

# Trivial commutation and small pot payment of your British Transport Police Force Superannuation Fund benefits

If you have a small amount of benefits in the British Transport Police Force Superannuation Fund (the 'Fund'), you may be able to exchange these for a one-off cash payment. This payment could be either a 'trivial commutation lump sum' or a 'small pot payment'.

This guide provides more information about trivial commutation lump sums and small pot payments. The rules concerning these cash payments are set by the government and differ depending on whether you are a member of the Fund and want to exchange, or 'commute', your own pension benefits or whether you are the surviving dependant of a member of the Fund and want to exchange the pension you received when they died.

In this guide you will find details on:

- Who can receive a trivial commutation lump sum or small pot payment
- How to find out the value of your benefits
- Your 'nominated date' and why it is important (applies to trivial commutation only)
- How much you will receive as a cash lump sum
- Trivial commutation lump sum death benefits for dependants
- How your cash lump sum is taxed

## Important notes

- Pension scams
- Where to go for advice

## Who can receive a trivial commutation lump sum or small pot payment

### What are the criteria to apply for a trivial commutation lump sum or small pot payment?

In general, if you want to exchange your benefits in the British Transport Police Force Superannuation Fund for a trivial commutation lump sum (i.e. a one-off cash) payment, you must meet **all** of the following criteria:

1. You must be aged over 55 (although Fund members with a protected pension age can apply from age 50 and anyone can apply to receive a lump sum earlier on grounds of ill-health);
2. The value of all your benefits in the Fund **and** any other pension arrangements (including any defined contribution and personal pension arrangements but not your State Pension) must not exceed £30,000;
3. You cannot have already exchanged benefits in any other pension arrangements more than a year before your lump sum payment from the Fund is made (unless the previous payment was made before 6 April 2006); and
4. You must have some 'Lump Sum Allowance' available in order for the trivial commutation lump sum payment to be made. You can read more about the Lump Sum Allowances at [www.btp pensions.co.uk/Resources/Read as you need](http://www.btp pensions.co.uk/Resources/Read as you need).

If the second criteria is not met (i.e. the value of all your pension benefits is more than £30,000), but you have a low level of benefits in the British Transport Police Force Superannuation Fund alone, then it may still be possible for you to take a small pot cash lump sum if:

- the lump sum paid from the Fund will be £10,000 or less; and
- you have not transferred benefits out of the Fund, and into another pension scheme, in the three years before the date of payment.

Helpline: 0800 012 1117  
Website address: [btp pensions.co.uk](http://btp pensions.co.uk)  
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We recommend that you get independent financial advice before making any important decisions about your pensions arrangements.

If you have a small amount of pension benefits and would like to find out whether you meet the criteria and how much you might receive from the Fund as a one-off cash lump sum, please ring the Helpline on 0800 012 1117.

## Restrictions on trivial commutation lump sums and small pot payments

From 6 April 2015, a trivial commutation lump sum cannot be paid from a defined contribution arrangement. This is because people can now take a lump sum from their defined contribution arrangement in excess of the limits above (known as an uncrystallised funds pension lump sum). However, small pot payments from defined contribution arrangements are still allowed.

Once you have taken a trivial commutation lump sum or small pot payment you will no longer have any benefits remaining in that pension arrangement. It is important to know that if you choose to use either method to convert your benefits into a one-off payment, then your dependants will no longer be entitled to a pension from that scheme when you die.

Accepting this payment also means that the money could, in the event of your bankruptcy, be available to creditors to settle your outstanding debts. If you decide not to accept the payment and instead retain a right in the British Transport Police Force Superannuation Fund to a pension, creditors would have no rights to your benefits until pension instalments are paid out.

You do not have to exchange your benefits in all of your pension arrangements. You could choose to exchange some for one-off lump sums and leave others to provide you with an income in retirement. However, all the benefits that you do want to exchange must be exchanged within 12 months of each other, as you will not be able to do this at a later date.

The fact that a trivial commutation lump sum or small pot payment ends any entitlement to defined benefits from the British Transport Police Force Superannuation Fund is significant if you:

- were contributing to the Fund prior to 6 April 1997; and
- are currently under Guaranteed Minimum Pension (GMP) age, which is age 65 for males or age 60 for females.

This is because your benefits may include an element of GMP. A GMP is the minimum pension that a UK occupational scheme has to provide for employees who were contracted out of the State Earnings Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997 and is based on each employee's earnings and period of membership in that scheme.

Due to the way that GMP is increased, if you have GMP you will not be able to trivially commute your benefits in the British Transport Police Force Superannuation Fund until you reach GMP age. However, this is not the case for all pension schemes as others may have different rules regarding the way GMP is increased before a member reaches GMP age.

## How to find out the value of your benefits

The value of your benefits includes the value of:

- your pensions, whether these are in payment or not (but not including your State Pension);
- any additional lump sums that you are entitled to from your pension arrangements, or have received since 6 April 2006;
- any savings that you have in defined contribution schemes (including the value of your BRASS and AVC Extra funds, savings in the Industry-Wide Defined Contribution Section of the Railways Pension Scheme and any personal pensions that you may have).

The administrator of any of your pension schemes will be able to tell you the value of your benefits in that scheme. You should let them know that this value is needed for comparison against the trivial commutation limits, they will then calculate it using a method set by HM Revenue & Customs.

