

Increase in normal minimum pension age

On 6 April 2010, the earliest age at which a member of a UK registered pension scheme can ordinarily draw his or her pension increased from 50 to 55. This age is known as normal minimum pension age (NMPA). Subject to two exceptions, a pension scheme that pays a pension before NMPA on or after 6 April 2010 will make an unauthorised payment, meaning that the member will become liable for an **unauthorised payments charge**. In addition, repeated unauthorised payments may open a scheme to a potential **scheme sanction charge**.

The two exceptions are:

- **Ill health pensions**

Members who meet the ill-health condition can continue to receive early payment of their pensions after 6 April 2010, whether or not they have reached NMPA.

- **Protected pension ages**

Members who had a right (including a prospective right) on 5 April 2006 to take their pensions between the ages of 50 and 55 are entitled to exercise that right after the change to NMPA comes into effect. The right must:

- be unqualified, for example, it cannot depend on a sponsoring employer giving consent; and
- have been contained in the scheme's governing documents on 10 December 2003, the date when the government announced its plans to change NMPA.

Unauthorised payments charge

An unauthorised payments charge is a charge to income tax made on an unauthorised payment. The charge is made at a rate of 40% of the unauthorised payment. An additional surcharge of 15% is levied if the unauthorised payment exceeds specific limits.

Scheme sanction charge

A scheme sanction charge is a tax charge on registered pension schemes that make unauthorised payments. A scheme sanction charge is payable at the rate of 40% of the unauthorised payment. The scheme administrator is liable to pay the charge.

What steps should businesses take in relation to the changes?

- Find out whether your pension scheme rules provide protected pension ages for certain members.
- Take legal advice on whether your pension scheme rules need to be amended.
- Prepare announcements for any affected members of your pension scheme.
- Put in place administration systems to deal with any complex or transitional cases.