

Restoration

Lump-sum payment or pension increase?

Whether or not you can, or would want to, receive the payment as a one-off lump sum will depend on your individual pensions tax circumstances.

This leaflet will guide you through a number of considerations and advise what documentation you may need to provide to the Pensions Office to indicate your decision.

Remember, if you return a Restoration Opt-in or Opt-out form to the Pensions Office by 23 August 2022, you will not be able to change your mind in the future.

Here's what you need to do next:

- 2 Read about the additional payment
- 4 Understand the reasons why you cannot or may not want to receive it as a lump sum
- 11 See if you may need to complete the Pensions Tax workbook and how to complete it if you do
- 19 Know what you may need to return to the Pensions Office by 23 August 2022
- 20 Know where to get more information, support, and other guidance if you need to



About the additional payment



When the Scheme was set up in 2018, together with Tata Steel UK, it was agreed that if the Scheme's financial position at 31 March 2021 was better than expected, an additional one-time payment could be paid out to certain pensioner members.

The Actuary's valuation of the Scheme at 31 March 2021 has shown that the conditions for making this one-time payment were met, and £58 million is to be shared out.

Eligible pensioner members are those like you who were receiving a pension at both 31 March 2021 (the time of the Scheme valuation) and 31 March 2022 and where some of that pension was earned before April 1997. Around 50,000 members qualify. The payment will only be made if you, or the dependant entitled to a pension following your death, is still alive at the qualifying date: 30 September 2022¹.

The Scheme does not provide inflationary increases on pensions built up before April 1997 above any Guaranteed Minimum Pension ('GMP') element. This payment is therefore intended to provide some compensation for the lack of inflationary increases on the pre-April 1997 pension paid to you since the Scheme was set up in 2018 up to and including 2021.

The payment, if made as a lump sum, will be made for most members in October 2022². For some members who, due to pensions tax reasons, will receive an increase to their annual pension instead of the lump sum, this is expected to start from 31 October 2022.

How is the payment being shared?


After carefully considering the options, the Trustee is applying what it believes to be the fairest approach: the payment is your share of the £58 million taking into account pension increases that would have been paid between 2018 and 2021, inclusive, had inflationary increases (based on CPI) been provided in the Scheme on pre-April 1997 pensions in payment.

Broadly speaking, the larger the pension you have relating to service before April 1997, and the longer your pension has been paid between 2018 and 2021, the larger the allocation you will receive. Therefore, members may be entitled to different amounts. All members will receive an allocation of at least £250 (before income tax is deducted, if relevant), which for most members will be paid as a lump sum. The Trustee has also worked with its advisers to take into account the legal requirements relating to the different GMP calculations for men and women (you may have read about this in our Spring 2021 News Brief newsletter).

Some members may need or want to opt for an increase in their Scheme pension, rather than a lump sum. In which case the pension is calculated by the Scheme Actuary as having the same value as the lump-sum payment.

¹ If you were to die before the payment date, the lump sum will need to be reclaimed; the Pensions Office would be in touch with your representatives to provide details of next steps. See the Scheme website at www.bspspensions.com for more information.

² Whilst it cannot be later than January 2023, the timing of the payment is not guaranteed, and you should not make any financial commitments based on this payment.



Why would some members automatically receive or opt to receive an increase to their annual pension rather than a lump sum?

This is only an option in circumstances where members have specific pensions tax issues that mean they are not eligible to receive the payment as a lump sum or where, for other pensions tax reasons, receiving a lump-sum payment would not be in their best financial interests.

How is the increase to annual pension calculated?

We work out how much additional pension the member's lump-sum payment would 'buy' in the Scheme. The 'conversion' terms used are broadly consistent with those used by insurance companies to secure pension for someone the same age at 31 March 2022.

For members who receive the pension increase, please note that the new part of the pension will not:

- Increase for the remainder of retirement.
- Count towards any payment to dependants on death.
- Be eligible for any uplift if the Scheme reaches 103% on a buy-out basis (see the Spring 2022 News Brief newsletter for more details).

The same position applies in relation to the lump-sum payment.

How will the payment be taxed?

This will depend on how the payment is made. If it is:

A one-off lump sum

For most members, 25% (a quarter) of the payment will be tax-free and the rest taxed as income.

Important: The Pensions Office would normally deduct income tax from a payment before you receive it. However, HM Revenue & Customs' (HMRC) rules require lump-sum payments of this kind to be taxed on an 'emergency tax code' basis. Having emergency tax applied means that, when calculating the tax payable before making the payment, your other income for the current year including your Scheme pension, isn't taken into account. And as a result, it is very likely that this will mean that you pay too little, or even no, income tax on the lump-sum payment before it is paid into your account. In these circumstances, after the payment has been made you can expect HMRC to take steps to recover the income tax that you are due to pay.

We have asked HMRC to allow us to tax restoration payments on the same basis as your regular monthly pension payments, which we believe would mean, in most cases, that the income tax deducted from the lump-sum payment would likely be more accurate as it takes into account your other income. If HMRC allow us to take this approach to taxing restoration payments, we will let you know by updating the Scheme website at www.bspspensions.com.

After the payment is made, you will automatically receive written confirmation of the net amount you received, the tax deducted and details of the tax code used. We will explain what, if any, action in respect of your tax position you may want to consider with HMRC.

An increase to annual pension

This will be taxed as income in the same way as your regular pension amount.

It is possible, depending on your personal circumstances, that the increase moves you into a higher income tax bracket.

You will automatically receive a pension payment advice statement which reflects the increase which will apply for most members from 31 October 2022.

When must I opt out or consider opting out of the lump sum?

