Protected Rights

Questions & Answers

James Hay

Will James Hay accept ongoing minimum contributions?

No, James Hay will only accept transfers and not ongoing minimum contributions into the Protected Rights Plan.

Who will be able to invest in the Protected Rights Plans with James Hay?

The James Hay Protected Rights Plan is available to clients who already have a SIPP administered by James Hay, or other badged SIPP with James Hay. Clients with Financial Advisers can hold a stand-alone protected rights plan with no minimum however, clients without an Adviser will need a combined plan value greater than £50k.

What documentation or proposal forms will be required?

The new plans will have their own application form, Key Features and Charging Schedule documentation that will be available at www.protectedrightsunleashed.co.uk (or alternatively at www.jameshay.co.uk/literature or on the James Hay advisercentre at www.jameshayadvisercentre.co.uk).

What investments are permitted within the James Hay Protected Rights Plans?

James Hay Protected Rights Plan

Investment Centre funds, Special Deposit Accounts, Cater Allen / James Hay Structured Products, Abbey Sharedealing investments and the James Hay trustee cash account.

James Hay Wrap Protected Rights Plan

Wrap Investment Centre funds, Special Deposit Accounts, Cater Allen / James Hay Structured Products, Abbey Sharedealing investments and the James Hay trustee cash account.

Why has James Hay set up protected rights in a separate plan rather than consolidated with non-protected rights?

Special rules apply to protected rights when the benefits are paid. It is important that these can be separately identified from any other pension benefits that you have with James Hay so that these other benefits are not treated as protected rights.

Must the protected rights benefits be taken at the same time as the non protected rights?

No. However where protected rights are being taken in the form of income withdrawal any non-protected rights held in the same scheme must be taken in the same proportion. This is commonly referred to as the 'proportionality' rule. For more information on this subject, please refer to our Technical Product Guide.

What charges will apply?

James Hay Protected Rights Plan

The scheme administrator will take flat fee charges on different types of transaction within the James Hay Protected Rights Plan as follows:

Transaction Type	Charges
Set-up fee / Annual Fee	nil
Income Withdrawal	Annual charge once benefits are crystallised: - If initial non-PR plan is in drawdown – nil - If initial non-PR plan is not in drawdown - £150 pa.
Transfer In	£50 per transfer
Investment Centre Trade	nil
SDA open, close, roll	nil
Abbey Sharedealing trades	£14 per transaction
Annuity Purchase	£50
Transfer Out	£95 (from 1 January 2009)
Cash payment received after plan closed	Up to £50 taken off the payment amount
Notes	Re-registration into Collect or Select funds will be free.

James Hay Wrap Protected Rights Plan

The James Hay Wrap Protected Rights Plan will fall within the existing James Hay Wrap charging structure with no additional fee involved.

When can protected rights be paid?

Payment of protected rights can now begin at any time within the normal pension age range for non-protected rights – ie, from age 55 up to the 75th birthday. It may be possible for these rights to be paid before the minimum age on grounds of ill-health or if the member has a protected pension age under the scheme.

Will the Protected Rights Plan be tested against the lifetime allowance?

Yes, taking benefits will require James Hay to do a lifetime allowance test, in addition so will a payment of a lump sum death benefit. Any survivor pension benefit payable does not require a test.

What is the maximum pension commencement lump sum that can be taken from a protected rights fund?

The maximum pension commencement lump sump payable for protected rights is normally 25%. In cases where, because of transitional protection, the members existing scheme allows a higher percentage, this will be limited to a maximum of 25% on the protected rights element. If however, due to enhanced protection, the members existing scheme has a pension commencement lump sum maximum that is lower than 25%, the lower maximum percentage will also apply to the protected rights.

What benefits are payable from an individual's protected rights in the event of their death before benefits have commenced?

If they leave a surviving spouse or civil partner, all of the fund must be used to provide a pension for the survivor. If there is no surviving spouse or civil partner, the fund will be payable to any person or organisation that the deceased may have nominated in writing. Failing that, the fund will be payable to the deceased's estate.

If someone has no spouse or civil partner, can they arrange for their protected rights lump sum benefits to be payable into a trust set up for that purpose?

Protected rights death benefits cannot be written under trust. Any lump sum benefit must be paid in accordance with the deceased's written instructions – or, if there are none or they cannot be carried out for any reason (eg the death of the nominee), to their estate. This means that they could become subject to Inheritance Tax.

What benefits are payable on death by a protected rights fund after benefits have commenced?

This will depend on the type of pension being paid and whether the pensioner leaves a spouse or civil partner:

Annuity

The annuity rules for protected rights allow any annuitant to opt for a guaranteed payment period of up to 5 years. Also, if a person is married or in a civil partnership at the time of buying an annuity with protected rights monies, they are required by law to buy a survivor's annuity equal to 50% of their own. If they have also opted for a guarantee period and then die during this time, their own pension will continue for the remainder of the period, at the end of which the survivor's pension will become payable.

Unsecured Pension

If there is a surviving spouse or civil partner, all of the fund must be used to provide them with a pension. This can be in the form of an annuity (no guarantee period is allowed), or by unsecured pension/alternatively secured pension, as appropriate.

If there is no surviving spouse or civil partner, the fund can be used to provide a pension for a dependant. If there is no dependant then the fund, less a tax deduction of 35%, will be paid to a person/organisation nominated by the deceased in writing – or, failing that, to the deceased's estate.

Alternatively Secured Pension

If there is a surviving spouse or civil partner, all of the fund must be used to provide them with a pension. This can be by annuity (no guarantee period is allowed), or by unsecured pension/ alternatively secured pension, as appropriate.

If there is no surviving spouse or civil partner, the fund must be used provide a pension to a dependant, if there is one. If there is no dependant, the fund will be paid to a registered UK charity nominated by the deceased – or, failing that, to a registered UK charity selected by the scheme administrator.

Is it possible to phase benefits with protected rights?

Yes, if the pension is paid as an unsecured pension. However, where non-protected rights are also held with James Hay special rules apply to taking benefits (commonly known as proportionality). Please refer to the Technical Product Guide for further information. It is not possible to phase benefits where the pension will be paid in the form of an annuity.

What is significant about pre '97 and post '97 protected rights?

There is no difference between the two as far as taking benefits is concerned. However, there is a requirement for both to be identified separately within a scheme, in case they are subsequently transferred to a contracted-out defined benefit scheme.

There have been a number of changes to protected rights over the years, are more expected?

The next planned change is the abolition of contracting out on a money purchase basis (scheduled for 2012).

James Hay is able to provide literature in alternative formats. The formats available are: Large Print (as recommended by RNIB), Braille, Audio Tape and PC Disk. If you would like to receive this document in an alternative format please contact us on 0845 850 4455. For the hard of hearing and / or speech impaired, please use the Typetalk service via 18001 0845 850 4455.

JHAY 0809 MAR10 GDF