

From: <redacted>
Sent: 20 April 2011 17:12
To: <redacted>
Cc: <redacted>
Subject: PPS commutation factors

Peter, Adrian, Jenny

I attach the new commutation factors for PPS. These are effective from today and so should be forwarded to administrators as soon as possible. Please copy me in on the relevant correspondence.

<redacted>

For the first time, some commutation factors are above 20. As a result, if a member commutes 25% of pension and has a commutation factor above 20, this will lead to a lump sum that is above the HMRC tax-free limit. This means that:

- the member will be subject to an unauthorised payment charge (40% on the part of the lump sum that is an unauthorised payment)
- the member may be subject to an unauthorised payments surcharge (15% on the part of the lump sum that is an unauthorised payment, but only if this has passed a threshold)
- the scheme may be subject to a scheme sanction charge (typically 15% on the part of the lump sum that is an unauthorised payment although this could be up to 40% in some circumstances or could be nil)

Members can remain within the HMRC limit by choosing to commute a smaller proportion of their pension. We have provided an example of this in the guidance. Please note that this is based on the current standard tax arrangements and assuming that there are no individual complexities. It is for the authorities to ensure that the appropriate tax arrangements are administered for individual members.

Regards

<redacted>

<<PPS commutation guidance 20April2011.pdf>>

<redacted>
Actuary
Government Actuary's Department
Finlaison House
15-17 Furnival Street
London EC4A 1AB

<redacted>

<redacted>

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