

Lifetime allowance

HOW TO VALUE YOUR PENSION BENEFITS WHICH COMMENCED BEFORE 6 APRIL 2006

When you take (or “crystallise”) any pension benefits, this is known as a Benefit Crystallisation Event, or BCE. Taking pension benefits uses up some or all of your Lifetime Allowance. At your first BCE after 6 April 2006, the value of any pension benefits you received before 6 April 2006, (known as pre-commencement pensions) must also be taken into account.

Regardless of the value of any pre-commencement pensions, there will never be a lifetime allowance charge against those benefits but the value will reduce some or all of your Lifetime Allowance.

The value of your pre-commencement pension(s) depends on the way your pension income is being paid:

Scheme pensions and lifetime annuities	25 X the gross annual amount of pension income at this BCE
Capped drawdown pension income	25 X 80% of the maximum annual amount of drawdown pension available, based on your most recent review (even if you did not take the maximum amount)
Capped drawdown pensions that converted to flexi-access drawdown on or after 6 April 2015	25 X 80% of the maximum annual amount of capped drawdown pension that could have been paid at the point your drawdown pension fund became a flexi-access drawdown fund (even if you did not take the maximum amount).
Flexi-access drawdown, which was previously flexible drawdown pension that started before 27 March 2014	25 X the maximum annual amount that could have been paid as capped drawdown pension at the point you made the flexible drawdown declaration.
Flexi-access drawdown which was previously flexible drawdown that started on or after 27 March 2014	25 X 80% of the maximum annual amount that could have been paid as capped drawdown pension at the time you made the flexible drawdown declaration.

These values will give you the amounts to be included in the test against the Lifetime Allowance at the BCE.