The restoration letter you received in June 2022 set out the two sets of circumstances which mean that you would not be eligible, and those that mean it may not be in your best financial interests, to receive the payment as a lump sum. These are summarised below:

1 Available Lifetime Allowance

The Lifetime Allowance was introduced on 6 April 2006. It limits the total amount of pension savings you can build up with tax advantages over your lifetime and is set by the Government. Even if you retired before 6 April 2006, you still need to consider the Lifetime Allowance. The standard Lifetime Allowance amounts are on page 12.

To be eligible to receive the payment as a lump sum, you must have some remaining Lifetime Allowance at the point of payment.

If you are not sure how much of your Lifetime Allowance you have used up, complete section A of the Pensions Tax workbook.

Check: Eligibility

If you have no remaining Lifetime Allowance at the date the restoration payment is paid, under pension tax rules you are not eligible to receive this lump sum.

However, you can receive the payment as an increase to your annual pension.



Check: Best financial interests

If you have some available Lifetime Allowance, you may be eligible to receive the payment as a lump sum.



ACTION

If the June 2022 letter advises that you are automatically due to receive the payment as a lump sum, complete an Opt-out form and return it to the Pensions Office by 23 August 2022.



OR

Move to part 2 to check the other eligibility requirements and to consider any other pensions tax circumstances that may affect you.

1 Available Lifetime Allowance

2 Lifetime Allowance Protection

3 The Annual Allowance or Money Purchase Annual Allowance

4 Lifetime Allowance additional considerations – tax charge

2 Lifetime Allowance Protection

Some members may have a form of Lifetime Allowance protection in place. This means that their Lifetime Allowance is higher than the 'standard' amount set out on page 12. If you do not have a form of Lifetime Allowance protection, move to part 3.

Having a form of Lifetime Allowance protection may either mean that you are not able under pensions tax law to receive the payment as a lump sum or it may result in you losing your protection which could have important tax implications. You would have been actively involved in applying for Lifetime Allowance protections to HM Revenue & Customs. You can check the position with HMRC at www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance > **Check your existing protection.**

Important: if you have a form of Lifetime Allowance protection:

- Please also see the Restoration: Lifetime Allowance protection summary at www.bspspensions.com.
- You must phone the Pensions Office to discuss your position. With some forms of protection, you cannot receive a restoration lump-sum payment, but in all cases, you should not complete the standard Pensions Tax workbook. If relevant, the Pensions Office will provide you with a different workbook: the 'Pensions Tax workbook (where Lifetime Allowance protections apply) to complete.

Check: Eligibility

If you have Primary or Enhanced Lifetime Allowance Protection with a protected tax-free cash lump sum and/or are eligible for a Lifetime Allowance Enhancement factor where your restoration lump sum is more than your available standard Lifetime Allowance, you cannot receive the payment as a lump sum under pensions tax rules.

You can however receive an increase in your annual pension instead.



Check: Best financial interests

If you have one of the following forms of Lifetime Allowance protection: Fixed or Enhanced (without a protected tax-free cash lump sum), you need to note that:

- Earning any new benefits will result in you losing your protection. 'New' benefits would include this lump-sum payment (but not the pension increase alternative).
- The lump-sum payment would then be assessed against the standard Lifetime Allowance (rather than any higher amount you had previously protected). And if, in the future, you start to take another pension and/or lump sum, the standard Lifetime Allowance at that time would apply which may increase the tax that you then pay.

If you receive the increase to your pension, however, your protection will not be affected.



ACTION

- If the June 2022 letter advises that you are automatically due to receive the payment as a lump sum, complete an Opt-out form.
- Return this to the Pensions Office by 23 August 2022.



ACTION

- If the June 2022 letter advises that you are automatically due to receive the payment as a lump sum, complete an Opt-out form.
- Return this to the Pensions Office by 23 August 2022.



OR

Move to part 3 to consider any other pensions tax circumstances that may affect you.

What do I do if I have a form of Lifetime Allowance protection and the June 2022 letter advises that I am due to receive an increase in my annual pension, rather than a lump sum?

You do not need to take any action if you want to receive an increase in your annual pension.

1 Available Lifetime Allowance

2 Lifetime Allowance Protection

3 The Annual Allowance or Money Purchase Annual Allowance

4 Lifetime Allowance additional considerations – tax charge

3 The Annual Allowance or Money Purchase Annual Allowance

What is the Annual Allowance?

The Annual Allowance is the limit on how much money you can build up tax free in your pension in any one tax year while still benefiting from tax relief. For most people this is £40,000, but if your total taxable income (all earnings plus investments) is over £200,000 it may be lower³. Unless you're subject to the Money Purchase Annual Allowance (see below), you can carry forward any unused Annual Allowance from the previous three tax years to give you a larger allowance in 2022/23.

If the restoration lump-sum amount you receive means you exceed the Annual Allowance (or Money Purchase Annual Allowance – see below – if applicable), you would generally need to add it to the rest of your taxable income for the tax year and be subject to income tax at the rate(s) that apply to you.

If you are not already subject to the Money Purchase Annual Allowance, receiving a restoration lump sum will mean that you are subject to it going forward in all future tax years. This could be an important consideration for you, read more detail about this on the next page.

What is the Money Purchase Annual Allowance?

For those that have already taken their defined contribution/money purchase retirement income flexibly⁴, the Money Purchase Annual Allowance applies and it acts to restrict the tax relief on any future pension contributions you, or your employer, make to a defined contribution/money purchase pension arrangement to £4,000 in each tax year. Your pension provider should have told you if you are already subject to the Money Purchase Annual Allowance; if you are not sure, ask them.

