Transferring your IBM M Plan into the Legal & General Mastertrust (DC Only Members)

Frequently Asked Questions

These frequently asked questions are for members of the IBM M Plan (held with Legal and General) exploring the option to transfer into Legal & General Mastertrust Pension Access Scheme.

If you've already transferred to the Legal & General Mastertrust, further information can be found the on Legal & General Mastertrust website.

Terms Explained

Throughout this document, we use several abbreviations or terminology.

- **L&G** - Legal & General.
- **MTPAS** - the Legal & General Mastertrust Pension Access Scheme.
- **AVC** - Additional Voluntary Contribution(s).
- **ASC –** Additional Smart Contribution(s).
- **Crystallised** refers to a pension that has been accessed or cashed in.
- **Uncrystallised** refers to a pension that has not yet been accessed or cashed in.
- **Illustration** means your personalised MTPAS quote.
- **LSA – Lump Sum Allowance**
- **LTA – Lifetime Allowance**

The Legal & General Mastertrust

Q. What is the L&G Mastertrust?

The L&G Mastertrust Pension Access Scheme is a defined contribution occupational pension plan, tailored to allow you flexible access to your pension pot.

Further details on the scheme can be found in the IBM member booklet (PAS) (landg.com)

Q. What is Flexi-Access Drawdown?

Flexi-Access Drawdown is a retirement option that offers members flexibility in accessing their tax-free cash or taxable money, while keeping any remaining funds invested.

The invested funds can continue to provide drawdown payments until the pot is depleted, or members may choose to purchase an annuity with the remaining money.

Q. Who can access the L&G Mastertrust?

IBM M Plan deferred members who are at retirement age are being offered the option to transfer all their IBM M Plan savings to the Legal & General Mastertrust Pension Access Scheme (MTPAS) to choose flexible access drawdown as their retirement option.

Q. By offering this transfer option, is the Trustee recommending the L&G Mastertrust?

No. The L&G Mastertrust is simply viewed as a retirement option.

Q. Why offer a transfer option to the L&G Mastertrust?

IBM Pensions Trust does not offer flexi-access drawdown, so you cannot take your pension savings as a series of lump sums from your IBM M Plan. Therefore, to access benefits flexibly, you need to transfer to an arrangement that offers flexi-access drawdown.

Q. When might the L&G Mastertrust not be suitable?

The L&G Mastertrust may not be suitable if you are not ready to retire. Flexi-Access drawdown is for members who wish to retire and would like the flexibility of retirement income.

Q. Is there a minimum transfer amount from the IBM Pension Plan into the L&G Mastertrust?

No funds are permitted to be left in the IBM Pension Plan when requesting a flexi-access drawdown. All funds are first transferred to L&G Mastertrust before any partial requests are fulfilled.

Note: To access the L&G Mastertrust pension access scheme, you must take a minimum of £1.00 tax-free cash to enter the drawdown account. To achieve this, L&G will need to crystalise £4.00 for every £1.00.

Q. When I have transferred into the L&G Mastertrust from my IBM M Plan, can I change my mind?

Once a transfer has completed; you cannot transfer your funds back into the IBM Pension Plan.

Q. Can I transfer some of my IBM M Plan Pension savings to the L&G Mastertrust and leave some behind?

If you hold DC AVCs/AVCs then you can opt to transfer these into the L&G Mastertrust and leave your regular contributions within your IBM M Plan. You are required to transfer all your AVCs/ASCs if you choose this option.

You are unable to partially transfer your regular contributions to the L&G Mastertrust.

Q. Where can I find out more about the funds available in the L&G Mastertrust?

Information on the funds available within the L&G Mastertrust can be found here: Legal & General - Your investment range

Q. If I am currently invested in a 'soft closed fund' can I remain invested in it?

Yes, if you are currently invested within a soft closed fund and wish to remain in this fund, you can. Soft closed funds are only closed to new investments.

Information on closed funds can be found on the following investment page: Legal & General - Your investment range

Lump Sum Allowance, Money Purchase Annual Allowance and Tax

Taxation, Lump Sum allowance and the money purchase annual allowance questions are complex particularly when you are near the maximum limits allowed (or over them). If this is the situation with you, then you are strongly advised to take independent financial advice before taking any action.

