

TECHNICAL NOTE

TRANSITIONAL PROTECTION AND TRANSFERS

Scottish Widows Platform

For Professional Advisers only

Transitional protection helps protect pension rights built up prior to 6 April 2006.

A transfer could impact the following types of transitional protection:

- Primary Protection
- Enhanced Protection
- Scheme-specific pension commencement lump sum (PCLS) protection
- Low pension age protection

Primary Protection

Individuals who had pension rights worth more than £1.5 million on 5 April 2006 could have registered with HMRC for Primary Protection before 6 April 2009.

Primary Protection gives the individual an enhanced personal lifetime allowance which is expressed as a Primary Protection factor and confirmed in a certificate issued by HMRC.

Individuals could also have registered to protect PCLS rights if they were above £375,000 on 5 April 2006.

Under Primary Protection, the personal lifetime allowance and any associated PCLS entitlement are maintained on transfer.

Enhanced Protection

Individuals who wanted to be fully protected from the lifetime allowance charge could have registered with HMRC for Enhanced Protection before 6 April 2009.

Individuals could also have registered to protect PCLS rights above £375,000.

Enhanced Protection, and any associated PCLS entitlement, can continue on transfer between registered pension schemes provided the transfer counts as a permitted transfer.

In summary:

- Transfers between money purchase arrangements count as permitted transfers.
- Transfers from defined benefit arrangements to money purchase arrangements can count as permitted transfers provided the value of the sums received by the money purchase arrangement is actuarially equivalent to the rights being transferred.
- Transfers from money purchase arrangements to defined benefit arrangements are not permitted transfers.
- Transfers between defined benefit arrangements can count as permitted transfers under certain circumstances.

Any transfer that is not a permitted transfer will automatically cause Enhanced Protection to be lost from the date of the transfer. If Enhanced Protection is lost and the individual also has Primary Protection, then that will apply instead.

Scheme-specific PCLS protection

If, as at 5 April 2006, an individual had a PCLS entitlement under a scheme (occupational scheme or deferred annuity contract) of more than 25% of their benefit value, those rights are automatically protected provided certain conditions are met.

As the protection is scheme-specific, it will generally be lost if the benefits are transferred to another pension scheme after 5 April 2006. However, if the transfer is made as part of a block transfer (see below) or to a deferred annuity contract (or buy-out contract) as part of the winding up of the occupational pension scheme, the right to protected PCLS will not be lost.

Low pension age protection

If, as at 5 April 2006, an individual had a right to take their benefits under a scheme before the normal minimum pension age (currently 55), that right is automatically protected provided certain conditions are met. It means that benefits won't be treated as unauthorised

payments if they are taken on or after the protected pension age, although their lifetime allowance will be reduced by 2.5% for every complete year below normal minimum pension age.

The protected pension age is scheme-specific and on transfer would be lost unless the transfer is made:

- as part of a block transfer to another registered pension scheme
- to a deferred annuity contract (buy-out contract) as part of the winding up of an occupational pension scheme
- or to another registered pension scheme that also has a protected low pension age.

Block transfer

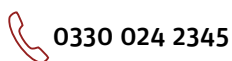
A block transfer is the transfer of more than one member of the transferring scheme to the same registered pension scheme at the same time. The transfer must represent the members' total rights under the scheme and cannot be split across more than one receiving scheme. Block transfer protection will not apply if the member has been a member of the receiving scheme for more than a year before the transfer.

The block transfer requirements were temporarily amended by the Finance Act 2014 so that if a transfer took place between 19 March 2014 and 6 April 2015 and the member took all their benefits before 6 October 2015, they could transfer as a single transfer.

Partial transfer from a scheme with scheme specific PCLS protection or low pension age protection

If there are any existing entitlements to a protected pension age or scheme-specific PCLS, these would be lost on the partial transfer sum being transferred out.

However, any funds remaining in the original scheme will retain their protection although the PCLS protection would need to be reduced by 25% of the transfer value.



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Every care has been taken to ensure this information is correct and in accordance with our understanding of the law and HM Revenue & Customs practice, which may change.

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