Will a restoration lump-sum payment count towards my allowance?

Yes, it will be treated as a defined contribution pension contribution and will count towards the Annual Allowance or Money Purchase Annual Allowance.

Will a restoration lump-sum payment cause the Money Purchase Annual Allowance to apply to me?

Yes, receiving a lump sum will result in you only being eligible for tax relief on up to £4,000 of contributions made to defined contribution/money purchase pension arrangements in all future tax years.

Will an increase in my annual pension under restoration count towards my allowance?

No, your Annual Allowance, or Money Purchase Annual Allowance, would not be affected if you were to receive the payment as a pension increase.

³ Please contact the Pensions Office if your total taxable income (including all earnings and investments) is expected to be above £200,000 in the current tax year and/or you are still building up benefits in other pension arrangements.

⁴ This will apply, for example, if you have taken a defined contribution/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.

Your first consideration

Do I need to take either the Annual Allowance or Money Purchase Annual Allowance into account?

Are you or your employer contributing to, or will in the future be contributing to, a defined contribution/money purchase arrangement?

And/or have you already exceeded the Annual Allowance or Money Purchase Annual Allowance?



No to both questions?

This section does not apply to you. Please move to part 4 of this leaflet.



Yes to one or both questions?

Read through the next consideration.

Your second consideration

a) Annual Allowance or Money Purchase Annual Allowance

If you don't have sufficient Annual Allowance or Money Purchase Annual Allowance available this tax year (or won't have if you receive the lump sum) you will need to pay an additional tax charge on any excess.

The amount you exceed it by would typically be added to the rest of your taxable income for the tax year and be subject to income tax at the rate(s) that apply to you. It is your responsibility to ensure you pay the right amount of tax; you can contact HM Revenue & Customs if you are not sure.

b) Future pension contributions could receive lower or no tax relief.

If you, or your employer, are, or will be, contributing to a money purchase/defined contribution pension arrangement you would become subject to the Money Purchase Annual Allowance (if it doesn't already apply) of £4,000 a year after receiving the lump-sum payment. This limit would apply to you in all future tax years.

If you decide you want to receive an increase in your annual pension instead of a lump sum



ACTION

If you are automatically due to receive the payment as a lump sum, complete an Opt-out form and return it to the Pensions Office by 23 August 2022.



OR

Move to part 4 to consider the final pensions tax circumstances that may affect you.

What do I do if the above affects me and the June 2022 letter advises that I am due to receive an increase in my annual pension, rather than a lump sum?

You do not need to take any action if you want to receive an increase in your annual pension.

1 Available Lifetime Allowance

2 Lifetime Allowance Protection

3 The Annual Allowance or Money Purchase Annual Allowance

4 Lifetime Allowance additional considerations – tax charge

4 Lifetime Allowance additional considerations – tax charge

You have confirmed that you have some remaining Lifetime Allowance and you have considered the other pensions tax circumstances that you may need to take into account.

Check: Best financial interests

Is the amount of Lifetime Allowance you have remaining more than the amount of your lump-sum payment?

If yes, please go straight to the table on page 9.

If no, please note the additional tax implications below.

As you will be under age 75 at the time of the payment:

- The amount up to your available Lifetime Allowance: 25% is payable tax free and the balance will be subject to income tax at your highest marginal rate(s)*.
- The amount in excess of your available Lifetime Allowance: You will pay a Lifetime Allowance tax charge of 55% on this amount. If a Lifetime Allowance charge is payable, the Pensions Office would deduct the amount before payment to you and pay it to HM Revenue & Customs.

If this is relevant to you, you need to consider this tax implication against the alternative of receiving the payment as an increase to your annual pension (in which case the additional pension would be subject to income tax at your marginal rate).

Reminder: if you are not sure how much of your Lifetime Allowance you have used up and/or whether or not receiving the lump sum will mean that you exceed the Lifetime Allowance, complete sections A and B of the Pensions Tax workbook.

*See page 3 for more information on how the lump sum is currently expected to be taxed at the point of payment and the Scheme website at www.bspspensions.com for any updates.

If you decide you want to receive a lump sum and...

...your remaining Lifetime Allowance is more than the lump sum at the point of payment.



ACTION

If the June 2022 letter advises that you ARE automatically due to receive the payment as a lump sum:

- You do not need to take any further action.
- This is unless you have a form of Lifetime Allowance protection and need to rely on it, in which case you MUST provide a copy of your valid protection certificate as the Pensions Office will need to advise HM Revenue & Customs accordingly.

If the June 2022 letter advises that you are NOT automatically due to receive the payment as a lump sum:

- Complete an Opt-in form. **PLUS**
- If you have a form of Lifetime Allowance protection and would like to rely on it, you MUST also provide a copy of your valid protection certificate as the Pensions Office will need to advise HM Revenue & Customs accordingly.

Return all documentation to the Pensions Office by 23 August 2022.

...your remaining Lifetime Allowance is less than the lump sum at the point of payment.



ACTION

If the June 2022 letter advises that you ARE automatically due to receive the payment as a lump sum:

- Complete A-C of the Pensions Tax workbook (see page 13 for details of how to complete). **PLUS**
- If you have a form of Lifetime Allowance protection and would like to rely on it, you MUST also provide a copy of your valid HMRC protection certificate as the Pensions Office will need to advise HMRC accordingly.

If the June 2022 letter advises that you are NOT automatically due to receive the payment as a lump sum:

- In addition to the above documents, you also need to return an Opt-in form.

Return all documentation to the Pensions Office by 23 August 2022.

The Pensions Office will apply the relevant tax treatment to your lump sum and confirm this to you.

