

Guidance on GMP Equalisation and the Lifetime Allowance

The information in this guide applies to pensioners of the Lloyds Bank Pension Scheme No. 1, Lloyds Bank Pension Scheme No.2 and the HBOS Final Salary Pension Scheme.

As a result of the Schemes' review of pensions for the effect of unequal Guaranteed Minimum Pensions (GMPs), members may be due an increase to their pension and / or a one-off additional payment, to make up for pension they should have received in previous years.

If you are due an increase or additional payment, you will receive a letter confirming this. Due to the volume and complexity of the work involved, we are issuing these in stages. Most pensioners should receive a letter by the end of 2021, but it may take longer for some members.

This guide is about the potential tax impact on a member's Lifetime Allowance (LTA) of equalising pensions due to unequal GMPs. This will not apply to you if you retired before April 2006, which is when LTAs were introduced. A members' LTA could be affected if all or some of their GMP equalisation uplift payment should have been paid from the date they retired, or if they receive a large increase to their pension (compared to their pension the previous year). **If you are affected by this, it will be reflected in the statement which details your GMP equalisation payment.**

What is the Lifetime Allowance?

The Lifetime Allowance (LTA) is a limit on the total value of your pension benefits that can be drawn from your pension schemes and can be paid without triggering an extra tax charge. The LTA was introduced in April 2006 and is set by the Government. If you retired before April 2006 you won't be affected by the LTA. If you retired after April 2006 and the total value of the benefits you receive from all your pension schemes, not including the State Pension, goes above this limit, you will have to pay extra tax. You can check the LTA that applied in the year you retired in the table below, which gives the LTA for every year since it was introduced:

Tax year	LTA	Tax year	LTA
2020/2021 to 2025/2026	£1,073,100	2012/2013	£1,500,000
2019/2020	£1,055,000	2011/2012	£1,800,000
2018/2019	£1,030,000	2010/2011	£1,800,000
2017/2018	£1,000,000	2009/2010	£1,750,000
2016/2017	£1,000,000	2008/2009	£1,650,000
2015/2016	£1,250,000	2007/2008	£1,600,000
2014/2015	£1,250,000	2006/2007	£1,500,000
2013/2014	£1,500,000		

* Please note: if you took out LTA protection, your personal LTA may differ from the amounts shown above.

You will find the current value of your Scheme benefits on your P60, which the Scheme administrators will send you. The amount of LTA you've used, if applicable, will usually be expressed as a percentage.

It's your responsibility to check your benefits and determine if you have exceeded the government limits.

What impact does GMP equalisation have on the Lifetime Allowance?

If you receive a GMP equalisation payment and some or all of that payment should have been paid from the date you retired, the % of LTA you've used up in the Scheme will be recalculated. The revised LTA % will be shown on your next P60 following your GMP equalisation payment.

The LTA you've used up in the Scheme could also be recalculated if you receive a large pension increase (compared to the pension you received the previous year).

If my pension has been increased as a result of GMP equalisation does this mean I might need to pay more tax because of the Lifetime Allowance?

Based on your pension savings in the Scheme, if we believe that the increase to your pension might have caused you to have to pay more tax because of the LTA we will contact you directly about this. However, if you have pension savings in other schemes or arrangements then you may be liable for a tax charge based on the total of the pension benefits paid from all of your schemes (please note the State pension and spouses pensions do not count for this purpose). If you have pensions in other schemes or arrangements and you are in any doubt, please contact the administrators. You will need to have details of all of your pension rights across all of your schemes and arrangements to hand.

I have protection from the Lifetime Allowance. Will the increase to my pension affect this?

A GMP equalisation payment will not have an impact on any protection you have in place against the LTA, unless you took enhanced protection before April 2006 and then remained in your pension scheme building up further benefit after 5 April 2006. In such cases the protection may be affected.

However, please remember it's your responsibility to check your total benefits and determine whether you remain within the government limits.

Who is impacted?

The only members that will be impacted are those who are due a GMP equalisation payment where some of that payment should have been paid at the point of retirement; or if they receive a large pension increase (compared to their pension the previous year).

If you are impacted by this, we will write to you to let you know.

How much is the extra tax on benefits over the LTA?

The 'lifetime allowance charge' is an extra tax of 25% which is applied to the value of pension savings that exceed the LTA limit. Income tax is then also applied at your personal tax rate to the pension above the LTA as it is paid to you.

If you go over the LTA limit, the lifetime allowance charge will only apply to the amount of benefits that exceed the limit.

If you receive a GMP equalisation payment that takes you over the limit:

- We will write to let you know; and
- The Scheme administrators will normally take the lifetime allowance charge from your benefits and pay it directly to HMRC on your behalf.

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If your LTA % for the Scheme is below 100%, but you think you might have other benefits counting towards the LTA that take you over, you'll need to:

- Check the LTA % of your benefits in those schemes.
- If the total of your benefits is over 100% of the LTA you'll need to:
 - inform the Scheme administrator, and
 - inform the scheme administrator(s) of your other scheme(s), and
 - contact HMRC to let them know you have exceeded the LTA limit.

Will I have to pay the lifetime allowance charge on my GMP equalisation payment?

