

FACT SHEET

BLOCK TRANSFERS

APPROVED FOR CLIENT USE | APRIL 2024



Definitions

What is A-Day?

6 April 2006 is often known as A-Day. It was the date on which multiple existing pension tax systems were overhauled and replaced with a new, single set of rules.

What is 'normal minimum pension age'?

'Normal minimum pension age' is the name given to the age at which people can normally access their pension benefits. Normal minimum pension age is currently 55, although it's due to increase to 57 in 2028.

What is a protected pension age?

Before A-Day, some people were able to access their pensions earlier than normal minimum pension age. Under certain conditions, such individuals can still access their pensions at an earlier age, known as their protected pension age.

What is a pension commencement lump sum (PCLS)?

PCLS is often known as 'tax free cash'. It is a tax free payment which most people can receive when they start accessing their pension benefits. It is normally 25% of the value of the pension benefits being accessed.

What is a scheme-specific lump sum?

Before A-Day, some people had pensions which were entitled to PCLS of more than 25%. Under certain conditions, such individuals can still receive the amount of PCLS they were entitled to before A-Day. This is known as a scheme-specific lump sum.

What is a block transfer?

If someone transfers a pension with a protected pension age or a scheme-specific lump sum, they would normally lose those protected benefits. A block transfer is a way for people to move from one pension to another without losing a protected retirement pension age or scheme specific lump sum.

Rules

What are the conditions for a block transfer?

The following conditions must be met in order for a transfer to be classed as a block transfer:

- The individual must transfer with at least one other member of the same pension scheme, to the same receiving pension scheme, as part of a single transaction
- The individual cannot have been a member of the new scheme for more than 12 months
- All of the benefits in the old scheme must be transferred to the new scheme.

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What is meant by transferring as part of a 'single transaction'?

In most cases, it wouldn't be practical or possible for two or more transfers, for two or more individuals, to take place simultaneously. This condition means that it isn't enough for two or more people to simply happen to transfer from the same old scheme, to the same new scheme, at around the same time. It must be made clear to both providers that the transfers are being requested together; it is a single agreement to complete both transfers as part of a block transfer.

How is the lump sum allowance (LSA) affected by scheme - specific cash protection?

Members who have scheme specific tax-free cash protection will remain entitled to take a higher level of PCLS despite the abolishment of the lifetime allowance (LTA) in April 2024.

The formula for working out the PCLS these individuals can take remains largely the same although references to the LTA have been removed. The maximum is the value of the lump sum rights as at 05/04/2006 multiplied by 1.2 (the equivalent of £1.8m/£1.5m), plus any additional PCLS built up in respect of funds since 2006. The post April 2006 fund is multiplied by 0.7154 which is the equivalent of £1.0731m/£1.5m.

For those who have scheme specific tax-free cash protection, their lump sum allowance won't be reduced by the actual PCLS taken. Instead, it will be reduced by 25% of the lump sum and arising pension.

What happens if only some benefits are transferred from the old scheme to the new scheme?

If a partial transfer is completed, the old scheme will retain the protected pension age or scheme-specific lump sum on the remaining benefits (although the lump sum amount would be reduced). However, the benefits which have been transferred to the new scheme lose the protection.

Do all of the transferring individuals have to have protected benefits?

No - one person with protected benefits could transfer with someone without any protection, and it could still be a block transfer.

Are there any other conditions for a person to keep their protected pension age or scheme-specific lump sum?

Yes. In both cases, all of the funds in the pension must be crystallised at the same time in order to keep the protected benefits. This includes any funds which have since been contributed or transferred into the new scheme. In the case of a scheme-specific lump sum, the calculation the provider uses to work out the protected PCLS amount takes into account that there may be other, non-protected funds in the scheme.

Is it possible to complete more than one block transfer?

Yes. As long as each transfer meets the block transfer conditions, individuals can transfer their pensions as many times as they like and retain their protected pension ages or scheme-specific lump sums.

Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

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