PAYE Coding Notices Entries Explained

For individuals who pay tax at the basic rate (20 per cent)

If you pay tax at the basic rate of 20 per cent on your main pension or job, you may notice that a BR code has been applied to your second/additional pension or job. This is because all of your Personal Allowance will have been applied to your main source of income. Consequently, you will pay tax at 20 per cent on all your income from your second/additional job or pension.

For individuals who pay tax at the higher rate (40 per cent)

If you pay tax at the higher rate of 40 per cent and have more than one pension or job, you may notice that a D0 code has been applied to your second/additional pension or job. This means that you will pay tax at 40 per cent on all of your income from your second/additional pension or job. The reason for this is because all of your Personal Allowance and basic rate Allowance has been used up on your main source of income.

Adjustment to 20 per cent band

You may notice this on your PAYE coding notice if: a) you have more than one source of income and b) your main pension or job is taxed at the basic

Sharing Your Personal Allowance

If your Personal Allowance exceeds the income from your main pension or job, you can instruct HM Revenue & Customs to apply any excess Personal Allowance to your second pension or job. You also have the choice to spread your Personal Allowance across more than one pension or job even if your total Allowances would usually be used up through your main source of income. Your overall tax liability will not change by doing this, but you may prefer to pay tax on just one of your sources of income, should this option be available to you.

rate of 20 per cent and c) the BR code is applied to your second/additional pension or job but the total taxable income from all of your pensions/jobs means that you should be paying some tax at the higher rate (see table on page 3 for details of current tax rate bands). For example, your main pension income may be £20,000 per annum, whilst the income from your job may be £18,000 per annum. You will pay basic rate tax for each job because each individual source of income falls within the basic rate tax band. However, your total taxable income is £38,000 and, therefore, exceeds the basic rate tax band, meaning that you should be paying some tax at the higher rate of 40 per cent.

Allowances allocated here

This may be shown on your PAYE coding notice for an additional pension or job, in cases where you are applying some of your personal allowance to that pension or job.

Other earnings (or pension)

This will be shown on the PAYE coding notice for your main source of income, where you have allocated some of your personal allowance to another pension or job.



Tax Rate Bandings 2010/11

Tax Banding		Taxable Earnings
Basic Rate:	20%	£0—£37,400
Higher Rate:	40%	£37,401—£150,000
Additional Rate:	50%*	Over £150,000

* From April 2010, the additional tax rate of 50% was introduced, being applied to taxable income in excess of £150,000.

A restriction has also been applied to the personal allowance —reducing this by £2, for every £1 that an individual's taxable income exceeds £100,000.



National Fraud Initiative 2010

We are required by law to protect the public funds we administer, and may share information provided to us with other bodies responsible for auditing or administering public funds, in order to prevent and detect fraud. This year, the Audit Commission requires us to participate in its anti-fraud initiative. For this initiative, we are providing details of pension income so that this can be compared to information provided by other public bodies. This will ensure, for example, that no pensions are being paid to persons who are deceased or no longer have entitlement, and that

occupational pension income is being declared when housing benefit is applied for.

The use of data by the Audit Commission in a data matching exercise is carried out with statutory authority under its powers in Part 2A of the Audit Commission Act 1998. It does not require the consent of the individuals concerned under the Data Protection Act 1998.

In addition to this communication, a Summary Notice regarding this exercise can be found on your September payslip.

Emergency Budget

Public sector pension schemes including the LGPS, historically used the Retail Price Index (RPI) for pension increase; however, in his emergency budget on 22nd June, the Chancellor announced that from April 2011 Public Sector schemes will switch to using the Consumer Prices Index (CPI).

There are some significant differences in the composition of RPI and CPI. In particular, certain housing costs (including mortgage costs and Council Tax) form a substantial component of RPI, but are excluded from CPI. In recent decades, the growth in these costs has been faster than the average growth in the other items in the basket of goods and services included in both indices.



