

Restoration

Frequently-Asked Questions

(4)

Eligible members will be sent a letter setting out full details of their restoration payment in June 2022.

Most eligible members do not need to take any action and payments will be made automatically into bank accounts in October 2022.

But for some members there are additional considerations which they need to take into account, and they must check if they need to take any action before the payment is automatically made. The June letter contains the relevant details and where to find out more.

Section 4: Pensions tax considerations

- **Lifetime Allowance**
- **Lifetime Allowance Protection**
- **Annual Allowance**
- **Money Purchase Annual Allowance**
- **Ongoing pension contributions**

For answers to some of the other questions you may have, see the Restoration section of the website: www.bspspensions.com > Library > Restoration

Over the coming weeks we will be adding to this list so do check back regularly to see if there have been updates.

Lifetime Allowance

1. What is it?

The Lifetime Allowance is the maximum amount of pension savings you can build up with tax advantages over your lifetime. It was introduced on 6 April 2006 but, even if you retired before then, you still need to consider it.

Any pension benefits you receive (other than the State Pension or any dependant pensions payable following the death of your spouse or partner) count towards the Lifetime Allowance; the restoration lump-sum payment also counts.

2. Why does the Lifetime Allowance matter for the lump-sum payment?

Pensions tax rules require that you must have some Lifetime Allowance left to be able to receive the payment as a lump sum. If you can receive it, but your lump-sum payment is greater than your remaining Lifetime Allowance, there are additional tax implications.

Most members will have sufficient Lifetime Allowance, but we need to highlight it in case you don't.

As a guide, it's only likely to affect you if you have total income from UK registered pension arrangements of around £40,000 or more (excluding the State Pension and any dependant pensions).

Please take the time to read the letter and leaflet you received in the post carefully and, if you have a question relating to your individual circumstances, do not hesitate to call the helpline on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) by **9 August 2022**.

3. What if I have exceeded, or expect to exceed, my Lifetime Allowance as a result of receiving a restoration lump sum?

If, after running through the pensions tax considerations of receiving the lump sum, you have confirmed that you have *some* remaining Lifetime Allowance, but your available Lifetime Allowance is *less than* your lump-sum payment, additional tax will be applied.

If you think this may be the case or are not sure, please read the "Restoration: lump-sum or pension increase?" leaflet – available on website at www.bspspensions.com > Library > Restoration – for more information and what to do next.

If you have already exceeded the Lifetime Allowance and so do not have any available Lifetime Allowance remaining, you are not eligible to receive the payment as a lump sum and will only be able to receive it as an increase to your annual pension.

4. If I receive the pension increase instead of a lump sum, will this use up part of my Lifetime Allowance?

No, if you receive the restoration payment as a pension increase, this will not count towards your Lifetime Allowance.

Lifetime Allowance Protection – general

1. What is it?

Members with Lifetime Allowance protection will have applied to HM Revenue & Customs to be granted such protection. It provides an individual with a higher Lifetime Allowance than the standard. This means that they are able to get tax advantages on a higher amount of pension savings.

2. Why does it matter for the lump-sum payment?

If you have a form of Lifetime Allowance protection, this matters for the restoration lump-sum payment for two reasons:

1. Some forms of Lifetime Allowance protection mean that you are not able to receive the payment as a lump sum due to pensions tax rules.
2. Even if you have a form of Lifetime Allowance protection that allows you to receive the payment as a lump sum, doing so may mean this protection is lost which could have important tax implications for your pension savings.

3. Can I check if I have Lifetime Allowance protection?

You should be aware whether you have Lifetime Allowance protection because you would have been actively involved in applying for protection with HM Revenue & Customs.

If you are not sure, or can't recall which type you have, you can check this online:

<https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>

For members with Lifetime Allowance Protection

1. Am I eligible for the lump sum?

Will I lose my protection if I receive the lump sum?

What does the lump-sum restoration payment mean for me?

Please first read the Lifetime Allowance protection summary available on the Scheme website at www.bspspensions.com > Library > Restoration. This can help you see if you can receive the payment as a lump sum and whether you would lose your protection if you receive the lump sum. The summary also sets out what you should do next.

Then please contact the helpline on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.

2. Will receiving the payment as a pension increase, rather than a lump sum, affect my Lifetime Allowance protection?

No. The additional pension will not use up any Lifetime Allowance and will not cause you to lose any Lifetime Allowance protection.

3. Can I have a copy of the Pensions Tax workbook (with Lifetime Allowance protection)?

This is only relevant for members with Individual Protection 2014 or 2016. For a copy, go to the Scheme website at www.bspspensions.com > Library > Restoration.

All members with a form of Lifetime Allowance protection should call the helpline on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.

4. Do I need to provide a copy of my Lifetime Allowance protection certificate?

Yes, if you are eligible *and* would like to rely on your protection to receive the payment as a lump sum.

Annual Allowance

1. What is it?

This is the maximum amount of pension savings an individual can make each tax year with the benefit of tax relief. This includes pension contributions made by the individual or their employer.