If you want to receive an increase in your annual pension



ACTION

If the June 2022 letter advises that you are automatically due to receive the payment as a lump sum, complete an Opt-out form and return it to the Pensions Office by 23 August 2022.

Otherwise, you don't need to take any further action. This includes if the June 2022 letter advises that you are automatically due to receive an increase in your annual pension, rather than a lump sum.

Summary of pension tax considerations



You may find the following table useful when considering whether the pensions tax rules:

- Allow you to take a lump sum or
- Would mean receiving the payment as a lump sum may not be in your best financial interests.

See the checklist on page 19 for a summary of which documents you may need to return to the Pensions Office.

The summary below is just a guide and should not be used as advice. It doesn't summarise any considerations outside of your pension tax considerations such as life expectancy.

	Lump-sum payment	Pension increase
Am I eligible?	<ul style="list-style-type: none"> ✓ Available Lifetime Allowance ✓ No Primary or Enhanced Lifetime Allowance Protection with a protected tax-free cash lump sum and/or not eligible for a Lifetime Allowance Enhancement factor where your restoration lump sum is more than your available standard Lifetime Allowance 	<ul style="list-style-type: none"> ✓ Members who are not eligible to receive the payment as a lump sum, or where, for other pensions tax reasons, receiving a lump-sum payment would not be in their best financial interests
Things to consider	<ul style="list-style-type: none"> ✓ Cash up front, subject to income tax ✗ Additional tax considerations if your remaining Lifetime Allowance is less than your lump-sum payment. See page 8 	<ul style="list-style-type: none"> ✓ No Lifetime Allowance considerations ✓ Will not cause you to lose any Lifetime Allowance protection nor affect tax relief for future pension contributions
	<ul style="list-style-type: none"> ✗ Additional income tax charge if you don't have sufficient remaining Annual Allowance or Money Purchase Annual Allowance ✗ Restriction on tax relief for future pension contributions due to Money Purchase Annual Allowance applying to you going forward 	<ul style="list-style-type: none"> ✓ No Annual Allowance or Money Purchase Annual Allowance considerations

Do I need to complete a Pensions Tax workbook?

If you are not sure how much of your Lifetime Allowance you have used up and/or whether or not receiving the lump sum will mean that you exceed the Lifetime Allowance, complete sections A and B of the Pensions Tax workbook. Read the overview and 'how to' sections that follow before you start.

You only need to return the completed Pensions Tax workbook, including section C, to the Pensions Office if you would like to receive the payment as a lump sum, and the amount of your lump-sum payment is more than your remaining Lifetime Allowance.

If you have a form of Lifetime Allowance protection, you must phone the Pensions Office to discuss your position. With some forms of protection, you cannot receive a restoration lump-sum payment, but in all cases, you should not complete the standard Pensions Tax workbook. If relevant, the Pensions Office will provide you with a different workbook: the 'Pensions Tax workbook (where Lifetime Allowance protections apply)' to complete.

Overview

Completing the Pensions Tax workbook may take a little time; you will need to look at previous paperwork and you may need to contact one or more of your other pension scheme administrators.

Since April 2006, when members start to take their pension benefits or certain other events occur this uses up some of their Lifetime Allowance. These events are known as 'benefit crystallisation events'. To work out how much Lifetime Allowance you have remaining, you need to add up the amount of the Lifetime Allowance you used at all of your previous relevant events. The relevant pension scheme administrator would have provided you with the details of the percentage of your Lifetime Allowance used up at the time.

If you retired before April 2006, you will need to take into account and determine the % amount of Lifetime Allowance your British Steel pension used up. The restoration letter you received in June 2022 included an estimate of this amount. However, you will need to carefully check your personal circumstances as this figure may not be correct as you may have experienced other benefit crystallisation events elsewhere. See the Pensions Tax workbook for further information.

If you retired after April 2006, the restoration letter you received in June 2022 included the % amount of Lifetime Allowance your British Steel pension used up, but you may have experienced other benefit crystallisation events elsewhere which would also have used up some of your Lifetime Allowance.

What is a Benefit crystallisation event (BCE)?

A BCE occurs when:

- You start to take a pension and/or a lump sum after April 2006. This doesn't include the State pension nor any pension you may be receiving as a result of the death of your husband, wife or civil partner, or as a dependant.
- When your first BCE occurs you also need to allow for any pensions that you started to take before 6 April 2006. Pensions/benefits are 'tested' against the Lifetime Allowance in different ways depending on whether they were taken before or after 6 April 2006.
- You transfer pension benefits from the UK to a 'qualifying recognised overseas pension scheme'.



Workbook sections A1 and A2



Workbook sections A3

Other events:

- You designate any defined contribution funds as available under a 'flexi-access drawdown' arrangement.
- A pension you are already receiving is increased at a rate higher than the permitted maximum.
- Pension benefits due to come into payment between now and the expected date of the restoration payment (October 2022).



Workbook sections A4

Standard Lifetime Allowance levels

The standard Lifetime Allowance levels since it was introduced are below.



Workbook section A1(ii)

Important: if you have a form of Lifetime Allowance protection, your Lifetime Allowance may be higher.

