

Pensions Bulletin

Fact Sheet I

Autumn 2009 Issue 6

Earliest retirement age to change from April 2010

I Introduction

- 1.1 From April 2010, the earliest age for taking benefits from a Registered Pension Scheme, except in cases of ill-health, will increase from age 50 to 55. The remainder of this Fact Sheet provides details on this change.

2. Normal Minimum Pension Age for Registered Pension Schemes

- 2.1 Current rules allow members of all Registered Pension Schemes – including those at The Pensions Trust – to start taking their pension from the 'Normal Minimum Pension Age'. The Normal Minimum Pension Age for a member is:

- before 6 April 2010, age 50; and
- on or after 6 April 2010, age 55.

- 2.2 Also, where a member starts to take benefits after reaching the Normal Minimum Pension Age of 50 before 6 April 2010, but they are not yet age 55 by 6 April 2010, those benefits **can** still continue to be paid. Of course, if the member wishes to crystallise further benefits after 5 April 2010, the member must have reached the Normal Minimum Pension Age of 55.

- 2.3 The 'cliff-edge' nature of this change means that someone retiring on 5 April 2010 can take all their benefits at age 50, but someone retiring a day later cannot take any benefits until they reach age 55.

- 2.4 Members that were planning to retire, or take benefits whilst continuing to work (where scheme rules permit), before age 55 may need to act now. After, 6 April 2010 it will generally not be possible for benefits to be taken before that age.

3. Help for employers

- 3.1 The change in Normal Minimum Pension Age could adversely affect the intentions of employers as well as those of their staff. For example, an employer could be planning a redundancy exercise where the intention was to offer early retirement to those over 50.

- 3.2 Should you wish, The Pensions Trust can provide details of the members at your organisation who will be affected by this change. This may be of assistance to your HR Team. Please get in touch with your usual contact at the Trust for this information.

4. Exceptions

- 4.1 Please note that some members may have a 'protected pension age' (see below) – so will still be able to retire from age 50 – provided they have finished work. Also, the change in Normal Minimum Pension Age does not affect people who are retiring on grounds of ill-health, for which there are separate rules.

- 4.2 In the case of a Registered Pension Scheme which, on 5 April 2006, was an approved retirement benefits scheme (such as The Pensions Trust), a member is able to take benefits at a protected pension age before Normal Minimum Pension Age provided that:
- on 5 April 2006, the member has an actual or prospective, and unconditional, right to any benefit from an age less than 55;
 - on 10 December 2003, the scheme rules included provision conferring such a right on some or all of the persons who were then scheme members;
 - such a right was then conferred on the member or would have been had he/she been a member on that date; and
 - the member becomes entitled to all the benefits payable to him/her under the scheme and certain other conditions are met (which depend on the member's employment circumstances).
- 4.3 The member's protected pension age in this situation is the age from which the member had the actual or prospective right to his/her pension.
- 4.4 Please note that the rules of The Pensions Trust, as at 10 December 2003, included the provision for members to retire from age 50 onwards. However, individual defined benefit schemes within the Trust could vary this in their scheme document, for instance, by requiring employer consent where a member wishes to retire before a specified age. Where any such condition applies, members do not have a protected pension age and the minimum age will increase to 55 from 6 April 2010.

5 Summary

- 5.1 Both members and employers should consider the change in Normal Minimum Pension Age and how it will affect their own circumstances. The Pensions Trust can provide information as required to assist anyone who has any queries about this change.

While every effort has been made to ensure the accuracy of the information contained in this Fact Sheet, it should not be treated or relied upon as a statement of law. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances and/or refer to the original source material as appropriate.

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