

The Benefits

Scheme Specific Lump Sum Protection

Non-protected rights monies

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Where an individual had rights, within an occupational pension scheme or a Section 32 contract, to tax-free cash as at 5 April 2006 of greater than 25% of the value of their pension benefits as at that date, those lump sum rights are automatically protected. This is known as scheme specific lump sum protection



Scheme Specific Lump Sum Protection

Scheme Specific Protection & Enhanced / Primary Protection

Scheme specific protection does not apply if the individual has been granted Primary or Enhanced protection and, on 5 April 2006, had a total lump sum entitlement in excess of £375,000. For more information on Primary or Enhanced protection please see the relevant fact sheet

What happens if I transfer to another scheme?

The scheme specific protection will be lost on transfer to another scheme, unless the transfer is a block transfer (See the fact sheet on Block Transfers).

I have Scheme Specific Protection, how does this work?

The member's pension commencement lump sum (PCLS) is calculated as follows:

- The amount of the protected lump sum, as at 5 April 2006, re-valued in line with increases in the standard lifetime allowance plus
- An additional amount in respect of any fund growth since 5 April 2006, calculated using the following formula:

25% of (the value of crystallised benefits less the indexed* value of the block transfer fund as at 5 April 2006)

* Indexed in line with increases in the standard lifetime allowance

The protection applies across all of a member's entitlement under the scheme. So, if a member has additional SIPPs with James Hay, the PCLS in respect of these SIPPs will be calculated by including the fund values from these SIPPs in the "value of crystallised benefits".

The protected lump sum is always expressed as a specific amount – not a percentage.

Example of how the PCLS increases:

Transfer value	£100,000
PCLS as at 5 April 2006	£40,000
SLA at 5 April 2006	£1,500,000
SLA at date of crystallisation (2010/11)	£1,800,000
Fund value at date of crystallisation	£200,000

$$\text{Lump sum calc} = \frac{£1,800,000}{£1,500,000} \times £40,000 = £48,000$$

$$\begin{aligned} \text{Additional lump sum calc} &= 25\% \times [£200,000 - (£100,000 \\ &\quad \times £1,800,000/£1,500,000)] \\ &= £20,000 \end{aligned}$$

$$\text{Total lump sum} = £68,000$$

Scheme specific lump sum protection can only apply under a James Hay SIPP if a transfer is made on or after 6 April 2006 as part of a block transfer.

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