Tax year	Lifetime Allowance
6 April 2006 – 5 April 2007	£1,500,000
6 April 2007 – 5 April 2008	£1,600,000
6 April 2008 – 5 April 2009	£1,650,000
6 April 2009 – 5 April 2010	£1,750,000
6 April 2010 – 5 April 2011	£1,800,000
6 April 2011 – 5 April 2012	£1,800,000
6 April 2012 – 5 April 2013	£1,500,000
6 April 2013 – 5 April 2014	£1,500,000
6 April 2014 – 5 April 2015	£1,250,000
6 April 2015 – 5 April 2016	£1,250,000
6 April 2016 – 5 April 2017	£1,000,000
6 April 2017 – 5 April 2018	£1,000,000
6 April 2018 – 5 April 2019	£1,030,000
6 April 2019 – 5 April 2020	£1,055,000
6 April 2020 – 5 April 2021	£1,073,100
6 April 2021 – 5 April 2022	£1,073,100
6 April 2022 – 5 April 2023	£1,073,100

How to complete the Pensions Tax workbook

These examples are illustrative but aim to help you to complete the workbook if you need to. For further examples which may be more aligned to your personal circumstances, see the Scheme website at www.bspspensions.com.

Example 1: Meet John

John took his British Steel pension in March 2004 at age 55. His second and final pension (taken from a different scheme) came into payment in March 2007 at age 58. He does not have any Lifetime Allowance protections.

John wants to know how much of his Lifetime Allowance he has used up (any State pension and dependant pensions don't count towards the Lifetime Allowance). **He is due to receive a restoration payment of £2,500 as a lump sum.** Let's talk through how he would complete sections A and B of his Pensions Tax workbook.

A The % of your Lifetime Allowance used

A1. As John's British Steel pension started before April 2006, in March 2004, he needs to complete this section of the Pensions Tax workbook.

A1. Pensions you took before 6 April 2006

If any of your pensions (including your British Steel Scheme pension but excluding the State Pension or dependants pensions) were being paid **before 6 April 2006**, please complete the boxes below.

available. Please do not use the estimated value shown in the restoration letter you received in June 2022.

i) Tax year of your first BCE ¹ after 5 April 2006											2	0	0	6	/	0	7	
ii) LTA for the above tax year	£	1	,	5	0	0	,	0	0	0	.	0	0	0	0	0	0	
iii) Your total annual pension at the date of your first BCE, in relation to all of your pensions that started being paid before April 2006 (before tax)	£		,	1	5	,	3	0	0	.	0	0	0	0	0	0	0	
iv) Multiply the amount above in (iii) by £2,500	£	3	8	,	2	5	0	,	0	0	0	.	0	0	0	0	0	
Divide the amount in (iv) by the LTA amount in (ii) This is the total of your LTA used up for these benefits													2	5	.	5	0	%

A1 i) Your first BCE will typically be the first time you started to take a pension (excluding the State pension or dependant pensions) after April 2006.

For John this was March 2007, which is in the 2006/07 tax year. Tax years run from 6 April to the following 5 April.

A1 ii) John refers to the standard Lifetime Allowance for 2006/07 from the table on page 12 of the leaflet.

A1 iii) John phones the Pensions Office to ask for his annual British Steel pension (before tax) in March 2007. (Note: this is his only pension that came into payment before 6 April 2006).

A1 iv) John multiplies £15,300 by 2,500.

(2,500 is used because HMRC specify that defined benefit pensions, such as your British Steel pension, that came into payment before April 2006 are valued for Lifetime Allowance purposes using a factor of 25. See left for why 2,500 is used here, rather than 25.)

A1: Outcome

John divides £38,250,000 (A1 iv) by £1,500,000 (A1 ii) and double checks that it equals 25.50.

There is no need to make any further adjustment to this figure to allow for the % sign, this is automatically allowed for by using a factor of 2,500, rather than 25, in A1 iv).

A2. Benefits paid after 5 April 2006

If you have any pension benefits (including your Scheme pension but excluding the State pension or dependants pensions) and/or lump sums that started to be paid **after 5 April 2006**, the scheme administrator will have provided you with the percentage of the LTA that you have used up in these arrangements. Include the details below (please use additional paper if needed):

Your British Steel Scheme pension (where you started to receive this after 5 April 2006)						
The % of the LTA used up (to two decimal places) If relevant, see the restoration letter you received in June 2022 for this value.	0	0	.	0	0	%
Other pension arrangements						
Pension A: <i>Second Pension Scheme</i> <small>Enter name here</small> The % of the LTA used up (to two decimal places)	3	1	.	4	3	%
Pension B: <i>Complete pension arrangement</i> <small>Enter name here</small> The % of the LTA used up (to two decimal places)	-	-	.	-	-	%
Add up the percentages in the boxes under A2 above This is the total of your LTA used up for these benefits	3	1	.	4	3	%

A2. John's second pension started after 5 April 2006, so he needs to complete this section too.

John's British Steel pension has already been allowed for in section A1 as it started to be paid before 6 April 2006, so he puts zero here.

John checks the paperwork that he has from the administrator of his second employer's pension arrangement. The scheme's administrator had confirmed in writing the amount of the Lifetime Allowance this pension had used up when he retired. He writes this figure in the box.

This is the total in section **A2**.

A3. Transfers to overseas schemes

If you have transferred any pension benefits to a qualifying recognised overseas pension scheme, please complete the section below (please use additional paper if needed). Letters about any overseas transfers from the relevant scheme administrator will have told you the percentage of the LTA used by each transfer.

Transfer 1: % of the LTA used up	-	-	.	-	-	%
Transfer 2: % of the LTA used up	-	-	.	-	-	%
Transfer 3: % of the LTA used up	-	-	.	-	-	%
Add up the percentages in the boxes under A3 above This is the total of your LTA used up for overseas transfers	-	-	.	-	-	%

A3. John hasn't made any transfers to overseas schemes, so this section is not relevant for him and he leaves it blank.

A4. Other events

There are other BCEs, including when you move any defined contribution funds to a 'flexi-access drawdown' arrangement and if a pension you are already receiving is increased at a rate higher than the legal maximum. In these circumstances the relevant pension scheme administrator would have provided you with the details of the percentage of your LTA used up at the time.

