



# How to value your pension benefits

WHICH COMMENCED BEFORE 6 APRIL 2006

When you take (or “crystallise”) any non-taxable lump sum benefits, this is known as a Relevant Benefit Crystallisation Event, or RBCE. Taking such benefits uses up some or all of your Lump Sum Allowance (LSA) and/or your Lump Sum and Death Benefit Allowance (LSDBA). Any of these lump sum benefits paid in excess of your allowances will be subject to income tax at your marginal rate.

At your first RBCE after 6 April 2006, any pension benefits that were already in payment before 6 April 2006, (known as pre-commencement pensions) must also be taken into account in determining how much of your tax-free allowances will be available to you.

The way these pre-commencement pensions are taken into account on a RBCE depends on whether any benefit crystallisation events (BCEs) occurred since 6 April 2006.

- Where any BCE occurred before 6 April 2024 any pensions in payment which commenced before 6 April 2006 would already have been taken into account on the first BCE between 6 April 2006 and 5 April 2024. In such cases, this notional BCE is treated as if it were a real BCE for the purpose of establishing the available

LSA and LSDBA. You will already have details about this and should provide this information at the time of your first RBCE.

- If the pension in payment before 6 April 2006 has not yet been taken into account as no BCE occurred between 6 April 2006 and 5 April 2024, the relevant existing pension that was in payment before 6 April 2006 is treated as triggering a notional RBCE that occurs immediately before your first real RBCE and uses up part (or all) of your LSA and LSDBA. How this is done is explained below.

Regardless of the value of any pre-commencement pensions, as set out below, there will be no tax charge levied on these but their value will reduce the amount of your LSA and LSDBA.

Note that pre-commencement pensions are only tested once, at the first RBCE which occurs after 6 April 2006. The following do not need to be taken into account:

- Any benefits paid as a lump sum before 6 April 2006.
- Any spouses or beneficiary’s benefits being received.

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

Scheme pensions and annuities	25 X the gross annual amount of pension income at this RBCE
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.

## 25% of these values will give you the amounts to be deducted from your LSA and LSDBA.

If the value of your pre-commencement pension equals or exceeds the LSA or LSDBA the value of those allowances will be nil.