Triviality Example 3

Harry Smith has a Personal Pension with Windsor Life. The current fund value is £1,800.

Harry also has the following pension benefits:

- An increasing annuity with another pension provider that started in April 2000 which was worth £25 (gross) per month then and had increased to £30 (gross) per month as at 5 April 2006.

- Two pensions in respect of two different former employers that started after 6 April 2006.

(He is a basic rate tax payer).

He turns to SECTION 1 of Form E and checks the personal details that have been completed. He is happy that these are correct.

SECTION 2 - Harry has never received a lump sum on the grounds of triviality from any registered pension scheme, he answers NO to this question.

SECTION 3 – Harry is asked if he wants to nominate a date on which to check if his Windsor Life pension can be taken under the triviality rules. If he chooses not to, then Windsor Life automatically uses the retirement date on the policy. Harry decides not to choose a date (and ticks the box that confirms this) so his retirement date (in respect of his Windsor Life policy) is taken as the Nominated Date.

SECTION 4 – Harry has a pension in payment that started before 6 April 2006 from another insurance company. He therefore carefully works through the notes to help him complete box A on Form E.

The notes will help him put a value on this pension that started before 6 April 2006.

Harry completes the table in the notes as follows:

Source of Funds	Pension Amount on 5 April 2006 (a)	Valuation Factor (b)	Total (c) = (a x b)	SLA at 6 April 2006 (d)	% of SLA (e) = $\frac{(c)\times 100}{(d)}$
Pension with other pension provider	£360	25	£9,000	£1,500,000	0.6%

In column (a) of the table, Harry remembers that he needs the gross annual pension as at 5 April 2006 and so multiplies his gross monthly pension of £30 that he was receiving as at 5 April 2006 by 12 to give him an annual amount of £360.

In column (b), this valuation factor is always 25.

Harry calculates the value in column (c) by multiplying 360 and 25, to get an answer of 9,000.

The SLA at 6 April 2006 is always £1,500,000.

Harry calculates the figure in column (e) as 9000 divided by £1,500,000 which equals 0.0006 and then multiplies this by 100 to get a figure of 0.6%.

Harry then enters a figure of 0.6 in Box A on Form E.

The notes say that Harry must supply Windsor Life evidence of this pension in payment and so he copies a letter from the other pension provider which confirms that the annuity started prior to 6 April 2006 and he copies a bank statement of March 2006 which showed monthly pension payments of £23.40.

(As Harry was a basic rate tax payer in 2006 when the basic rate was 22%, his gross monthly pension of £30 is taxed at 22% and this results in a net payment of £23.40)

SECTION 5 – Harry has two pensions that started after 6 April 2006 in respect of former employers. He contacts the pension scheme administrators of his former employers and asks them to provide him in writing with a value of those benefits expressed as a percentage of the SLA.

His first former employer writes back and informs him that his pension benefits represent 0.05% of the SLA.

The other employer writes back and informs him that his pension benefits represent 0.1% of the SLA.

He therefore enters the total of 0.05 + 0.1 = 0.15 in Box B on Form E.

He takes copies of the letters that he has received from the pension scheme administrator of his former employers which sets out what his benefits are as a percentage of the SLA as he needs to send this as evidence of those benefits to Windsor Life.

SECTION 6 – He has not had any other payments (such as a serious ill health lump sum or a transfer of benefits to an overseas scheme) since 6 April 2006.

He therefore enters a zero in Box C on Form E.

SECTION 7 – Harry notes that Windsor Life have confirmed to him on the covering letter of his vesting pack that his Windsor Life benefits with a fund value of £1,800 represent 0.1% of the Standard Lifetime Allowance (SLA).

(This has been calculated by dividing £1,800 by £1,800,000 (the SLA for the tax year 2011/2012) and then multiplying the answer by 100).

He therefore enters 0.1 in Box D on Form E.

Harry then adds up all of the figures in Boxes A, B, C and D and enters the resulting figure of 0.85 (0.6+0.15+0+0.1 = 0.85) in Box E.

Harry reads the important declarations made in section 8.

He then signs, dates and prints his name at the bottom of the form.

He sends back his evidence of benefits from his former employers and Form E to Windsor Life.

Harry keeps the ‘Notes for Form E’ for future reference – there is no requirement to send these notes back to Windsor Life.