

## **Normal minimum pension age to rise to 55 from April 2010**

As part of the pension reforms announced by the government in 2003, the normal minimum pension age will rise from 50 to 55 from 6 April 2010. After that date, people will normally only be allowed to start receiving their pension payments from an occupational or a personal pension scheme when they are 55 or older. The exceptions are where they have severe ill health problems or can start their pensions at a lower age that is protected by the pension tax law (see [glossary](#) for more on this).

If you are between 50 and 55 and already receiving pension payments, this change to the normal minimum pension age will not affect those payments.

### **Flexible retirement**

Under previous tax rules, people must leave employment in order to access an employer's occupational pension.

As part of the 2003 reforms, the government has relaxed the old tax rules to enable employers to offer their employees the option of flexible retirement. This is because many people want to work for longer or combine work and retirement in light of considerable improvement in life expectancy over recent years.

People who are still fit and able as they approach the end of their careers will be able to withdraw gradually from the labour market, combining employment and pension income however they wish, so long as their own pension scheme allows it.

### **Changes to pension schemes' minimum ages**

For contributions to a pension scheme to qualify for tax relief, the scheme has to set a minimum age for when a member can draw their pension. Before the reforms announced in 2003, there were different minimum pension ages depending on the type of pension scheme. If payments were made to members before the scheme's minimum age, an extra tax charge would apply.

The reform announced in 2003 introduced a single minimum age of 50 to apply to all pension schemes that qualify for tax relief from 6 April 2006 and this will rise to 55 from April 2010.

The government has decided to leave individual employers and pension schemes to decide how and when to move to the normal minimum pension age of 55 by 2010. Some schemes have already raised their minimum pension ages to 55 or higher, in anticipation of this change. The upper age limit of 75 to start drawing a pension is not changing.

## **Where can I get information and advice?**

Employers and pension scheme administrators decide how and when to implement this change in a way that best suits the needs of their schemes and members. Schemes may also have their own administrative time limits for processing any applications to start a pension before 6 April 2010.

To help you to understand the change and its effects, we have prepared a few general [questions and answers](#) and a [glossary of pension terms](#).

While the tax rules set out the tax treatment of any payments from your scheme, HM Revenue & Customs (HMRC) does not have any say in the provision of the pension benefits or timing of payments as these are contractual matters between you, your employer and the scheme administrator. So if you want advice on your own pension arrangements, please discuss this with your employer, pension scheme administrator or financial adviser.

However, if you have any questions about the tax rules and you cannot find the advice in the [questions and answers](#), or the relevant tax guidance included in the [Registered Pension Schemes Manual](#) or in [Pension Schemes Newsletter 38](#) that was published on the HMRC website on 16 December 2009, please ring our helpline on Tel 0845 600 2622 between 9.00 am to 5.00 pm, Monday to Friday or write to the Pension Scheme Services, FitzRoy House, Castle Meadow Road, Nottingham, NG2 1BD.

## Questions and answers

**Q1. I was promised I could have my pension early. How would the change affect me?**

**A1:** Some members of occupational pension schemes had a right as at 6 April 2006 to take pension benefits (see [glossary term 1](#)) at their request from an age lower than the normal minimum pension age, often in the case of redundancy. The tax law protects this right to a lower minimum pension age in certain circumstances.

Where this 'protected pension age' (see [glossary term 2](#)) applies, the relevant individuals may still start receiving their pensions before age 55 on or after 6 April 2010.

However, to qualify for a protected pension age, the right to a pension before age 55 must be 'unqualified' (in that no other party need to consent to the individual's request before it becomes binding upon the scheme or contract holder), and the provision to pay benefits before age 55 must have been set out in the documentation of the pension scheme on 10 December 2003. This is the date of the consultation document that first introduced the concept of a protected pension age.

**Q2 I cannot work because of my severe health problems and I am under 55. Does this mean that I can't draw my pension after 6 April 2010?**

**A2.** Moving the normal minimum pension age to 55 will not prevent employers or pension schemes from offering retirement at an earlier age to people who have severe health problems (see [glossary term 3](#)). That will still be allowed without any extra tax charges as now.

**Q3 Why can't I take my pension now, it's my money and I need the funds?**

**A3.** The government provides generous tax relief (worth a net total of £18.9 billion in 2007-08) to encourage people to save to provide themselves with a secure income in retirement. By the time a person reaches retirement it is possible that more than half of their pension fund will be made up of tax relief. It is only fair to impose some restrictions to ensure that money built up with the benefit of tax relief is used for its intended purpose.

Therefore the tax rules set a normal minimum pension age at which a pension can first be taken. This is currently set at age 50 although this will rise to age 55 in April 2010. However pension schemes may choose to adopt a higher minimum pension age. Government policy is to encourage greater participation in the labour market by older workers. Allowing people to opt out at 50 goes against this and so the Government decided, as part of the reforms, that the age of starting a pension would be raised to 55.

