

Government changes Age 75 rule

The Government has announced that it will end the requirement for pension scheme members to secure a pension income by age 75 with effect from April 2011. Following the Emergency Budget announcement on 22 June 2010, details of the legislation for transitional arrangements applying to people who will reach 75, prior to April 2011, were confirmed in the Finance Bill.

Members, including dependent members, taking pension benefits through money purchase arrangements, like a Rowanmoor Pensions Self-Invested Personal Pension, Small-Self Administered Scheme or Family Pension Trust, who reach age 75 on or after 22 June 2010 and have not yet bought an annuity or moved into scheme pension, may continue to take unsecured pension (USP) income until age 77.

There is no change to the level of income that can be taken, which remains between 0% and 120% of the amount of annuity that could be provided using the Government Actuary's Department's annuity rate applicable at the date of the last review. There is therefore no additional requirement for a review at age 75, but the requirement to test the unsecured pension fund against the lifetime allowance remains.

Members who have not yet taken an income from all of their fund will still need to draw a pension commencement lump sum by the age of 75. In practice, immediately before they reach age 75 they will be obliged to take retirement benefits from any remaining uncrystallised funds, which will be tested against the lifetime allowance.

Under the new rules, if a member dies whilst taking non-protected rights benefits as an unsecured pension from age 75 to age 77, death benefits can be paid out as a lump sum death benefit less 35% tax. The death benefits for these members are not treated as an unauthorised payment, or subject to inheritance tax, so do not suffer a potential tax charge of 82%, as they would have done prior to the changes.

Any member or dependant who was already taking an alternatively secured pension or scheme pension on 22 June 2010 will not be affected by this change in legislation.

The interim changes have been put in place to enable those approaching age 75 to defer the decision on securing an income until the new rules, which will apply next year, are finalised.

This Technical Note outlines Rowanmoor Pensions' understanding of the changes announced in the Emergency Budget of 22 June 2010 and is correct at the time of issue. For more detailed information contact the Rowanmoor Pensions Technical Department on 08445 440 660 or your Rowanmoor Pensions Consultant.

We recommend that specific tax advice is taken if you are in any doubt about the tax implications.

TELEPHONE: 08445 440 440 • FAX: 08445 440 500
enquiries@rowanmoor.co.uk • www.rowanmoor.co.uk
ROWANMOOR HOUSE • 46-50 CASTLE STREET • SALISBURY SP1 3TS



Rowanmoor Pensions

Rowanmoor Pensions is a trading name of the Rowanmoor Group plc companies. Rowanmoor Group plc is registered in England (No.5792242) at Rowanmoor House, 46-50 Castle Street, Salisbury SP1 3TS.

If you require this document in audio tape, large print, Braille or PC disc format, please telephone 08445 440 550 or fax 08445 440 500.