

Case Study



Title: Pension commutation

Source: Moneywise <http://www.moneywise.co.uk/>

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I have a Civil Service pension and for a short time, prior to retirement, I made AVCs to Scottish Widows. When I retired in October 2008 the Fund Value was £1,507.10 and I took the lump sum of £376.78. The balance was commuted into a Yearly Pension of £63.80. Is there any way I can take the remaining Fund Value as surely it costs more to administer the pension than its value.

Under the triviality rules the whole pension fund can be paid out as a lump sum, subject to a tax charge, but this option must be applied before the pension commences. Amongst other criteria you must be age 60 or above and your total pension values from all pension schemes must not exceed £18,000.

In addition to converting a pension fund to cash under triviality, certain small occupational schemes with values that are below the equivalent value of £2,000 can also be taken as cash. This has now been extended to include personal pension plans. However, this facility is intended for when an annuity is already in place but additional rights arise under the scheme which are too small to use to purchase another annuity.

Because the pension you would like to commute is already in payment, neither of these options apply.

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