

Lifetime Allowance Abolition – Check Your Pension Planning

Why does this apply to me?

A few years ago we would have been saying that the Lifetime Allowance limit would not be a consideration for all but a very few of our previously high earning members. Recent taxation changes mean that this might no longer still be the case. If you have yet to take your pension, it's worth checking your position.

What is the Lifetime Allowance?

It's worth stating upfront that the Lifetime Allowance (LTA) has been abolished from the 2024/25 tax year onwards. The LTA was the overall limit of the amount of pension savings a pension scheme member can build up during their working lifetime before incurring an additional tax charge. This was previously set at £1,073,100. This limit applied to your total pensions savings, meaning if you hold other pension arrangements outside of the LSC Pension Scheme, these would also count towards your LTA. By total pension savings, we mean your own contributions, those of your employer, any pension tax relief, and the investment returns you earned on these savings.

In the 2023 Spring budget, it was announced that the LTA would be abolished. For the 2023/24 tax year, the tax charge for breaching the LTA was removed, and the allowance was abolished entirely from the 2024/25 tax year onwards.

The LTA is often mentioned in conjunction with the Annual Allowance ("AA") which is something separate. This is the limit on the amount a member can contribute into their pension savings annually before incurring an additional tax charge.

So, what is changing?

The LTA is being replaced with the new Lump Sum Allowance ("LSA") which may apply to some members who were previously impacted by the LTA, as well as other members who were not previously impacted. This is a standard limit on the total cash lump sum you can draw from your pension before incurring additional tax charges – currently the limit is £268,275. A Lump Sum and Death Benefit Allowance ("LSDBA") has also been introduced which also applies a limit on the total amount of lump sum retirement and death benefits a member and their beneficiaries may receive before incurring additional tax charges.

There are some exceptions to the LSA and LSDBA, and members who previously had LTA protections may have a higher LSA and LSDBA. Individuals have until 6 April 2025 to apply for these fixed/individual protections if this is relevant to you.

There have also been changes to the AA, although as the LSC Pension Scheme is closed (which means no further contributions can be made towards pension savings in this scheme), this is not relevant for your LSC benefits. However, please be aware if you or your employer are contributing into another scheme the changes to the AA may impact your other pension benefits.

How does this impact my LSC pension?

Whether you were previously impacted by the LTA or not, as the tax position for pension savings and any lump sums has now changed, you may want to consider your retirement savings plans with this in mind. As your LSC benefits include a retirement lump sum of 3 times your annual pension, your benefits may be impacted by the new LSA and LSDBA. Changes to the LTA and AA will typically impact those who have higher than average ongoing pension savings arrangements or benefits built up.

You may wish to consider taking tax advice if you believe you may be impacted by these changes. We also urge you to consider how any other pension savings you hold may be impacted by these changes. For a list of advisors go to <http://www.unbiased.co.uk/>.

Where can I find more information?

You can find more information on the LSC Scheme website, under 'Your Pension Knowledge > Tax and Pensions' or using the following link: www.lscpensions.co.uk/your-pension-knowledge/tax-and-pensions/.

You can also find further details on the government website using the following link: www.gov.uk/government/publications/abolition-of-lifetime-allowance-and-increases-to-pension-tax-limits/pension-tax-limits.

Finally, money helper provides free, impartial guidance through their service 'pension wise', and you can access information on tax and pensions on the money helper website using the following link: www.moneyhelper.org.uk/en/pensions-and-retirement/tax-and-pensions

Contact details

Your pension administrator is not able to provide tax advice. However, if you would like to request any information, or have any questions about your pension, please get in touch with the Scheme administrator using the contact details below.

Alternatively, you can log in online to access personalised information about your pension, including up-to-date retirement projections, using the scheme website link below. If you are already registered you can select 'Login', or 'Register' if you'd like to take advantage of the online self-service functionality. This is usually the quickest way to access your personal pension information.

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