**Q4. I have just turned 50. Does that mean that I have to wait five more years before I can retire and draw my pension after April?**

**A4.** When to retire is a personal matter and depends on personal circumstances. Whether you can retire and draw your pension before you reach the normal minimum pension age without incurring extra tax charges depends on whether you have a protected pension age (see [glossary term 2](#)). You should check with your employer or pension scheme administrator or financial advisor if you are not clear about your entitlement or you have received no such information from them.

**Q5. What should I do if I'm thinking about taking my pension benefits before 6 April 2010 when I will be younger than 55?**

**A5.** We recommend you contact your employer or scheme administrator as soon as you can to find out what they need to know from you and by when. This is because finalising pension arrangements can take time, and your scheme may have a large number of retirement applications to process before 6 April 2010 when the normal minimum pension age will rise to 55.

If you take some of your pension benefits (see [glossary term 1](#)) after reaching the existing normal minimum pension age of 50 but are not yet 55 by 6 April 2010, the benefits that you will have already taken before 6 April may continue to be paid after that date without incurring any extra tax charges.

**Q6. I am just over 50 and have asked my employer to start paying my pension benefits. What happens if my employer cannot start my pension payment until after 6 April 2010?**

**A6.** The normal minimum pension age that applies to you is the one applicable to everyone at the time when you take your pension benefits (see [glossary term 1](#)). So it is important to ensure that you take your benefits before 6 April 2010 if you want the current normal minimum pension age of 50 to apply.

**Q7. My 50<sup>th</sup> birthday falls within the period from 2 to 5 April which is the Easter holiday and so my scheme administrator cannot make the relevant pension arrangements until 6 April. Will I have to pay extra tax charges?**

**A7.** HMRC accepts that these arrangements should be treated as if they were made on the actual birthday.

**Q8. I have taken benefits from part of my pension scheme. When can I take the rest?**

**A8.** You should, in the first instance, speak to your scheme administrator. The question suggests you are awaiting a second pension from the scheme. In that case the 'date of entitlement', ie the time when arrangements are

finalised for the payment of that second pension, will determine which normal minimum pension age will apply. If the entitlement to the second pension arises after 5 April 2010, then the minimum pension age applicable to that second pension will be 55.

**Q9. Why can't the government change the normal minimum pension age gradually over years rather than introducing a sudden increase on 6 April?**

**A9.** The government announced the change in 2003 and delivered the relevant tax rules through legislation in the following year. The change will come into effect from 6 April 2010. This deliberate time lag allowed for employers and pension scheme administrators to decide and plan how best to implement the change to suit the needs of their own pension scheme members. For example, some employers have chosen to phase in the change over the years leading up to April 2010.

## **Glossary of pension terms**

### **(1) Taking pension benefits**

Before you receive any actual pension payments, arrangements have to be finalised with whoever will provide the pension. This might involve the scheme purchasing an annuity from an insurance company, or it might just mean you giving the scheme your bank details and confirming some pension options that were offered to you. Either way, this can take some time, so the expression 'taking benefits' is used here to refer to whenever those arrangements are finalised. If arrangements for a particular pension are finalised before 6 April 2010, then the normal minimum pension age for that pension gets 'frozen' at 50 in effect.

### **(2) Protected pension age**

This term is used to describe a situation where, as at 5 April 2006, an individual had a right to take pension benefits from:

- an occupational pension scheme before the age of 55 under a scheme rule in force on 10 December 2003
- from a personal pension scheme or retirement annuity contract before the age of 50 and the individual was in a certain occupation prescribed under the law

For individuals in an occupational scheme who were a member of that scheme on 10 December 2003, they must also have a right to take benefits before age 55 on both 10 December 2003 and 5 April 2006.

It is also important to know that the right to early payment of pension benefits must be one that can be exercised without having to obtain consent from the pension scheme trustees, your employer or any other person. In other words, the right must not be qualified in any way.

Sometimes a person only has a right to take benefits before the normal pension age when s/he meets certain conditions. For example, some schemes only give the right to early payment of benefits, without needing anyone's consent, if the person concerned is made redundant. If a person meets the condition set by the scheme rules, so in this example s/he is made redundant, then s/he may have a protected pension age.

### **(3) Ill health treatment**

If the rules of a registered pension scheme contain a relevant provision and the scheme administrator has received evidence from a registered medical practitioner and is satisfied that the member is (and will continue to be) either:

- incapable of carrying on their occupation because of either mental or physical illness or other such impairment
- suffering from serious ill health, which means the member's expectation of life is less than one year

then, subject to certain other requirements, regular benefits or a lump sum that uses up the member's pension entitlement, may be paid before the normal minimum pension age that would otherwise apply to that member.