



Enhanced protection opportunities

Background

Previously, where an individual held enhanced protection, certain actions would result in the loss of their protected lifetime allowance (LTA).

The relevant actions were:

- Benefit accrual under their pension
- A transfer that wasn't a permitted transfer
- Their arrangement received an impermissible transfer
- A new arrangement set up, other than prescribed circumstances

For individuals who had valid enhanced protection in place before 15 March 2023, then from 6 April 2023, the above actions will not result in the loss of their protection.

Bear in mind this is not yet legislation, the Finance (No. 2) Bill is likely to receive Royal Assent, and become law, around early Summer.

Limiting the upside

Where an individual holds enhanced protection and associated pension commencement lump sum protection (PCLS), their PCLS rights are now restricted, and based on the value of their uncrystallised rights on 5 April 2023.

Opportunities

For those holding a SIPP, benefit accrual occurred if a contribution was made to their plan, which is no longer the case from 6 April 2023 if protection was in place before 15 March 2023.

- They can start funding pensions from 6 April 2023
 - Could use this to rebuild their pension fund following pension debit on divorce
- If their uncrystallised fund value was to fall relative to the value on 5 April 2023, they could fund their pension to maximise their PCLS rights again
- Able to set up a new arrangement for a pension credit post 5 April 2023

The test for benefit accrual for defined benefit (DB) arrangements occurred on taking benefits, or where there was a permitted transfer. The former will no longer have relevance. The latter action invariably resulted in the loss of their protection.

However, subject to satisfying the relevant regulatory requirements, now transferring their DB rights to a new SIPP won't result in the loss of their protection.

Action

- Identify clients with enhanced protection to determine if there's scope to re-engage with pension saving.