December Pension Payment Date

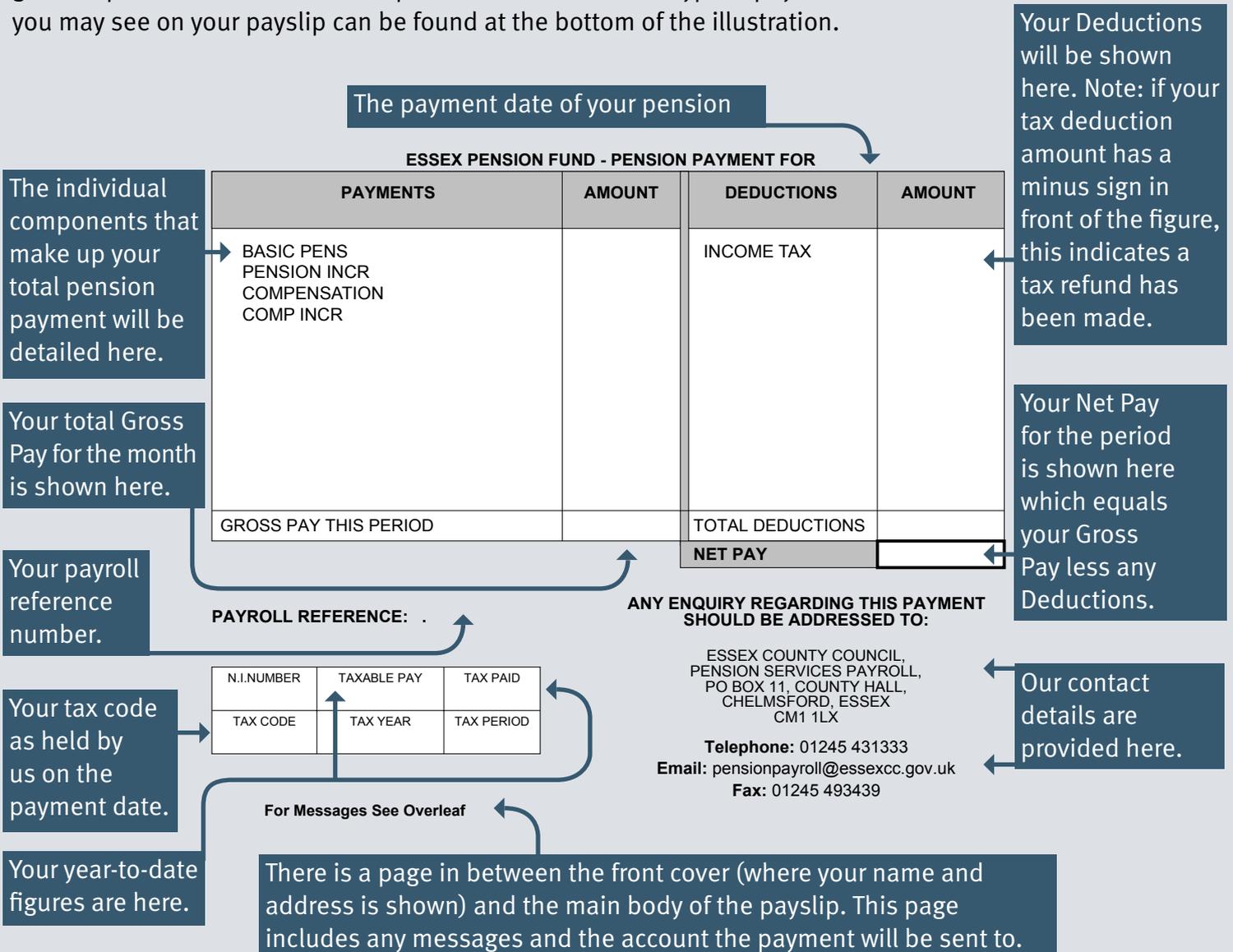
Pension payments in arrears are always paid on the last working day of the month apart from December when, historically, this has been paid before Christmas.

For this year, your December pension will be paid on 20th of the month.



Understanding Your Pension Payslip

We will issue you with a payslip for months where your Net pay has altered by more than £1 from the previous month; or where there has been a change to your tax code or bank account details. We will also normally send you a payslip for the months of April and September regardless of the criteria above. It is important that you read and understand the information displayed on your payslip. To help you, an illustrative guide is provided below. A brief explanation of some of the typical payment entries you may see on your payslip can be found at the bottom of the illustration.



Pension Components Explained

BASIC PENS: this is the basic part of your pension and does not incorporate any payments relating to Pension Increase. This amount will not change unless your pension is recalculated for any reason.

PENSION INCR: this component means Pension Increase. Any future Pension Increase due on your pension will be added to this sum.

COMPENSATION/COMP INCR: you may see these components on your payslip if, when you retired, you were awarded additional compensatory years by your employer. These components are detailed separately from your basic pension. Any Pension Increase due on the compensatory part of your pension will also be calculated separately and listed as COMP INCR.

CHILD/WIDOW/WID: you may see these pension component prefixes if you are in receipt of a child's or widow(er)'s pension. Note: Widow(er)s and Children can inherit compensatory pension components.