


The logo for the Pension Protection Fund, featuring a blue curved line above the text.

Pension  
Protection  
Fund

Protecting people's  
futures

A photograph of two women sitting at a table. The woman on the right is wearing glasses and an orange top, smiling broadly while holding a cup. The woman on the left is seen in profile, wearing a blue and white patterned top. A large purple curved line is overlaid on the image, framing the text.

When you  
retire

---

## Register on our member website

We've developed a secure website for the exclusive use of our members.

If you haven't already, please register as soon as you can because this website is the quickest and easiest way for most people to get information about their payments.

Once you've set up an account, you can do lots of things including updating your personal details and starting your payments, if you haven't yet retired.

To register, please go to the website at **[www.ppf.co.uk/members](http://www.ppf.co.uk/members)** and follow the registration instructions.

If you have any questions or concerns about anything included in this booklet, please visit our member website or contact us.

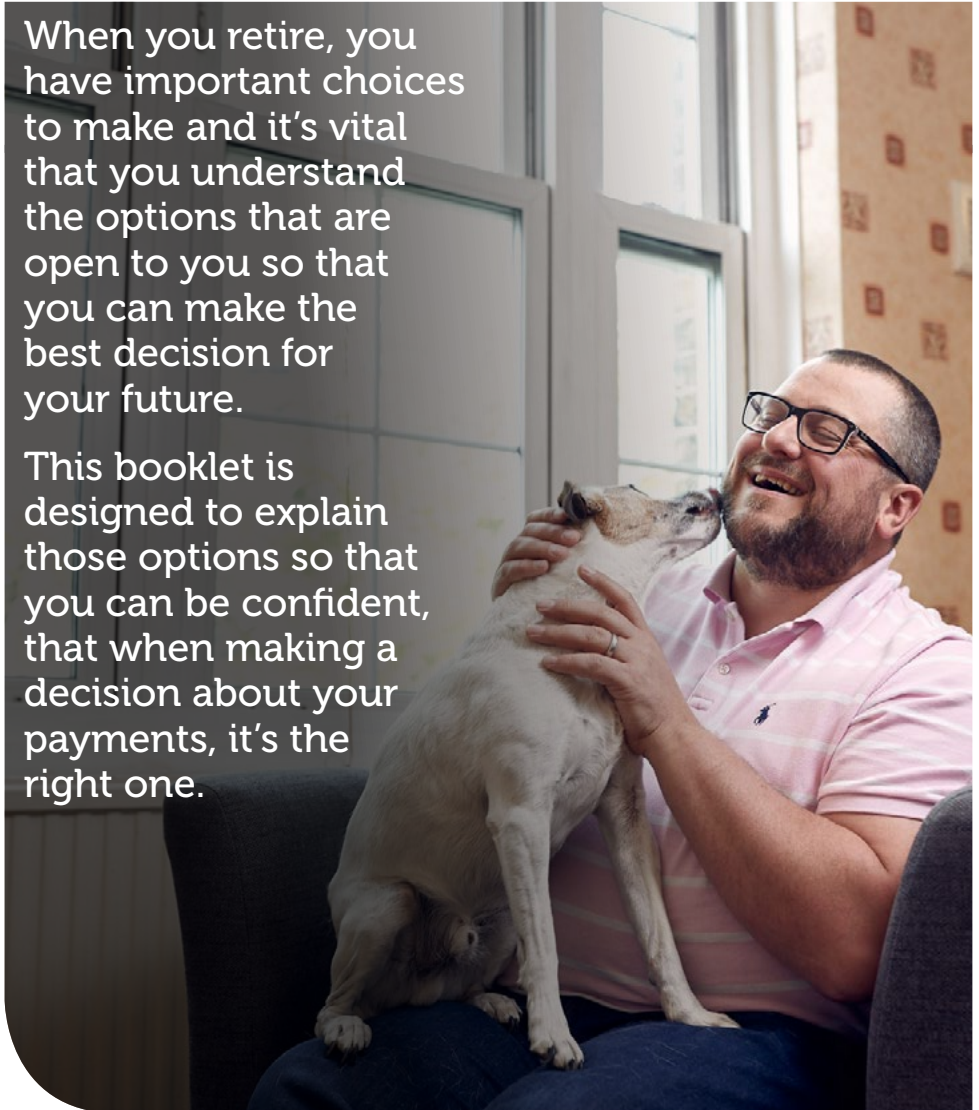
Contact details are at the back of this booklet.

# Introduction

---

When you retire, you have important choices to make and it's vital that you understand the options that are open to you so that you can make the best decision for your future.

This booklet is designed to explain those options so that you can be confident, that when making a decision about your payments, it's the right one.