You may also be planning to take some pension or lump-sum benefits before the Scheme's restoration lump sum is paid (which for most members will be in October 2022). If so, that will be a BCE that uses LTA. If this is the case, the pension scheme administrator of that arrangement should be able to confirm the LTA that this will use, and you should also include this below.

Please complete the section below (please use additional paper if needed).

Event A: <i>Complete details here</i> The % of the LTA used up (to two decimal places)	-	-	.	-	-	%
Event B: <i>Complete details here</i> The % of the LTA used up (to two decimal places)	-	-	.	-	-	%
Add up the percentages in the boxes under A4 above This is the total used by other events	-	-	.	-	-	%

A4. John hasn't experienced any other events that would count towards his Lifetime Allowance, so this section is not relevant for him and he leaves it blank.

A5. Overall Total LTA used

Add up the total percentages in the total boxes in A1 to A4 This is the OVERALL total % of your LTA used up	5	6	.	9	3	%
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¹ Your first BCE will typically be when you first started to take a pension (excluding the State Pension or dependant pensions) or lump sum after April 2006. A summary of BCEs is included on page 11 of the leaflet. If you have not had a BCE after 5 April 2006, you should include '2022/2023' here, as the date of the restoration lump-sum payment is the relevant date for this purpose.

A5. John adds together 25.50% and 31.43%.

To confirm that he can receive his restoration payment as a lump sum, John checks his remaining Lifetime Allowance.

B Your remaining LTA

This section will help you determine if you can receive a restoration payment as a lump sum and if the tax considerations in the leaflet apply to you.

It is for guidance only and should not be considered as advice. See page 13 onwards of the leaflet for examples of how to complete this section and explanations of the different numbers used.

To identify if you have available Lifetime Allowance

B1. Total LTA used up This is the same percentage as box A5.											5	6	.	9	3	%
B2. LTA you have remaining = 100% minus B1%											4	3	.	0	7	%

B1. John inputs the figure from box A5.

B2. John works out 100% minus 56.93%.

As this amount is greater than 0, he now knows that he has some remaining Lifetime Allowance. This confirms he is eligible to receive his restoration payment as a lump sum. John moves on to complete B3.

To identify if the amount of your lump sum is less than your available Lifetime Allowance

B3. Take the number at B2 (ignore the % sign) and multiply by £10,731. The answer identifies your available Lifetime Allowance.	£	,									4	6	2	,	1	8	4	.	0	0
B4. Your restoration lump-sum amount Enter the value from your restoration letter from June 2022 here.	£	,									2	,	5	0	0	.	0	0		
B5. Is B4 less than B3? <i>Yes</i>																				

B3. John ignores the % sign and multiplies 43.07 by 10,731.

(The current standard Lifetime Allowance is £1,073,100. The amount John has written down is the amount of this allowance that he has remaining.)

B4. John writes down the lump-sum payment confirmed in the restoration letter he received in June 2022.

B5. The amount in B4 (£2,500) is less than the amount in B3 (£462,184).

John now knows that the additional tax considerations on pages 8 and 9 of the leaflet do not apply to him and that he does not need to complete any more of the workbook nor return a copy to the Pensions Office.

Example 2: Meet Bethan

Bethan first took payment of both her first and second pensions in June 2005 at age 55. She took her third pension – which was her British Steel pension – in June 2010 at age 60 and her fourth and final pension (excluding the State pension) at the same time. She does not have any Lifetime Allowance protections.

Knowing that she has a sizable amount of pension benefits, Bethan wants to check if she has any remaining Lifetime Allowance in order to be able to receive her restoration payment of £3,500 as a lump sum and whether or not she would incur a Lifetime Allowance tax charge of 55% on any part of her lump sum.

A The % of your Lifetime Allowance used

A1. As Bethan’s first pension started before April 2006, in June 2005, she needs to complete this section. She remembers that she similarly had to think about the LTA she had used up when she took her pensions in 2010.

A1. Pensions you took before 6 April 2006

If any of your pensions (including your British Steel Scheme pension but excluding the State Pension or dependants pensions) were being paid before 6 April 2006, please complete the boxes below.

available. Please do not use the estimated value shown in the restoration letter you received in June 2022.

i) Tax year of your first BCE ¹ after 5 April 2006																				2	0	1	0	/	1	1
ii) LTA for the above tax year	£		1	,		8	0	0	,		0	0	0	.		0	0	0								
iii) Your total annual pension at the date of your first BCE, in relation to all of your pensions that started being paid before April 2006 (before tax)	£			,		3	0	0	,		8	0	0	.		0	0	0								
iv) Multiply the amount above in (iii) by £2,500	£		7	7	,		0	0	0	,		0	0	0	.		0	0	0							
Divide the amount in (iv) by the LTA amount in (ii) This is the total of your LTA used up for these benefits																										%

A1 i) Your first BCE will typically be the first time you started to take a pension (excluding the State pension or dependant pensions) after April 2006.

For Bethan this was June 2010, which is in the 2010/11 tax year. Tax years run from 6 April to the following 5 April.

A1 ii) Bethan writes down the standard Lifetime Allowance for 2010/11 from the table on page 12 of the leaflet.

A1 iii) Bethan has two pensions that started to be paid before April 2006.

In June 2010, her annual pension from the first scheme was £23,000 (before tax) and from the second scheme it was £7,800 (before tax). Bethan adds these two amounts together.

A1 iv) Bethan multiplies £30,800 by 2,500.

