Usdaw Staff Superannuation Fund
Factsheet – Limits on pension savings – 2025/26 tax year

This factsheet is for members of the Usdaw Staff Superannuation Fund (the Scheme) and applies to the **2025/26** tax year. For other tax years, please see the other relevant factsheets.

Since 2006, limits have applied on the amount of tax-relieved pension savings that can be made to registered pension schemes. There has been both an:

- **Annual Allowance** (**AA**); and a
- **Lifetime Allowance** (**LTA**)

each placing a limit on the amount of tax-relieved pension savings that can be made to registered pension schemes by, or on behalf of, an individual over each tax-year and over their lifetime.

On 6 April 2024, the Lifetime Allowance (LTA) was abolished, and was replaced by the **Lump Sum Allowance (LSA)** and **Lump Sum and Death Benefit Allowance (LSDBA)**

This factsheet explains these limits in more detail.

If you need help with any of the below, please contact Nick.Walker@USDAW.ORG.UK or the Scheme Administrators via sarah.houghton@firstactuarial.co.uk

Financial Advice

Pensions tax rules are complex. It is strongly recommended that you take independent financial advice or seek specialist tax advice if you think that you may have pensions tax issues.

The Trustees of the Usdaw Staff Superannuation Fund, Usdaw, and their employees cannot give you financial advice regarding your pension decisions; this includes recommending financial advisers.

You can find a list of independent financial advisers in your area at https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser

The Financial Conduct Authority (www.fca.org.uk) also provides information for consumers about all aspects of financial planning, including how to find an adviser and what questions to ask.

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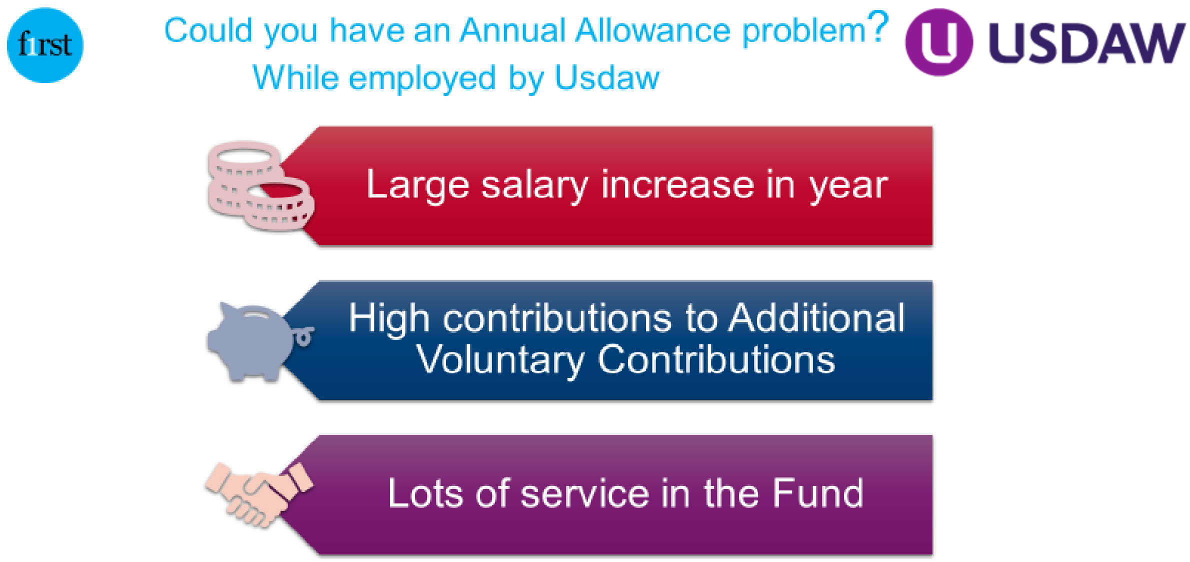
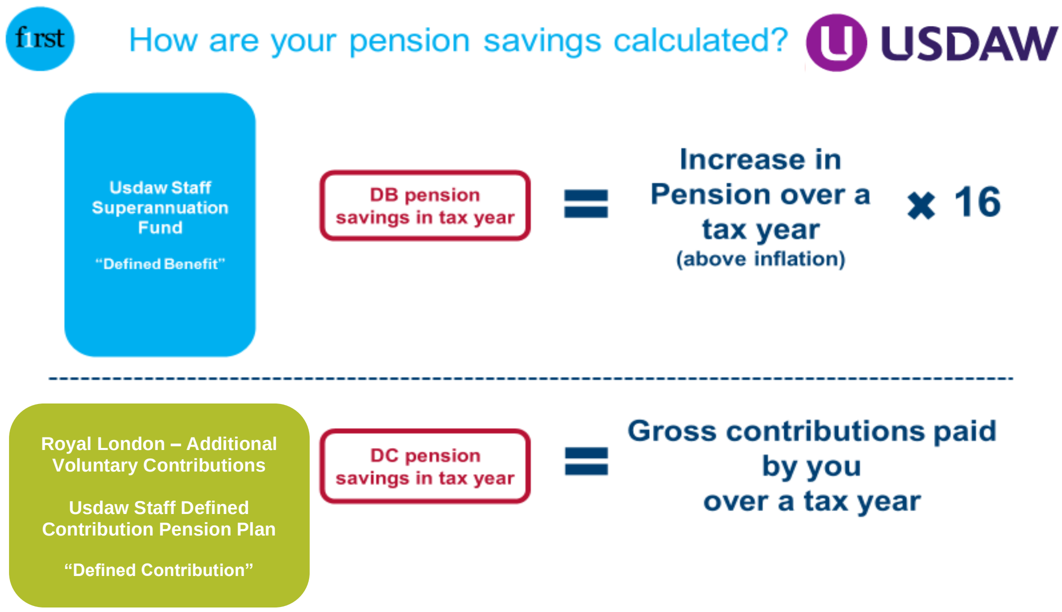
Annual Allowance (AA)