This depends on:

- Whether you would have been due an increase to your pension from GMP equalisation at the point you retired;
- Whether you have received a large increase to your pension as a result of GMP equalisation (compared with your pension the previous year)
- How much of the LTA your Scheme benefits use up, if applicable, after taking GMP equalisation into account; and
- The value of any benefits you are due from other sources (such as a pension from another employer), which also count towards the LTA.

Next steps

If your benefits in the Scheme use up less than 100% of the LTA that you are entitled to:

You will only pay the lifetime allowance charge if you have built up total, lifetime pension benefits above 100% of your LTA.

Remember that any other pension benefits you are due from elsewhere - excluding your State pension - will also count towards your LTA.

Will the Scheme administrators contact me?

No - they will not contact you, but your revised LTA percentage will be on your next P60. If you need the details before then, please contact the Scheme administrator (see page 5).

Do I have to do anything?

If your total pension benefits from all sources remain below 100% of the LTA, you do not need to do anything.

If your total benefits from all sources are over 100% of the LTA, you will need to confirm to the Scheme administrator, and may also need to confirm to the scheme administrator(s) of your other scheme(s) that your LTA% has changed. You will also need to inform HMRC.

What if I don't contact the Scheme administrator and the wrong amount of tax is taken?

The Scheme administrator will not make any adjustment to your pension for any lifetime allowance charge.

However, if you believe your overall benefits from all sources take you over the LTA, it is your responsibility to pay the correct amount of tax, which you can do by informing the Scheme administrator, and the scheme administrator(s) of your other scheme(s) as above.

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If your benefits in the Scheme use up over 100% of the LTA that you are entitled to:

You will pay the lifetime allowance charge on any pension increase and/or additional payment that exceeds your LTA.

Will the Scheme administrators contact me?

Yes - they will write to you with details about your tax position.

The lifetime allowance charge will be taken from your benefits automatically.

Do I have to do anything?

You'll need to inform HMRC that you've exceeded your LTA.

If your benefits in the Scheme have used up 100% of your LTA as a result of your GMP equalisation payment (i.e. before your GMP equalisation payment your benefits in the Scheme used up less than 100% of your LTA), you may need to confirm to the scheme administrator(s) of your other scheme(s) (if any) that your LTA% has changed.

What if I don't contact the Scheme administrator and the wrong amount of tax is taken?

There is no need for you to contact the Scheme administrator about whether you need to pay the lifetime allowance charge - they will already know.

Whatever your situation, please remember that if your overall pension benefits go over the LTA, you must inform HMRC.

Member examples

These examples give you an idea of the possible impact on three members who are potentially affected by the LTA.

Example 1: A member with Scheme benefits already over the LTA who would have been due an increase in pension at the point they retired.

The Scheme administrator will automatically deduct the lifetime allowance charge along with any further income tax payments each month as normal. The member will need to inform HMRC.

Example 2: A member with Scheme benefits of 90% of the LTA increasing to 95% after GMP equalisation (receiving pension benefits elsewhere that takes the total over 100% of the LTA).

The member sees that the Scheme LTA is now 95% and checks the LTA percentage of pension benefits held elsewhere. The member realises that these benefits together now exceed 100% and so should inform the Scheme administrator of their Lloyds scheme, and inform the administrator(s) of the other scheme(s). The member should also contact HMRC to tell them about exceeding the LTA.

The relevant scheme administrator will then start to deduct the appropriate amount of tax from the member's future pension payments, including the lifetime allowance charge.

Example 3: A member with Scheme benefits of 88% of the LTA increasing to 90% of the LTA after GMP equalisation. The member has no benefits elsewhere.

This member will not need to do anything and there is no additional tax payable.

Continued overleaf

Who should I contact if I have any queries about my tax position?

If you are looking for more general information about the lifetime allowance, please visit the Government website at: www.gov.uk/tax-on-your-private-pension/lifetime-allowance

If you have any specific queries, please call HMRC (the helpline number is **0300 123 1079**), with your GMP equalisation letter to hand, outlining any pension increase and/or additional payment you have received. The tax office address is HM Revenue & Customs (HMRC), Pay As You Earn & Self-Assessment, BX9 1AS.

Remember, it's your responsibility to check your benefits and determine whether you remain within the government limits. If the payment you received takes your benefits close to or over the LTA, but you are unsure what action to take, you should take independent financial advice. The Money Advice Service website contains useful guidance for how to go about taking financial advice, including a directory of authorised advisers.

Visit: www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser

Contacting the administrator

- By phone: **01737 227 522**
+44 (0)1737 227 522 (from outside the UK).

For pensioners of Lloyds Bank Pension Scheme No. 1 or Lloyds Bank Pension Scheme No. 2

- By email:
Lloyds1and2@willistowerswatson.com
- Or in writing:
Lloyds Pension Administration
Willis Towers Watson
PO Box 545
Redhill
Surrey
RH1 1YX

For pensioners of HBOS Final Salary Pension Scheme

- By email:
HBOSFSPS@willistowerswatson.com
- Or in writing:
HBOS Final Salary Pension Scheme
Willis Towers Watson
PO Box 545
Redhill
Surrey
RH1 1YX