A 'tax year rates and allowance guide' is available on our website. The document provides more information about the Lump Sum Allowance, Money Purchase Annual Allowance and Tax. This can be found here: Legal & General - Document library (legalandgeneral.com) Additional information is also provided on the following website Tax on your private pension contributions: Lump sum allowance - GOV.UK (www.gov.uk)

Q. What are the current tax charges if I withdraw pension savings in the L&G Mastertrust over the Lump Sum Allowance (LSA)?

If the total tax-free lump sums payable from all your registered pension schemes exceeds your lump sum allowance, income tax will be payable on the excess. The LSA is £268,275. It will be higher if you have any protected tax-free lump sums, or a protected lifetime allowance.

Q. How does my tax-free cash work if I am over LSA?

If you are over your available individual LSA, there is no tax-free cash available. Any income or ad-hoc lump sums claimed will be taxed at your marginal rate of income tax.

If you are over the LSA and do not wish to claim any taxable income/lump sums you can choose to designate some or all your uncrystallised pension pot to the L&G Mastertrust drawdown account. Any funds in the drawdown account will be classed as crystallised funds and will be taxable.

You will be asked to complete a Full Lump Sum Allowance declaration form.

Q. How does my tax-free cash work if I am over LTA prior to 6th April 2024?

If you hold complete and accurate records for all the tax-free benefits you have received prior to 6 April 2024 and can show that less than 25% of the benefits you took before that date were taken as tax-free lump sums, you may choose to apply for a transitional tax-free amount certificate from your pension scheme. Where eligible this will grant you a new Lump Sum Allowance and Lump Sum Death Benefit Allowance based on the tax-free amount taken previously.

Your transitional tax-free cash certificate can then be used to determine your lump sum allowance and lump sum and death benefit allowance.

These transitional rules come into force for the 2024-25 tax year and subsequent tax years.

If you would like to read more about transitional tax-free amount certificates, you can do so via the HMRC website https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm174300. You cannot apply for a certificate if you have already had a relevant benefit crystallisation event occur on or after 6 April 2024. i.e. you have started to draw any pension benefits before or after this date. A certificate must be issued before your first relevant benefit crystallisation event.

Protected Tax-Free Cash and LTA Protection

It is important to consider if you have a protected-tax free cash entitlement with your policy before you request an illustration to transfer to the L&G Mastertrust. If you have a protected tax-free cash entitlement on your policy but request to take only part of your tax-free cash (with or without an additional income), you will lose your protected entitlement of your tax-free cash amount and you will only be entitled to 25% tax-free cash.

The table under the 'Requesting an Illustration and the options available explained" heading provides further information on the options that will affect your tax-free cash entitlement.

Q. How do I find out whether I have a right to "Protected Tax- Free cash" (more than 25%)?

L&G will be able to tell you if you have an entitlement to protected tax-free cash as part of your retirement pack.

The figures used to calculate this value are available on request, however the current protected tax-free cash value is only calculated at claim stage through a retirement quote.

Retirement quotes are available to members 1 month before age of 55. An independent financial adviser can also tell you if your overall tax position would be better or worse because of transferring to the L&G Mastertrust.

LTA Protection

If you have a Lifetime Protection certificate from HMRC, please send this to Legal and General when you request your illustration.

Requesting an Illustration and the options available

Requesting your Retirement Options Pack and Flexi-Access Drawdown Illustration

Step 1 – You will need to request a Retirement Options pack for your IBM M Plan account from Legal and General. You can request this via your online account, by email or telephone. Please note, L&G cannot provide a Mastertrust PAS Illustration until the retirement options pack has been sent.

Manage your Account Link: My Account Log in | Legal & General
Email: ibmpension@landg.com
Telephone: 0345 675 0017 (Monday to Friday 08:30- 19:00)

Step 2 – Once you have received your Retirement Options pack. You can submit the online request form to obtain an MTPAS illustration (the link to request this is provided within your retirement pack)

Your Flexi-Access Drawdown Options

When completing your online MTPAS illustration request form, you will need to select the basis of your illustration.

The table below shows each option available. If you have enhanced protected tax-free cash (greater than 25%) you may lose this depending on the option that you request. It is important that you consider this before selecting your option.

