

QB-10 I have received a letter telling me about my April 2024 final additional benefits, which also tells me that I have used up additional Lifetime Allowance. What does this mean and what do I have to do now?

As your final pension has been backdated to 1 November 2018, the Lifetime Allowance (and the tax consequences of using up additional Lifetime Allowance) are still relevant.

The Lifetime Allowance is the limit set by HMRC on the value of benefits that can be paid from pension schemes (whether these are lump sums or retirement income) without triggering an extra tax charge (known as the Lifetime Allowance Charge). Lifetime Allowance Charges have been abolished for the tax year 2023/2024 onwards. Furthermore, the Government has abolished the Lifetime Allowance itself from 6 April 2024. However, as your final pension has been backdated to November 2018, the Lifetime Allowance is still relevant.

The final pension the Trustee has recently secured with Legal & General was assessed against your available Lifetime Allowance (LTA) as at 1 November 2018, which was the date your first tranche of benefits was assessed against the LTA. The amount of LTA that you used up at that time has, therefore, now increased as a result of your final pension.

If you have put any other pension benefits into payment or received a larger than permitted increase to an existing pension since 1 November 2018 (other than your state pension which can be ignored) then information that you gave to the providers of these pensions is now out of date and you need to inform them about the additional LTA contained in your letter. This may result in you becoming liable to a tax charge (or an increase to an existing tax charge) on these other pension benefits.

If, since 1 November 2018, you have started to receive any other pension benefits (or you have triggered a Benefit Crystallisation Event (BCE)\* for some other reason or, since 5 April 2024, been subject to a Relevant Benefit Crystallisation Event (RBCE)\*\*), you will need to consider whether you need to contact those other arrangements to let them know about the recalculated additional percentage LTA that has now been notified to you. This is particularly important if you believe you may have now exceeded or are close to 100% LTA usage.

The additional or revised Lifetime Allowance used up (by your final pension) at 1 November 2018 is included in your Benefit Summary provided to you in our April 2024 letter.

Where an additional LTA charge becomes payable as a result of this final pension, this will need to be communicated to HMRC.

**Please see the guide below and follow the steps to check if you need to do anything around this.**

*\*A BCE is an event, prior to 6 April 2024, which means that the value of your benefits arising need to be tested against the Lifetime Allowance you have available. Each time a BCE happens this uses up some of your Lifetime Allowance. A BCE could be, for example, when:*

- *You start to take a pension and/or receive a lump sum or additional pension comes into payment.*
- *You designate any defined contribution funds as available under a 'flexi-access drawdown' arrangement.*
- *You transfer pension benefits from the UK to a 'qualifying recognised overseas pension scheme'.*
- *A pension you are already receiving is increased at a rate beyond the legally permitted margin.*

*Each time a BCE occurs, you should have been provided with a statement showing the percentage of Lifetime Allowance you used up by the BCE.*

*\*\*A RBCE is an event which occurs (after April 2024) when certain lump sums are paid to you from a registered pension scheme. The value of such a lump sum may need to be tested against your available Lump Sum Allowance (LSA) and/or your available Lump Sum and Death Benefit Allowance (LSDBA), two new allowances introduced by the Government. The availability of LSA and LSDBA is affected by any LTA which has been used before 6 April 2024.*

## Step 1:

Do you have any other pension arrangements other than the Nortel Pension Plan, State Pension or any dependant's pensions\*?

NO

You do **not** need to do anything

YES

Since 1 November 2018, have you:

- Started to take a pension and/or a lump sum or additional pension has come into payment?
- Designated any defined contribution funds as available under a 'flexi-access drawdown' arrangement?
- Transferred pension benefits from the UK to a 'qualifying recognised overseas pension scheme'?
- Seen an increase to a pension already in payment that was at a rate beyond the legally permitted margin?
- Triggered a BCE or RBCE for some other reason?

YES

Please continue to Step 2

NO

You do **not** need to do anything

*\*A dependant's pension is any pension you may be receiving following the death of your husband, wife, civil partner or as a dependant.*

## Step 2:

At 1 November 2018

Had you already used up 100% of your Lifetime Allowance as at 1 November 2018, when the Plan insured your pension with Legal & General?

YES

You do **not** need to do anything

NO

Please continue to Step 3

### Step 3:

You need to contact your other pension arrangements where you have either started to receive any pension benefits from other arrangements (or you have triggered a BCE or RBCE for some other reason) after 1 November 2018.

The additional or revised Lifetime Allowance used up (by your final pension) at 1 November 2018 was in your **Benefit Summary** provided to you in our April 2024 letter - you will need to let these other arrangements know this.

This is because, your final pension has used up an additional percentage of your Lifetime Allowance at 1 November 2018, which means that you will have to consider the tax effects of this recalculated Lifetime Allowance usage on any benefits which have come into payment from other arrangements since that date.

We have provided some template wording for you below; you will need to complete the following information before sending to your other arrangements:

1. [Original]% is the original Lifetime Allowance usage in the Plan previously communicated by you to your other provider(s)
2. [Additional]% is the additional Lifetime Allowance used up by your final pension
3. [Total]% is your [Original]% plus your [Additional]%

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Dear Sir/Madam,

I am writing to you regarding my Lifetime Allowance usage as I am now in receipt of additional pension which has resulted in a recalculation of my Lifetime Allowance usage at 1 November 2018.

Previously my Lifetime Allowance usage as at 1 November 2018 was [Original]%. This has now been recalculated to [Total]% (i.e. increased by [Additional]%).

Please could you update your records and determine whether this will affect the benefits I am currently in receipt of from yourselves and whether I need to pay a tax charge?

Kind Regards,