# Your retirement options

---

If you're about to retire, you'll generally receive, alongside this booklet, an illustration with your retirement options. You then need to choose which option best suits you and retire online using our secure member website. Or if this isn't possible, you'll need to let us know your chosen option and we'll process your retirement for you.

Remember that the figures shown will be an illustration only and your actual payments will be calculated when you've made your choice from the options available.

We'll have based the illustration on any information you and your former scheme have given us. If any of the information is wrong, please get in touch with us.

Please note that all payments must be paid directly into an account in your name. We'll pay you in advance, generally by the first working day of the month.

## **Normal retirement**

You can retire when you reach your normal pension age.

We'll contact you with details of your retirement options closer to your normal pension age, but you can also check your options yourself, using our benefit modeller tool on our member website. Your normal pension age will be based on the rules of your former scheme.

You'll receive compensation payments from the PPF. For more information about how compensation is calculated, please visit our member website.



### What happens when compensation is paid at different times?

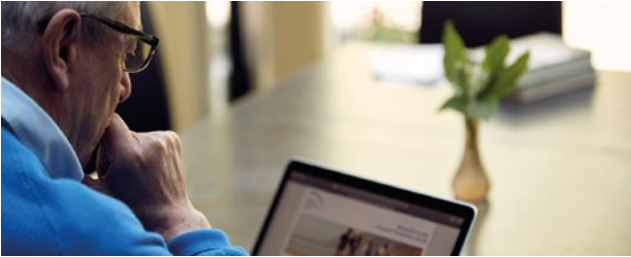
Parts of your compensation may be payable at different times. For example, you may have one part of your compensation which is payable when you're 60 years old, and another part which is payable when you reach 65 years old.

If your payments are due at different times, there are some options available to you.

- Using the example above, you can take the payments due when you reach the age of 60 and leave the rest until it becomes due.
- When you reach the age of 60, you can put off receiving your payments until you're 65 years old – so you can receive all your payments at one time.
- You can take your later payments early and start receiving them at the age of 60, although the payments will reduce because you're being paid before your normal pension age and therefore over a longer period.

- You can put off receiving all of your payments till a later date, up until the age of 75. These payments will be increased using a late retirement factor because you'll be paid after your normal pension age.
- But, you cannot put off receiving any payments beyond their due date if you're already receiving payments from us. By this, we mean that if you're already receiving payments which were due at the age of 60, you cannot delay receiving those payments due at the age of 65.

Please call us if you have any further questions or want to discuss an option not set out in the illustration.



### Early retirement

You may be able to receive your compensation earlier than your normal pension age.

You have to be 55 years old or over to do this – unless you have a right to take your pension earlier under the rules of your former pension scheme (known as ‘protected’ pension age). However please be aware this could never be below age 50.

If you want to receive your compensation early, you should contact us for an early retirement illustration, or visit our member website.

Because you’ll be receiving your payments early, the amount you’ll receive will be lower than what you would’ve received at your normal pension age, as it’s being paid over a longer period.

### Deferring your payments to a later date

You might want to start receiving your payments later than your normal pension age.

You can put off receiving payments up until the age of 75. You just need to let us know as soon as you can when you think you’d like to start receiving your payments (but please note that special rules apply if you have benefits payable from different ages – see the previous page).

After you reach your normal pension age your benefits will no longer increase by inflation.

Instead, your payments will then be increased using a late retirement factor to take into account the fact that they’re being paid later.

If you change your mind about deferring your payments and want to take your payments earlier or later than planned, then contact us and we’ll provide you with a revised illustration based on the new payment date.

Alternatively, you can visit our member website.

---

## Making the right choice

To help you make the right choice, we've explained some of the options available and the terms used to describe them:

### Tax free lump sum option

Your illustration will tell you what compensation you'll receive if you decide to give up some of your payments to receive a tax free lump sum.

The figures in the illustration will be based on the maximum lump sum that you can receive.

You can choose whether or not you want to take the lump sum.

If you take the lump sum, you can choose an amount that is less than the maximum possible. For example, if your maximum lump sum is £50,000, you can ask for a lower lump sum of, for instance, £20,000.

We'll then calculate a new figure for your monthly payments based on the lump sum you've asked for.

You can also use our benefit modeller on our member website, which will allow you to explore your options yourself.

Your lump sum is payable on your retirement date. If this falls on a non-working day, it will be payable the following working day. As we make these payments by BACS, please allow 3 to 5 working days from the date the lump sum is paid, for the money to reach your account. Your compensation payment will generally reach your account by the first working day of the month.

### Recycling lump sums

Recycling is the term used by the pensions industry for people who use some or all of their tax free lump sum to make contributions to a different registered pension scheme.

Special tax rules apply to this practice. So, if you plan to use your compensation lump sum to buy additional pension benefits in a separate pension scheme, you need to declare it as you may incur a tax charge.