The AA is a limit on tax free pensions savings that applies each year.

The period over which the AA is tested is aligned with the tax year and therefore runs for this tax year from 6 April 2025 to 5 April 2026. The AA over this period is **£60,000** but this may be lower if you are a high earner (roughly those with income over £200,000 per year).



If your pension growth is greater than the AA in a given tax year, the Scheme Administrators will issue you an AA statement (or Pensions Saving Statement). If your pension growth is not greater than the AA, you will not receive an AA statement for that tax year, but you can request a statement from the Scheme Administrators if you wished.



Example calculation:

	Benefits built up at end of tax year	Benefits built up at start of tax year	Benefits built up at start of tax year, uplifted by inflation (1.7% for 2025/26 tax year)	Increase over the tax year (above inflation)
Basic Pension	£12,500 pa	£11,000 pa	= £11,000 x (1 + 1.7%) = £11,187 pa	= £12,500 – £11,187 **= £1,313 pa**

(a) "Value" of increase for AA purposes = £1,313 × 16 = **£21,008**

(b) Add any:

- Additional Voluntary Contributions (AVCs), or
- Any pension contributions made outside of the Scheme

Test the total of **(a)** + **(b)** against the AA to see if there has been a breach

The AA statement provided by the Scheme Administrators will carry out these calculations for your benefits in the Scheme. If you have paid into a pension outside of the Scheme, you will need to account for these contributions separately.

HMRC provide a calculator to help with AA calculations:
www.tax.service.gov.uk/pension-annual-allowance-calculator

Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA)

When you retire from a pension scheme, you can usually take up to 25% of your pension as a tax-free lump sum.

However, if all your pensions (excluding the state pension) added together are worth over £1,073,100, you may be taxed on anything over the limit you can take tax-free. These limits are the LSA and LSDBA, which are replacing the old LTA.

Lump Sum Allowance (LSA)

When you take part or all of your pension as a lump sum, 25% is usually tax-free unless it's more than the current LSA, £268,275. You will be charged tax at your marginal rate on any amount over the LSA.

If you have a form of protection, you may be entitled to a LSA. However, anything above this limit would broadly be taxed at your marginal rate of income tax.

When you retire from the Scheme, the Scheme Administrators will ask you for information about any other pensions which you have already accessed to assess your benefits against the LSA.

Lump Sum and Death Benefit Allowance (LSDBA):

The limit on all tax-free lump sums from your pensions is £1,073,100. This includes lump sums taken:

- when you retire;
- if you receive a serious ill-health lump sum before age 75; and
- if you die before age 75 and your beneficiaries receive the money within two years.

You can find more information on the LSA and LSDBA here:
https://www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lump-sum-allowances-for-pensions