Illustration Options	Protected Tax-Free Cash Entitlement Retained	Standard 25% Tax-Free Cash Retained
Max Tax-Free Cash Nil Income OR with income (Monthly, Quarterly or Yearly)	Yes	Yes
Max Tax-Free Cash with Ad-hoc Payment (One off)	Yes	Yes
Partial Tax-Free Cash Nil Income OR with income (Monthly, Quarterly or Yearly)	No	Yes
Partial Tax-Free Cash with Ad-hoc Payment (One off)	No	Yes
Income Only	No	No
Partial Lump Sum (Minimum of £2000) *	No	Yes

Members who have reached their LSA	You can choose to take £1.00 Tax-free cash to avoid exceeding your LSA. A Lump Sum Allowance form will be provided for you to complete and evidence any previous lump sums taken from other pension pots that have affected your LSA.

*Partial Lump Sums - Uncrystallised Funds Lump Sums allow you to take partial Lump Sum amounts, where 25% of the partial amount is tax free and the 75% of the partial amount you have requested is taxable at emergency rate

Q. Instead of taking all my tax-free cash in one lump sum, can I take it as multiple lump sums?

Yes, so long as the amount of tax-free cash does not exceed your 25% cap. With drawdown, you can take a tax-free lump sum of up to 25% of the amount within your pension, subject to your lump sum allowance. You can take this as either as a full lump sum or smaller lump sums.

If you have a protected tax-free cash entitlement with your IBM Pension Plan, you will need to take all your tax-free cash at once. If you still choose to take partial tax-free cash, you will lose this entitlement and only the basic 25% tax free cash will be available to you.

Q. Can I remain invested within my current selected funds?

When you submit your online MTPAS illustration request form, you will be provided with an option to remain invested within your current fund choices or to select new funds for your MTPAS illustration.

Q. Do I have to take money from the L&G Mastertrust when I transfer?

Yes. You cannot transfer to the L&G Mastertrust without taking some or all your tax-free cash or an initial income amount.

Q. What is the difference between Flexi-Access drawdown and Pension Lump Sums?

Flexi-Access Drawdown

This option allows you to withdraw 25% of your pension savings tax-free as a single lump sum, subject to your lump sum allowance, or you can request to take partial-tax free cash and opt to take the remaing amount from your drawdown pot at a later date. If you wish to withdraw additional income whether that be a set monthly, quarterly or annual amount or a one off lump sum, it will be subject to income tax. Flexi-Access Drawdown provides you with the flexibility to withdraw these taxable amounts as and when you need them.

Once you start withdrawing the remaining money from your defined contribution pension pot, your annual contribution limit (known as the Money Purchase Annual Allowance or MPAA) reduces to £10,000. However, if you only withdraw your tax-free lump sum, your annual allowance remains at £60,000.

Cash Lump Sums

This option allows you to take individual sums from your pension pot. Each sum you take is 25% tax-free with the remainder subject to income tax.

Under this option, as soon as you make your first withdrawal, the annual amount you're allowed to contribute to your defined contribution pension pot decreases to £10,000. This is referred to as the Money Purchase Annual Allowance (MPAA)

Transferring to the Legal and General Mastertrust

Once you receive your illustration, you will need to complete the application form attached in your illustration email/enclosed with your illustration pack if you have requested it by post,

confirming that you are happy to proceed on your chosen basis. If your application form is returned on a different basis to your initial MTPAS illustration, L&G will need to send you a revised MTPAS illustration before proceeding with your transfer.

Q. Will my fund value change during the transfer?

When L&G sell and buy funds during a transfer, your overall fund value will stay unchanged. However, there might be a slight variation in the number of units within the fund. This happens because the percentage splits used for selling and buying are rounded to two decimal places, leading to minor differences in the unit count.

Charges and Investments

Q. What charges will I pay?

There are two types of charges for funds.

- An Annual Management Charge (AMC) is charged based on your pension plan and is independent of your investment funds.
- The Fund Management Charge (FMC) differs by fund and covers the cost of managing your investment fund(s).

More information on charges can be found in the your guide to investing document. Please note, these charges cannot be deducted from a specific fund. The FMC is calculated by the unit price and the AMC is deducted proportionately across the funds you are invested in.

Q. Will there be any transaction costs should I remain in my existing funds?

If you transfer on a like for like basis (i.e. stay in the same funds) we sell units in the IBM Plan and then buy units in the L&G Mastertrust Plan, on the same day, at the same pricing point. There are no transaction charges for this move.