Further details can be found on Her Majesty's Revenue & Customs (HMRC) website [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

---

### Trivial commutation

This term simply means taking all the payments that you're due as a one-off payment rather than taking it in monthly instalments.

But if you want to take advantage of this option:

- you must be between 55 (or earlier 'protected' pension age of at least 50) and 75 years old
- your benefits due from all pension schemes plus your PPF compensation – must not be above a certain limit, and
- if you've already used this option with another pension scheme, you must take your PPF compensation within 12 months of that earlier payment.

If we think you may be eligible for this option, we'll include it on the retirement illustration we send you.

Trivial commutation lump sums are taxable and so are paid through our monthly payroll. 25 per cent of the payment is tax free and the rest is taxed at the basic rate. This means

that lump sums are paid on the first of the month, after the retirement date.

### Lifetime allowance

Since 6 April 2006, people have only been allowed a maximum amount of pension benefits throughout their lifetime without triggering a tax charge. This amount is called the lifetime allowance.

Most people aren't affected by this.

The lifetime allowance is set each tax year and relates to the benefits people receive from all the pension schemes they belong to. If you want to check what the level is then go to the HMRC website [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Some people may have special protection for their benefits, under HMRC rules. If this applies to you, please let us know as soon as possible.

If you think you may be affected by the lifetime allowance or 'enhanced protection,' we recommend that you seek advice from an independent financial adviser.





### Compensation cap

The total amount of compensation anyone can receive each year is capped at a certain level.

This cap is set by government and is recalculated every year. The vast majority of members aren't affected by this cap.

A higher cap may apply to members who paid into their pension scheme for 21 years or more.

If your payments have been capped, this will be shown on your retirement illustration.

The compensation cap is reviewed annually each April. If you're considering retiring in April or soon after and are impacted by the cap, the revised cap figures may not be available when producing your quotation. This means the figures quoted could go up or down.

Please note that, if you want to put off receiving your compensation payments until after your normal pension age, the cap will be applied at your normal pension age. This means that deferring payment doesn't make you more likely to be capped.

Details of the cap can be found on our member website.

The amount of compensation we pay has been the direct or indirect subject of three court cases. The vast majority of members aren't affected by these rulings.

The Court of Justice of the European Union (CJEU) ruled in September 2018 that pension scheme members should receive at least 50 per cent of the value of their accrued old age benefits, if their employer became insolvent. Since the ruling, we've implemented some changes to our processes. Work is ongoing to pay increases to all members who are affected by the ruling.

The CJEU ruled in December 2019 that any reduction in accrued old age benefits mustn't bring a household

---

below the at-risk-of poverty threshold. We're working with the Government on its response.

The High Court ruled in June 2020 that the compensation cap is unlawful. The Government sets the level of compensation we pay, so it's for them to decide how to respond.

You can check our website **[www.ppf.co.uk](http://www.ppf.co.uk)** for up-to-date information on developments of these cases.

## Tax

Your payments are regarded as earned income which means you have to pay tax on them.

HMRC will take into account all taxable income you receive, including your state pension, other earnings, bank interest and so on and issue a relevant tax code.

We'll produce a P60 for you at the end of each tax year. P60s are available to view, at any time, on our member website. You can also request a copy by post. Your P60 will show the total payments you've received and the amount of tax deducted.

If you have any questions about your tax, then contact the tax inspector quoting reference 948/KZ68905 at the following address:

**Pay As You Earn and Self Assessment  
HM Revenue and Customs  
BX9 1AS  
United Kingdom  
Tel: 0300 200 3300**

## Protecting your data

We take care to handle your personal data in compliance with data protection legislation.

We process your personal data correctly and lawfully, to enable compensation payments to be made to you, to keep you up-to-date with developments and to seek your feedback about ways we could improve our service.

We won't rent, swap or sell your personal data to any other organisation.

---

You can view our full privacy policy at **[www.ppf.co.uk/members](http://www.ppf.co.uk/members)** or you can request a printed copy of the privacy policy be sent to you by using our contact details.

This booklet is for guidance only. It's necessarily simplified and not a definitive statement of law or entitlement.

Information in this booklet is based on our current understanding of the legislation governing the PPF in force at the time of writing.

Payments will always have to be calculated in accordance with legislation which will, therefore, override in the case of conflict.



**Contact us:**  
**Pension Protection Fund**  
**PO Box 254**  
**WYMONDHAM**  
**NR18 8DN**

Tel: **0330 123 2222**

Overseas Members:  
**+44 (0)208 633 4902**

Email: **ppfmembers@ppf.co.uk**

Member website:  
**www.ppf.co.uk/members**



**find us on facebook,**  
**just search for Pension Protection Fund**