(2,500 is used because HMRC specify that defined benefit pensions that came into payment before April 2006 are valued for Lifetime Allowance purposes using a factor of 25. See left for why 2,500 is used here, rather than 25.)

A1: Outcome

Bethan divides £77,000,000 (A1 iv) by £1,800,000 (A1 ii).

She double checks that she’s entered the right number of zeros. The answer is 42.777778. Bethan writes down 42.77 as the figure should be rounded down to 2 decimal places.

There is no need to make any further adjustment to this figure to allow for the % sign, this is automatically allowed for by using a factor of 2,500, rather than 25, in A1 iv).

A2. Benefits paid after 5 April 2006

If you have any pension benefits (including your Scheme pension but excluding the State pension or dependants pensions) and/or lump sums that started to be paid **after 5 April 2006**, the scheme administrator will have provided you with the percentage of the LTA that you have used up in these arrangements. Include the details below (please use additional paper if needed):

Your British Steel Scheme pension (where you started to receive this after 5 April 2006)						
The % of the LTA used up (to two decimal places) If relevant, see the restoration letter you received in June 2022 for this value.	3	4	.	3	3	%
Other pension arrangements						
Pension A: <i>Fourth Pension Scheme</i> (insert name here) The % of the LTA used up (to two decimal places)	1	7	.	3	1	%
Pension B: <i>Complete pension arrangement name here</i> The % of the LTA used up (to two decimal places)	-	-	.	-	-	%
Add up the percentages in the boxes under A2 above This is the total of your LTA used up for these benefits	5	1	.	6	4	%

A2. Bethan's subsequent pensions started to be paid after 5 April 2006, so she needs to complete this section too.

The Pensions Office confirmed this was the amount of the Lifetime Allowance her British Steel pension used up when she took it and this amount was also included in the restoration letter she received in June 2022.

Bethan checks the paperwork that she has from the administrator of her fourth employer's pension arrangement. The scheme's administrator had confirmed in writing the amount of the Lifetime Allowance this pension had used up when she retired.

Bethan adds together 34.33% and 17.31%

A3. Bethan hasn't made any transfers to overseas schemes, so this section is not relevant for her and she leaves it blank.

A4. Bethan also took a Pension Increase Exchange (PIE) option from her first pension in 2018, which means her pension from this scheme was increased by a higher amount than the level allowed, which used up additional Lifetime Allowance.

Bethan checks the paperwork that she received from the administrator of her first pension scheme when she took the PIE option. The additional Lifetime Allowance was confirmed by the scheme administrator at the time in writing. She writes this figure in the box.

A3. Transfers to overseas schemes

If you have transferred any pension benefits to a qualifying recognised overseas pension scheme, please complete the section below (please use additional paper if needed). Letters about any overseas transfers from the relevant scheme administrator will have told you the percentage of the LTA used by each transfer.

Transfer 1: % of the LTA used up	-	-	.	-	-	%
Transfer 2: % of the LTA used up	-	-	.	-	-	%
Transfer 3: % of the LTA used up	-	-	.	-	-	%
Add up the percentages in the boxes under A3 above This is the total of your LTA used up for overseas transfers	-	-	.	-	-	%

A4. Other events

There are other BCEs, including when you move any defined contribution funds to a 'flexi-access drawdown' arrangement and if a pension you are already receiving is increased at a rate higher than the legal maximum. In these circumstances the relevant pension scheme administrator would have provided you with the details of the percentage of your LTA used up at the time.

You may also be planning to take some pension or lump-sum benefits before the Scheme's restoration lump sum is paid (which for most members will be in October 2022). If so, that will be a BCE that uses LTA. If this is the case, the pension scheme administrator of that arrangement should be able to confirm the LTA that this will use, and you should also include this below.

Please complete the section below (please use additional paper if needed).

Event A: <i>PIE from First Pension Scheme</i> The % of the LTA used up (to two decimal places)	5	.	4	8	%	
Event B: <i>Complete details here</i> The % of the LTA used up (to two decimal places)	-	-	.	-	-	%
Add up the percentages in the boxes under A4 above This is the total used by other events	-	-	.	-	-	%

A5. Overall Total LTA used

Add up the total percentages in the total boxes in A1 to A4 This is the OVERALL total % of your LTA used up	4	2	.	7	7	%
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¹ Your first BCE will typically be when you first started to take a pension (excluding the State Pension or dependant pensions) or lump sum after April 2006. A summary of BCEs is included on page 11 of the leaflet. If you have not had a BCE after 5 April 2006, you should include '2022/2023' here, as the date of the restoration lump-sum payment is the relevant date for this purpose.

A5. Bethan adds together 42.77%, 51.64% and 5.48%

B Your remaining LTA

This section will help you determine if you can receive a restoration payment as a lump sum and if the tax considerations in the leaflet apply to you.

It is for guidance only and should not be considered as advice. See page 13 onwards of the leaflet for examples of how to complete this section and explanations of the different numbers used.

To identify if you have available Lifetime Allowance

B1. Total LTA used up This is the same percentage as box A5.	9	9	.	8	9	%
B2. LTA you have remaining = 100% minus B1%	0	.	1	1	%	

B1. Bethan adds together 42.77%, 51.64% and 5.48%

B2. Bethan works out 100% minus 99.89%.

As this amount is greater than 0, she moves on to complete B3.

Bethan knows that she can take her restoration payment as a lump sum because she has some remaining Lifetime Allowance. But, as she doesn't have much Lifetime Allowance remaining, she wants to know if some of it might be subject to a Lifetime Allowance tax charge of 55%.

