



Joint Superannuation Services: Providing the Research Councils' Pension Scheme since 1994

Taking a small pension as a cash lump sum

You may be able to take the whole of your pension as cash, whether your pension is defined benefit or defined contribution. Taking cash in this way is called taking a 'trivial commutation' or 'trivial lump sum'.

Because of the new flexible rules for defined contribution schemes, trivial commutation only applies to defined benefit schemes from 6 April 2015 onwards. However defined contribution benefits must still be taken into account with regards to the £30,000 limit for trivial commutation purposes.

Rules on taking a small pension as a cash lump sum

You may be able to take the whole of your pension as a trivial commutation lump sum if:

- You're aged at least 55, or you're retiring at an earlier age because of ill-health; and the value of all your pension benefits (ignoring any State Pension and/or Survivor Pension) when added together do not exceed £30,000 in total.

Valuing your pension benefits:

- For defined contribution pension schemes, including all personal pensions, the value of your benefits will be the value of your pension pot used to fund your retirement income and any lump sum.
- For defined benefit pension schemes, you calculate the total value by multiplying your expected annual pension by 20. In addition, you need to add to this the amount of any tax-free cash lump sum if it is additional to the pension.

You may be able to take the whole of your pension as a small pot if:

- you're aged at least 55, or you are retiring at an earlier age because of ill-health; and
- the value of your pension arrangement does not exceed £10,000.

Unlike trivial commutation, you do not have to take into account any other pension benefits you may have, when giving up a pension for a small pot. The Government will allow you to give up three pension arrangements under the small pots rule.

What happens if I have more than one defined pension for trivial commutation purposes?

If you can give up more than one pension for trivial commutation purposes, you do not have to take them all at the same time. You have a period of twelve months from the date you were paid the first lump sum payment to commute the rest. If you fail to do so, you lose this option.

Tax treatment of taking a trivial commutation lump sum and/or a small pot

If benefits are not in payment, you should have the option to take 25% of the pension value as a tax-free cash sum. The remainder is added to the rest of your taxable income in the tax-year in which you take it when determining any income tax liability



Joint Superannuation Services: Providing the Research Councils' Pension Scheme since 1994

If benefits are in payment or is in relation to a survivor pension, the lump sum value of your pension will be added to the rest of your taxable income in the tax-year in which you take it when determining any income tax liability.

Interaction with state benefits

Taking cash withdrawals may have implications with debt or entitlement to means-tested benefits. If you are concerned about this you should contact Pension Wise, the Citizens Advice Bureau or the Money Advice Service.

Other considerations

If you choose to commute your benefits into a one off lump sum, the survivor pension is also taken into account with the calculations and all liabilities for a survivor pension are discharged. Any death benefit lump sum will also be discharged once the payment has been made.