

## Applications for Fixed Protection

HMRC has introduced Fixed Protection for individuals who may be affected by the reduction in the standard lifetime allowance from 6 April 2012. Fixed Protection applications must reach HMRC no later than 5 April 2012. Applications received on or after 6 April 2012 will not be accepted.

The standard lifetime allowance (LTA) is reducing to £1.5m from 6 April 2012.

HMRC know that some members may have already built up total pension savings of more than £1.5m or were planning to do so in the belief that the standard LTA would not reduce from the 2010/2011 and 2011/2012 £1.8m level; because of this they have introduced fixed protection.

Fixed protection is available to any member who does not already hold either primary or enhanced protection. Members do not need to have built up pension rights of more than £1.5m to apply for fixed protection.

If members wish to apply for Fixed Protection HMRC must receive the application form (APSS227) no later than the 5 April 2012. Applications received at HMRC after 6 April 2012 will not be accepted.

To apply members **do not** need any form of valuation or information from the HSC Pension Service.

The application form (APSS227) can be downloaded from HMRC's website at: <http://search2.hmrc.gov.uk/kb5/hmrc/forms/view.page?record=VZp7BA-5tmM&formId=4083>

From 6 April 2012 a member with fixed protection will have their standard LTA 'fixed' at £1.8m, rather than the reduced standard LTA of £1.5m until such time as the standard LTA equals or exceeds £1.8m.

This means that as long as the capital value of a member's HSC benefits plus any benefits taken earlier are not worth more than £1.8m there is no LTA charge on the pension. Where a member has not previously used all their standard LTA the maximum pension commencement lump sum (PCLS) they can take will be the lower of:

- 25% of the available standard LTA set by fixed protection at £1.8m, or
- 25% of the capital value of pension benefits being paid.

This means that if a member has not previously taken any pension benefits and the capital value of benefits being taken are £1.8m or more their maximum PCLS could be £450,000.

In order to retain fixed protection a member must not break any of the following HMRC conditions after 5 April 2012:

- Cannot pay any contributions to a Defined Contribution arrangement,
- Cannot start a new arrangement,
- Cannot have 'benefit accrual',
- Will be subject to restrictions on when and how they can transfer their benefits.

If a member has fixed protection they must enclose the fixed protection certificate with their retirement application form. They will be required to declare they have checked for benefit accrual (note 2 on the fixed protection certificate) and have not had benefit accrual up to and including the date of retirement. This will enable the HSC Pension Service to calculate the correct percentage of LTA used by the pension benefits.