

PROTECTED RIGHTS

What are Protected Rights?

Since 1988 it has been possible to opt out of the State Second Pension (S2P) or its predecessor the State Earnings Related Pension Scheme (SERPS). In exchange for giving up benefits under these schemes the government pays a “rebate” into an Insured Scheme or Occupational Scheme on behalf of the individual. These rebates together with investment growth form “Protected Rights”.

Opting out will be scrapped in April 2012 when the differences between Protected Rights and funds built up by your own or your employer’s contributions will cease to exist.

Can I consolidate my Protected Rights with my other SIPP benefits?

From 1 October 2008 the rules have been amended so that Protected Rights can be held in Self Invested Personal Pensions (“SIPPs”). This means that those who wish to have all of their pension benefits held under one roof can do so and enjoy the flexibility and control afforded them by their SIPP.

What Investments can I make with my Protected Rights?

Prior to the changes, Protected Rights could only be held in insured contracts, cash or Government Bonds. These restrictions will cease to apply from 1 October 2008 and the investment choices will be the same as those currently available under the SIPP for your other funds.

Whilst Protected Rights will be held within a separate arrangement under the umbrella of your SIPP they can be globally invested with your other funds built up to date.

When must I take my Protected Rights?

The benefits built up from Protected Rights can come into payment at any time after age 50 prior to 5 April 2010 and from age 55 after 5 April 2010. They can be paid with or independently of your other pension benefits, depending upon your circumstances and requirements at that time.

What benefits will I receive?

At retirement you can receive a tax free lump sum of up to 25% of your Protected Rights. The balance of the Protected Rights must be used to support a pension which can be paid directly from your SIPP or secured through the purchase of an annuity. The actual level of benefits will depend upon the size of your fund, your age and interest rates at the time the benefits are put into payment.

If you choose to secure the benefits through an annuity purchase prior to April 2012 a spouse’s or dependant’s pension must be provided.

What happens on my death before retirement?

If you die before commencing your Protected Rights benefits and are survived by a spouse, civil partner or dependant children, your Protected Rights must be used to provide a pension to that person. If you are not survived by a spouse, civil partner or dependant children, the Protected Rights can be paid as a tax free lump sum benefit to whoever you nominate.

What happens if I die when my Protected Rights are in payment?

Should you die after retirement, the options available are similar to those for your other benefits built up by your own or your employer's contributions. These might include a return of the fund less 35% tax on death prior to age 75, a spouse's, civil partner's or dependant's pension or annuity purchase.

Can I transfer my Protected Rights to an alternative Provider?

Yes, you can transfer your Protected Rights to another provider of your choice at any time, whether the benefits have been put into payment or not.

Can I contract out through my SIPP?

Whilst your SIPP has been designed to receive Protected Rights transfers, it is not possible for future rebates to be paid into your SIPP.

Please note that Dentons Pension Management Limited is unable to provide any advice on the merit or otherwise of transferring Protected Rights entitlements from one pension scheme to another. In the event that you require such advice, you should seek this from your usual advisory source.

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