Arriving at the Legal and General Mastertrust – Accessing your pension savings

Q. Is there a minimum amount that I can take as income each time?

No. But you cannot take more than what is available in your pension account.

Q. When I withdraw cash from my L&G Mastertrust flexi-access account is it subject to tax?

Yes. Only 25% of your pension savings is payable to you tax-free (unless you have enhanced protection which is above 25%). When you take further income from your L&G Mastertrust account it will be taxed at your marginal rate of income tax.

Q. Can I start, stop, or change my income amount when in the L&G Mastertrust?

If you decide to take a regular income from your L&G Mastertrust flexi-access drawdown account, you can start, stop, or change the amount you take, to suit your needs and tax position.

Transferring other pension savings into the Legal and General Mastertrust

Q. Can I transfer other pension savings to the L&G Mastertrust?

Once you have transferred your IBM Pension Plan savings to the L&G Mastertrust you can then transfer pension savings from other pots. More information is provided within the member booklet

Q. Can I transfer in a Self-Invested Personal Pension (SIPP)?

Yes, if the SIPP is a registered scheme with HMRC.

Q. Can I transfer in a DB Pension and/or With Profit Funds?

Where you are transferring from a final salary scheme and the transfer amount exceeds £30,000 you will be required to obtain financial advice on the appropriateness of the transfer. The L&G Mastertrust Trustees and Legal & General will only accept such transfers if the advice is a positive recommendation.

If you are transferring in With Profits funds, you must also have a positive recommendation from an independent financial advisor regardless of the value.

Death Benefits within the Legal and General Mastertrust

If you wish to nominate a beneficiary/beneficiaries, you can do so online via manage your account.

Q. Can my L&G Mastertrust pension savings be passed on if I die?

The Trustees of the L&G Mastertrust will usually pay the value of your pension savings to your financial dependants or other beneficiaries. The tax implications and ability to pay the value of your pension savings will depend on your age on death and how you have elected to receive your pension benefits. The current tax position is set out below.

If you die before age 75	Tax Rate
Lump Sum	Free of income tax*
Income	Tax Free
If you die at/after age 75	**Tax Rate**
Lump Sum	Taxed as income**
Income	Taxable**

Starting 6 April 2027, if a pension scheme member passes away without using all their pension funds or accessing all their entitlements, those remaining funds and death benefits will be considered as part of their estate and might be subject to Inheritance Tax.

*A lump sum is subject to the Lump Sum and Death Benefits Allowance of £1,073,100 lifetime allowance tax charge. If the total taken from all schemes exceeds this amount there may be income tax due on the excess. It will also only be free of income tax if it is paid within two years from the member date of death. Any lump sum older than two years will be taxed in the same way as payments made if you die after age 75.

**Income is taxed at the beneficiary/beneficiaries' rate of income tax.

Q. Is beneficiary drawdown available in the L&G Mastertrust?

Beneficiary drawdown is available. Please note that the person you nominate as your beneficiary must be under the age of 75. Your beneficiary can choose payment methods such as ad-hoc lump sums or a monthly income. The payments are tax free, if the member is below 75 at the date of death and the claim is made within two years of notification of death. L&G do not offer successor drawdown (A successor is the beneficiary of the original **member's** beneficiary, i.e., a grandchild)

Financial Advice

Q. Do I need to take financial advice before I transfer my IBM Defined Contributions Pensions Savings out of the Plan?

Under current legislation independent financial advice is not required before transferring DC pension savings out of a pension scheme. However, if you are unsure whether flexi-access drawdown or transferring your benefits is right for you, we strongly recommend that you seek independent financial advice.

Pension Wise from Money Helper

This free and impartial service helps you understand your options for using your pension savings, so you can choose the right one for you. Provided by Money Helper, a government organisation, it offers clear and simple guidance online or over the phone. To find out more or book an appointment visit moneyhelper.org.uk/pensionwise or call 0800 138 3944.

Please note the information on this website is not financial advice.

If you need personalised advice from a financial adviser, you can find a list of advisers here: www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-advisers

Important: there are fraudsters trying to defraud members out of their pension. Go ScamSmart - Avoid investment and pension scams | FCA to read more on keeping your pension safe.