



simply pensions

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➔ Pensions Act 2004 changes to protected rights benefits

Here we give information for trustees of contracted-out money purchase schemes about changes to the rules for protected rights benefits.

From 6 April 2006, you can provide any of your scheme members who have protected rights funds under the scheme with more options as to when and how they can take these benefits.

Protected rights benefits

Protected rights benefits are the benefits that are bought from the funds built up by the special contributions paid for a person who has contracted out of the State Second Pension scheme (previously State Earnings Related Pension Scheme) under your scheme.

Special rules apply to these benefits, but some of these rules are being removed with effect from 6 April 2006.

Effective date of change

The changes are due to come into force on 6 April 2006. For any member taking protected rights benefits on or after that date, the new rules can apply to all of the member's protected rights benefits, not just the part that has built up since 6 April 2006.

When protected rights benefits can be taken

Under current legislation, protected rights benefits cannot be taken until the member is aged at least 60. From 6 April 2006, this will reduce to age 50. From 6 April 2010, it will increase to age 55.

How protected rights benefits can be taken

Under current legislation, when members take benefits from protected rights funds, these benefits must be in the form of a pension. From 6 April 2006, members will be able to take up to 25% of the protected rights fund in the form of tax-free cash, with the balance being used to provide a pension.

Action

Your scheme rules may have to be changed before your scheme members can be given the choice of the new options available. If you currently use Scottish Equitable's standard rules, we will be providing you with a draft rule amendment that takes account of these new options. If you do not currently use Scottish Equitable's standard rules, you will have to decide whether you need to change your rules to reflect the new options.

This information is based on Scottish Equitable's understanding of current and proposed law and guidance, which may change.