For most people it is £40,000, but if your total taxable income (all earnings plus income on investments) is over £200,000 a year, it may be lower.

If you've taken any defined contribution pension benefits (also known as money purchase benefits) other than as an annual pension (e.g. put into drawdown), you will be subject to the lower Money Purchase Annual Allowance – see below for further information.

Unless you're subject to the Money Purchase Annual Allowance (which is £4,000 a year), you can carry forward any unused Annual Allowance from the previous three tax years to give you a larger allowance in 2022/23.

2. Why does it matter for the lump-sum payment?

The restoration payment counts towards your annual allowance. If you exceed your annual allowance, you will need to pay additional tax.

Pension savings within your annual allowance qualify for tax relief. But, if you exceed your allowance in the 2022/23 tax year (the tax year in which the lump sum is paid), an income tax charge (known as the annual allowance charge) will become due on your pensions savings in excess of your annual allowance. This works by adding the amount of pension savings above your annual allowance to the rest of your taxable income, which is then subject to income tax at the rate or rates that apply to you.

Receiving the restoration payment as a lump sum also means that you trigger a lower annual allowance of £4,000 a year (if it doesn't already apply for you). This is called the Money Purchase Annual Allowance. If you are or will be building up defined contribution pension benefits this could have important tax implications for you in all future tax years.

Please take the time to read the restoration communications you received in the post carefully and do not hesitate to call the helpline if you have a question on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.

3. If I receive the pension increase rather than a lump sum, will this affect my Annual Allowance?

No, if you receive the restoration payment as a pension increase, this will not affect your Annual Allowance.

4. My total earnings are around £200,000 a year or more, so what is my Annual Allowance?

Your Annual Allowance reduces gradually to a minimum of £4,000 a year if your earnings are over a certain level.

Guidance is available on the government website to help you work out your reduced annual allowance: <https://www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance>

Money Purchase Annual Allowance

1. What is it?

If you start to take money from a defined contribution (money purchase) pension pot (other than as an annual income, e.g. by putting funds into drawdown), the amount that can be contributed to your defined contribution pension in future while still getting tax relief reduces to £4,000 in each tax year, for all future tax years. This is known as the Money Purchase Annual Allowance.

Your pension provider will have told you if it applies to you. If you are not sure, then you can check your retirement paperwork or give them a call to find out.

2. Why does it matter for the lump-sum payment?

If the Money Purchase Annual Allowance already applies to you and receiving the restoration payment as a lump sum means you exceed the Money Purchase Annual Allowance, you will need to pay an additional income tax charge. This works by adding the value of the part of your lump sum that exceeds your annual allowance to the rest of your taxable income, which is then subject to income tax at the rate or rates that apply to you.

If the Money Purchase Annual Allowance doesn't already apply to you, it will for all future tax years if you receive the restoration payment as a lump sum. So, if you are, or will be, building up defined contribution (money purchase) pension benefits, this could have important tax implications for you in all future tax years, including this tax year.

Please take the time to read the letter you received in the post carefully and the "Restoration: lump-sum or pension increase?" leaflet. Also, call the Restoration helpline if you have a question on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.

3. How do I know if I'm affected by the Money Purchase Annual Allowance?

Have you ever taken a defined contribution (also known as a money purchase) pension pot as a lump sum (in full or in part) or moved your pension pot into flexi-access drawdown and started to take an income?

If so, the Money Purchase Annual Allowance applies to you. It means the maximum amount of pension contributions on which you receive tax relief is £4,000 in each tax year. Your pension provider should have confirmed this when you first triggered this allowance.

If you are not sure, but you have defined contribution (also known as money purchase) savings and have taken income from them, or transferred them, check the paperwork you were sent at the time or give your other provider a call to find out.

Please do not hesitate to contact the helpline if you have a question on 0330 440 0850 (or +44 44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.

Ongoing pension contributions

1. I still work (or may work in the future) and make pension contributions, can I receive the restoration payment as a lump sum?

If you and/or your employer are currently contributing around £4,000 or more in total to a defined contribution (also known as money purchase) arrangement, this will be a particularly important consideration for you. The same is true if you think this will be the case in the future.

Receiving the payment as a lump sum counts towards your pension savings allowance in this tax year (known as the annual allowance).

It will also result in you only being eligible for tax relief on up to £4,000 of contributions made by you and your employer to defined contribution (also known as a money purchase) arrangements in all future tax years. This £4,000 limit applies in aggregate across all of the defined contribution arrangements you and/or your employer contribute to; it does not apply on a scheme-by-scheme basis.

2. Where can I get help?

Please read the “Restoration: lump-sum or pension increase?” leaflet – available on website at www.bspspensions.com > Library > Restoration – for more information and what to do next.

Then call the Restoration helpline if you have any further questions on 0330 440 0850 (or +44 141 274 2250 if you are phoning from outside the UK) **by 9 August 2022**.