Pension Protection Fund

Protecting your pension lifetime allowance

Infosheet and HMRC guidance

Understanding lifetime allowance protection

If you become liable to pay a lifetime allowance (LTA) charge on your PPF benefits now that the compensation cap has been removed, you may be able to apply for retrospective LTA protection to reduce or remove it.

As we can't offer financial advice, we recommend that you get independent financial advice to help you assess whether you're eligible for any of the types of LTA protection and if so, which type would be most beneficial for you.

If you don't already have a financial adviser, the Money Helper site can help you choose one.

Types of lifetime allowance protection

There are several types of protection with different eligibility criteria, and we've given a brief overview below. The in-depth HMRC Pensions Tax Manual guidance has since been archived and is available on the National Archives website (The National Archives).

Type of Protection	Effective Date	Protected LTA	Application deadline	Pensions Tax Manual guidance
Fixed Protection 2016 (FP 2016)	6 April 2016	£1.25 million	5 April 2025	Read guidance PTM093000
Individual Protection 2016 (IP 2016)	6 April 2016	Lower of £1.25 million and value of member's pension savings on 5 April 2016	5 April 2025	Read guidance PTM094000
Fixed Protection 2014 (FP 2014)	6 April 2014	£1.5 million	5 April 2017	Read guidance PTM093000
Individual Protection 2014 (IP 2014)	6 April 2014	Lower of £1.5 million and value of member's pension savings on 5 April 2014	5 April 2017	Read guidance PTM094000
Fixed Protection 2012 (FP 2012)	6 April 2012	£1.8 million	5 April 2012	Read guidance PTM093000
Primary Protection	6 April 2006	Member's personal LTA is calculated by enhancing the standard LTA (or since 6 April 2012, a deemed standard LTA of £1.8 million) using a LTA enhancement factor (LAEF) LAEF is derived from the proportion by	5 April 2009	Read guidance PTM092300

		which the member's benefits exceeded £1.5 million on 5 April 2006		
Enhanced Protection	6 April 2006	LTA charge is disapplied in relation to the member, but they may not take a lifetime allowance excess lump sum	5 April 2009	Read guidance PTM092400

Applying for lifetime allowance protection

You can still apply for Fixed Protection 2016 and Individual Protection 2016, following the guidance [available on the gov.uk](#).

You may also be eligible for earlier forms of protection, but as the deadlines have passed, you would need to make a late application for HMRC to consider. We've provided some guidance for you on this at the end of this document.

The process for making a late application for earlier forms of protection can be found on PTM098000 of the HMRC Pensions Tax Manual, available on the National Archives website. HMRC will generally only accept a late application in exceptional circumstances.

If you decide to make a late application for one of the earlier types of protection, you or your financial adviser will need to contact HMRC to start the process. Please be aware that any undue delay in making contact with HMRC could prejudice your application. Their contact details are below:

Pension Schemes Services
HM Revenue and Customs
BX9 1GH
United Kingdom

Telephone: 0300 123 1079

Guidance for engaging with HMRC

We've provided the following explanation of the Hampshire and uncapping rulings and their impact that you can provide to HMRC when you contact them.

Hampshire and Uncapping rulings for PPF members

The Pension Protection Fund ("PPF") provides compensation to members of defined benefit pension schemes, when their employer became insolvent, and the scheme had insufficient assets to secure benefits which are at least equal to PPF compensation levels.

The level of compensation provided by the PPF is prescribed in the Pensions Act 2004. The relevant legislation provides that members who had reached their scheme's normal pension age on their employer's insolvency date will receive compensation equal to 100% of the level of their scheme benefits, whereas members who had not reached their scheme's normal pension age on their employer's insolvency date will receive compensation equal to 90% of the level of their scheme benefits, (formerly subject to the PPF compensation cap). All members receive PPF increases with effect from the insolvency date.

As a result of recent court rulings (see below), the PPF is currently undertaking a review of the compensation being paid to a number of members to ensure they are being paid the correct amount. In many cases, members will be receiving a substantial increase to the benefits paid to them from their date of retirement.

In September 2018, the Court of Justice of the European Union ruled in the *Hampshire* case that individual members of defined benefit pension schemes should receive at least 50 per cent of the value of their accrued pension benefits in the event of employer insolvency. The PPF is implementing this ruling by applying a one-off valuation test, comparing the value of the member's PPF compensation against the value of 50% of the member's benefits in their former scheme. If the value of the member's PPF compensation does not meet this threshold, the PPF will increase the rate of the member's PPF compensation with effect from their retirement date, to meet this threshold.

In July 2021, the Court of Appeal ruled in the *Hughes* case that the PPF compensation cap was unlawful on the grounds of age discrimination and must be disapplied. The PPF is implementing this ruling by removing the PPF compensation cap with effect from the member's retirement date.

For some pensioners, the effect of removing the cap and/or ensuring they meet the 50% minimum will substantially increase the benefits due to them from the PPF with effect from their retirement date. As a result, these members may now exceed their available LTA as at the date of their retirement. These pensioners wouldn't have been aware that they could have benefited from the various forms of LTA protection introduced between 2006 and 2016 because their understanding of their benefits at the time was based on the then legal position in relation to the calculation of PPF compensation (prior to *Hampshire* and *Hughes*).

While some members will be able to mitigate fully the tax implications of this increase in their benefits by applying for Fixed Protection 2016 or Individual Protection 2016, other members may have missed out on the protection offered by earlier form of protections and should consider submitting a late application for protection to HMRC.