Pension transfers

AF7: 2017–18 edition

Web update 2: 5 October 2017

Please note the following updates to your copy of the **AF7** study text:

Please disregard chapter 3, revision question and answer 4, pages 3/31–32

Chapter 4, revision question and answer 3, pages 4/47–48

Replace question text with the following:

> Terry, who is 58, earns £18,000 p.a. and has no other sources of income. He has an uncrystallised personal pension fund valued at £280,000. He would like to take a net withdrawal of £20,000 from the pension in 2017/18. He is trying to achieve this while paying as little tax as possible in 2017/18. How best might he achieve this?

Replace the answer text with the following:

> Terry should crystallise £80,000 of his pension fund. He should take the 25% pension commencement lump sum to provide the £20,000 tax-free, and then leave the related taxable crystallised element (£60,000) in flexi-access drawdown until such time as he needs it in a future tax year.

Chapter 5, section C3C, page 5/25

Replace section with the following text (changes highlighted in **bold**):

The pension flexibilities do not apply to the PPF. A PPF trivial commutation lump sum can, however, be paid in respect of PPF compensation once the scheme has been transferred and where the member:

- has a minimum age of **55**;
- is under age 75; and
- has £30,000 maximum overall benefits.

A twelve month 'window' applies (from the first trivial commutation payment) during which any schemes being commuted must be completed.

Be aware

The benefits the PPF can pay in compensation are set out in specific PPF legislation, and so do not always follow the pattern of benefits more generally applicable to occupational pension schemes. For example (as demonstrated earlier), the PPF trivial commutation lump sum payment cannot be paid before the member reaches age **55** and must be taken by age 75. Non-PPF trivial commutation lump sum payments can be taken from age 55.