To identify if the amount of your lump sum is less than your available Lifetime Allowance

B3. Take the number at B2 (ignore the % sign) and multiply by £10,731. The answer identifies your available Lifetime Allowance.	£	,	1	,	1	8	0	.	4	1
B4. Your restoration lump-sum amount Enter the value from your restoration letter from June 2022 here.	£	,	3	,	5	0	0	.	0	0
B5. Is B4 less than B3? No										

B3. Bethan ignores the % sign and multiplies 0.11 by 10,731.

(The current standard Lifetime Allowance is £1,073,100. The amount Bethan has written down is the amount of this allowance that she has remaining.)

B4. Bethan writes down the lump-sum payment confirmed in the restoration letter she received in June 2022.

B5. The amount in B4 (£3,500) is greater than the amount in B3 (£1,180.41).

Bethan now knows that the additional tax considerations on pages 8 and 9 of the leaflet apply to her.

B6. Enter the value of B4 minus B3 here This is the amount of your restoration lump sum payment that is subject to an LTA tax charge.	£	,	2	,	3	1	9	.	5	9
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B6. As Bethan's lump sum is more than her remaining Lifetime Allowance, part of her restoration lump sum is subject to a Lifetime Allowance tax charge of 55%. Bethan writes down £3,500 minus £1,180.41. This is the amount that is subject to a 55% tax charge. Bethan also considers her remaining Lifetime Allowance, in B3 (£1,180.41). 25% of this (£295.10) is payable tax free; the remaining balance (£885.31) is subject to income tax at her highest marginal rate(s).

Bethan now needs to consider her options. Her restoration letter from June 2022 advises that she is automatically due to receive the lump sum. If she decides to:

- Opt-out of the lump sum and receive a pension increase: she needs to complete and return the Opt-out form to the Pensions Office. The Pensions Office will confirm receipt of her Opt-out form and provide details of her pension increase. In these circumstances, Bethan does not need to complete section C of this workbook nor return it to the Pensions Office. (Had Bethan's restoration letter instead told her that she is automatically due to receive an increase to her pension, she would not need to have taken any action.)
- Take the lump sum: she needs to complete this workbook (including section C) and return it to the Pensions Office so that the Pensions Office can apply the relevant tax treatment to her lump sum. (Had Bethan's restoration letter instead told her that she is automatically due to receive an increase to her pension, she would need to return an Opt-in form with a completed Pensions Tax workbook to indicate she was eligible for and wanted to receive a lump sum instead.)

What do I need to return?

Checklist

After reading this leaflet, you may need to contact the Pensions Office by 9 August 2022 and return documentation by 23 August 2022.

Do I need to return a form?

All members will automatically receive the payment in one of two ways unless they let the Pensions Office know otherwise.

You ONLY need to complete and return either an Opt-in or an Opt-out form to the Pensions Office if you:

- Are automatically due to receive your payment as a lump sum, but you are either not eligible or it is not in your best financial interests to do so – return an Opt-out form.
- Are automatically due to receive your payment as a pension increase but you confirm that you are eligible and want to receive the payment as a lump sum instead – return an Opt-in form.

See the letter you received in June 2022 for details.

Do I need to complete the Pensions Tax workbook?

Yes, if you think that you may have already used up all of your Lifetime Allowance, or if by receiving the payment as a lump sum you might exceed it.

Do I need to return the Pensions Tax workbook?

Most members will not need to return the Pensions Tax workbook.

You only need to return the completed Pensions Tax workbook, including section C, to the Pensions Office if you would like to receive the payment as a lump sum, and the amount of your lump-sum payment is more than your remaining Lifetime Allowance.

If a Lifetime Allowance tax charge is payable, the Pensions Office would deduct the amount before payment to you and pay it to HM Revenue & Customs.

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

If you:

- Would like to receive the payment as a lump sum and
- Have a form of Lifetime Allowance protection and would like to rely on it

You MUST provide a copy of your valid protection certificate as the Pensions Office will need to advise HM Revenue & Customs accordingly.

Any documentation needs to be returned together to the Pensions Office by 23 August 2022 either using the pre-paid reply envelope enclosed or using the Freepost address (see the back page).

If I need more information and support

Go to the Scheme website

Do you have other questions? See the frequently-asked questions first at:



www.bspspensions.com

The Pensions Office

Please contact the Pensions Office if you have a question about your pensions tax circumstances or if you need help in understanding how to complete the Pensions Tax workbook or the Opt-in or Opt-out forms.

When contacting the Pensions Office, please quote your National Insurance number. Please remember we need your written and signed authority to discuss or release your personal information to a third party.



UK: **0330 440 0850**

Non-UK: **+44 141 274 2250**

Please note that we may need to call you back depending on the nature of your question.

Our normal hours are 8.45am to 4.45pm Monday to Friday.

Our calls may be recorded for training and monitoring purposes.



From the UK (no need for a stamp)

**British Steel Pension Scheme
FREEPOST RUCT-GLGS-HLRU
Glasgow G2 5RU**

From outside the UK

**British Steel Pension Scheme
1/2 Dalmore House
310 St. Vincent Street
Glasgow G2 5RU
Scotland,
United Kingdom**

Please mark your envelope 'Restoration'.

Other guidance

If your pensions tax circumstances are complicated and you decide to seek other guidance and/or independent financial advice, you may wish to contact the Money and Pensions Service.

The Money and Pensions Service

Government-sponsored financial guidance at:



moneyandpensionsservice.org.uk



0800 138 7777

The MoneyHelper pages at www.moneyhelper.org.uk have a wealth of guidance and support and will help you to find an independent adviser authorised by the Financial Conduct Authority. If you decide to seek independent advice, this would be at your own cost.

THE
BRITISH STEEL
PENSION SCHEME