For professional advisers only

Adviser factsheet

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Protected pension age

Introduction

If previously uncrystallised benefits under a registered pension scheme come into payment for a member who is below the age of 55 (the current normal minimum pension age), then the payment will be deemed an unauthorised payment. This means that it will be subject to a tax charge, unless the scheme member has a protected pension age, or benefits are being taken on the grounds of ill health.

Features

- Personal pension scheme
- Occupational pension scheme
- Retaining a protected pension age on transfer
- Other considerations
- Increase in normal minimum pension age from 55 to 57

Protected pension age

Personal pension scheme

Where an individual was a member of a personal pension scheme on 5 April 2006 and had a right to retire before age 50 because their occupation is one prescribed by Regulation 3 of The Registered Pension Schemes (Prescribed Schemes and Occupations) Regulations 2005 - SI 2005/3451, then the right to retire at the age specified under the scheme is protected.

The most common examples are professional footballers; their normal retirement age is 35. However, there is a range of 'prescribed' occupations; further information can be found on page PTM062220 of the Pensions Tax Manual.

Occupational pension scheme

Similar protection is provided for a member of an occupational pension scheme who had an unqualified right as at 5 April 2006 to retire before the normal minimum pension age.

Retaining a protected pension age on transfer

Ordinarily, protected pension ages will be lost upon transfer to a new scheme, unless the transfer is made as part of a Block Transfer. For more information on Block Transfers please see the Block Transfers factsheet.

Other considerations

1. When a member wishes to commence benefits, they must fully crystallise all rights held under the scheme at the same time. No phasing of benefits is permitted, even if the other benefits are held in separate arrangements under the same scheme.
2. Where a member with a protected pension age of less than 50 takes benefits before normal minimum pension age, the lifetime allowance is reduced by 2.5% for each complete year between the crystallisation date and the normal minimum pension age. For example, a member who is 35 in the tax year 2023/24, the tax year of crystallisation, and who is subject to the standard lifetime allowance would see a reduction in their lifetime allowance from £1,073,100 to £563,378.

Increase in normal minimum pension age from 55 to 57

With the exception of members of uniformed service pension schemes, this increase is scheduled to take effect from 6 April 2028. There are no changes for those members who already have an existing 6 April 2006 protected pension age.

A new protected pension age framework has been put in place for members of registered pension schemes. To have a protected pension age of under age 57 from 6 April 2028, the rules of the pension scheme must have included an unqualified right for members to take pension benefits below age 57.

Under this framework, there is no requirement for all benefits under the scheme to be taken at the same time.

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