

The Benefits

Alternatively Secured Pension

Non-Protected Rights Plan

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This fact sheet is designed to give an overview of the benefits from the James Hay Personal Pension Plan when the member has attained the age of 75.

Although this fact sheet concentrates on alternatively secured pension (ASP), it should be noted that the option to purchase an annuity is available at any time.

Alternatively Secured Pension

What is ASP?

ASP is a form of income drawdown only available to scheme members who are age 75 and over. It was introduced as part of the legislative changes implemented on 6th April 2006. Prior to this change, scheme members were obliged to purchase an annuity when they reached age 75.

Income from ASP is subject to the following limits:

- Maximum income is 90% of the basis amount.
- Minimum income is 55% of the basis amount.

For information on how the basis amount is calculated please see the GAD calculations fact sheet.

What are our requirements for commencing ASP?

We require a signed benefit payment form (from the member) in all circumstances, and this must be submitted in time to allow James Hay to complete the request for the member's 75th birthday. Therefore, all paperwork will need to be submitted 30 days in advance of this date.

Can pension commencement lump sum be taken?

The legislation states that the member must become entitled to all their Pension Commencement Lump Sum (PCLS) in advance of their 75th birthday; otherwise any remaining PCLS is forfeit. Ordinarily, this means we will pay the PCLS in advance of this date; however, there are certain circumstances whereby the payment can be made after this date. Going forward from the 75th birthday the only available benefit is a pension income.

For more information on PCLS payments, please contact our Technical Support Unit.

What are the mechanics for paying income?

At least the minimum calculated income must be paid to the member in each successive 12-month period that commences from when benefits start. James Hay operates a payroll system whereby income payments are made on the first of the month; thus if members require their income annually in arrears and benefits started on 15th June, the required income will be paid on the 1st June of the following year.

Within the constraints of our payroll system members can choose the frequency of when they receive their income i.e. monthly, quarterly, half yearly and annually (in advance or arrears as appropriate).

As all income is paid under the PAYE system, it is very important that the member provides their latest tax coding so that we can deduct the correct amount of tax. In the absence of such information we will deduct basic rate tax or higher rate tax as appropriate. We then advise HMRC and if necessary they will issue a revised tax coding.

Can the member direct their income to a third party?

No. Members cannot assign their benefits to a third party. We must pay everything directly to our member's personal bank account.

When are the income limits reviewed?

Every year the income limits must be reviewed to ensure that the ASP fund can continue to provide a pension for life.

Does the whole plan have to be crystallised?

Yes. Although the James Hay plan has 1000 arrangements and each one is effectively its own mini plan, the legislation states the client must become entitled to all their benefits at age 75. Therefore no arrangements can remain uncrystallised after this date.

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