

SCPF

LIFETIME ALLOWANCE FACTSHEET



WHO IS THIS FACTSHEET FOR?

This factsheet is for members of the Shell Contributory Pension Fund (SCPF).

WHAT IS THE PURPOSE OF THIS FACTSHEET?

To provide members of the SCPF with an understanding of how the Lifetime Allowance limit may affect their pension.

BACKGROUND

The UK Government places a limit on the total amount you can build up in pension savings and benefits over your lifetime called the Lifetime Allowance. The current Lifetime Allowance is £1,073,100. The Lifetime Allowance applies to both employer and personal pensions. It doesn't include the value of your state pension.

When a member starts to take their benefits from a scheme, a Lifetime Allowance (LTA) Charge is incurred if the value of the benefits exceeds the member's remaining LTA.

From 6 April 2023, this LTA Charge will be abolished. Any benefits being "crystallised" in excess of the current LTA will instead be subject to income tax on the excess at a member's marginal rate(s).

The UK Government plan to fully abolish the Lifetime Allowance from the 2024/2025 tax year, through a future Finance Bill.

JARGON

Benefit Crystallisation Event

Is when an individual takes any pension benefit. At this point it is necessary to test the value of the benefits against the applicable LTA. Any benefits in excess of the LTA will be subject to a tax charge.

This factsheet provides a summary of the benefits available from the SCPF. Benefits can only be paid in accordance with the Trust Deed and Regulations and relevant law at that time.

HOW ARE BENEFITS MEASURED AGAINST THE LIFETIME ALLOWANCE?

Whenever you start to take benefits from a pension (sometimes known as a “benefit crystallisation event”), you use up a percentage of the LTA. For example, if you take a pension in 2022/2023 with a capital value of £500,000 you will use up 46.59% of the LTA.

For a defined benefit scheme, like the SCPF, the capital value of your benefits is calculated as 20 x your initial pension plus any tax free cash that you receive (if you started taking your pension before 6 April 2006, a factor of 25 is used).

For a defined contribution arrangement, like the SCPF AVC scheme, the test depends upon the type of benefit(s) you take:-

- If you decide to use your SCPF AVC fund to purchase an annuity or for drawdown with another provider, (e.g. with Legal & General) the total value of your AVC fund is tested against the LTA.
- If you decide to use your SCPF AVC fund to purchase a scheme pension within the SCPF, (e.g. a SCPF annuity) the benefits are tested against the LTA in the same way as defined benefits, using a factor of 20.

When your pension is measured against the LTA the administration team will send you a certificate showing the percentage of the LTA this has used. This is so that you can inform them of any other pension providers you may have. It is important to remember that the onus is on you to declare to pension providers how much of the LTA has been used each time you start to take a new pension.

WHAT HAPPENS IF I EXCEED THE LIFETIME ALLOWANCE?

If, when you come to take a pension it exceeds your available LTA, that excess is subject to income tax at your marginal rate(s).

PROTECTION AGAINST A LIFETIME ALLOWANCE CHARGE

Since the LTA was introduced in 2006, it has been possible to apply for some form of protection against a potential lifetime allowance charge. The type of protection has changed each time the LTA has been reduced. These protections include:

- primary protection
- enhanced protection
- fixed protection, and
- individual protection.

From 6 April 2023, the maximum amount most members can take as a pension commencement lump sum will be frozen at £268,275, which is 25% of the current standard lifetime allowance of £1,073,100. However, if on 5 April 2023, you had one of the above protections to a higher pension commencement lump sum, you will continue to be able to access this right.

You can find out more on the different protections on HMRC’s website www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

WHAT DO I NEED TO DO?

If you think your total pension savings might be in excess of the current LTA, and you have already applied for one of the previous types of protection you would have received a Protection Certificate from HMRC. Please send a copy of the protection certificate to the Pension Administration Team for their records.

FINANCIAL ADVICE

Lifetime Allowance and protection rules are complex; it is strongly recommended that you take independent financial advice or seek specialist tax advice if you think that your pension might exceed the LTA.

The Trustee, Shell companies and their employees cannot give you financial advice regarding your pension decisions; this includes recommending financial advisers.

You can find a list of independent financial advisers in your area at www.unbiased.co.uk

The Financial Conduct Authority (www.fca.org.uk) also provides information for consumers about all aspects of financial planning, including how to find an adviser and what questions to ask.

CONTACT DETAILS

If you have queries regarding the Lifetime Allowance and your SCPF benefits, please contact the Pension Administration Team:

Email: UKPensionsAdmin@shell.com

Write to: Pensions Administration Team, Trustee Services Unit, Shell International Limited, Shell Centre, London, SE1 7NA