# Your 'nominated date' and why it is important (applies to trivial commutation only)

## What is a 'nominated date'?

When you contact Railpen Limited (Railpen) to find out the value of your benefits in the British Transport Police Force Superannuation Fund, you can choose the date on which this value should be based. This is called the 'nominated date' and can be in the past, present or future. Any pension contributions to, and benefit accrual in, other pensions schemes after the nominated date will not be included in the calculations. Therefore, choosing an appropriate nominated date may influence falling within the trivial commutation limits.

If you do not wish to choose a nominated date, then Railpen will consider the value of your benefits at the current date.

## How do I choose a 'nominated date'?

If you are applying for trivial commutation from the British Transport Police Force Superannuation Fund, and not from any other pension arrangements, then your payment from the Fund has to be paid within three months of your nominated date. Consequently, the further back your nominated date, the shorter the timescale for payment.

If you decide to choose a nominated date, we recommend that you allow at least six weeks for the payment process, bearing in mind the time it will take for:

- Railpen to provide you with the value of your benefits;
- you to decide if you would like to commute your benefits and complete the necessary paperwork; and
- the Fund to pay the lump sum to you.

If the payment is not made to you before the end of the three-month deadline, then your benefits will have to be valued again using a later nominated date.

If you are applying for more than one trivial commutation payment from separate pension arrangements, then the first of these payments must be made within three months of the nominated date. If you do not provide a nominated date, the nominated date will be the date the first lump sum is (or will be) paid. Each separate pension arrangement must use the same nominated date in their calculations.

If you nominated a date in the past which kept you within the £30,000 limit, the payment can still be made even if the amount payable exceeds £30,000. This is because the test is carried out at the date calculated and not the payment date.

If you are commuting benefits in the Fund for a small pot payment of £10,000 or less, then the nominated date is irrelevant.

## How much you will receive as a cash lump sum

If the value of your benefits in all of your pension schemes is within the trivial commutation limit and you decide to exchange your benefits in the British Transport Police Force Superannuation Fund for a one-off cash payment, the actual amount you receive will be calculated using instructions provided by the Fund Actuary. The cash amount paid to you will almost certainly differ from the value that was placed on your benefits for the purpose of testing against the trivial commutation limits. Part of this cash amount may be eligible to be paid tax-free (this is explained below).

The instructions include conversion rates which are based on whether you are male or female and your age at the date of calculation.

## Trivial commutation lump sum death benefits for dependants

If you are a dependant of a Fund member, your dependant's pension from the British Transport Police Force Superannuation Fund can be exchanged for a 'trivial commutation lump sum death benefit' as long as its value does not exceed £30,000.

Unlike the rules that apply to members and dependants who applied before 6 April 2015, you do not have to be over a certain age to receive the payment and other pension savings you may have aren't taken into account.

### How your cash lump sum is taxed

If you are exchanging a pension already being paid for a trivial commutation lump sum or small pot payment, the entire lump sum will be taxed as income (this includes dependant's pension exchanged for a trivial commutation lump sum death benefit).

If you are exchanging a pension which isn't already in payment, the first 25% of the payment will be tax-free (but no more than £268,275) and the remaining 75% will be taxed.

Pension providers are required to deduct tax at the basic rate of 20% and then pay a scheme member, or their dependant, the balance.

We will send you a P45 form showing the amount of the trivial commutation lump sum and the amount of tax deducted. If you have trivially commuted any other benefits, then you should make sure that your other pension providers do the same.

The amount of tax deducted may not be accurate when all of your income for the tax year is taken into account. Even if you normally pay basic rate tax at 20% or if you don't normally pay tax, you may end up paying too much tax. If this applies to you and you have overpaid tax, you can request a refund from HM Revenue & Customs by completing a P53 form. You can complete this by:

- visiting [www.gov.uk](http://www.gov.uk) and searching for 'P53 form' – it can be filled in online or printed and returned by post; or
- requesting a copy from the HMRC helpline on 0300 200 3300, and returning the completed form by post.

You don't have to wait until the end of the tax year to complete this form.

If you are a higher or additional rate taxpayer, then you may need to pay more tax through self-assessment, as the tax on your lump sum will only have been deducted at 20%.

## Important notes

### Pension scams

If you are taking a cash lump sum from your Personal Retirement Account (PRA) to invest somewhere else, or you plan to take an income from a flexi-access drawdown product, then you should be aware of scams.

In particular, beware of people contacting you out of the blue wanting to discuss your pension, or adverts claiming to offer 'free pension reviews', a 'one-off investment opportunity' or a 'legal loophole'. Once you have transferred your benefits to one of these organisations, it is often too late to do anything about it. You could lose your entire pension savings and be asked to pay a large tax bill as well.

For further information about pension scams, visit [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams).

All firms offering financial products or advice should be registered with the Financial Conduct Authority (FCA). If you are unsure about a firm that has contacted you, use the FCA's online register to check if the firm is registered at [www.fca.org.uk/register](http://www.fca.org.uk/register) or call 0800 111 6768.

## Where to go for advice

We strongly recommend that you take independent financial advice from a suitably qualified adviser who is registered with the FCA before making a decision about how and when your benefits are taken.

## Independent financial advisers

A financial adviser can offer advice on most appropriate retirement options for your circumstances. You can find a list of advisers in your area at [unbiased.co.uk](http://unbiased.co.uk).

**Liverpool Victoria (LV)** has been carefully chosen to give Railways Pension Scheme and British Transport Police Force Superannuation Fund members access to financial advice. You can contact Liverpool Victoria on: 0800 0234187.

Alternatively, [www.unbiased.co.uk](http://www.unbiased.co.uk) can provide details of independent financial advisers in your local area.

**MoneyHelper** from the Money and Pensions Service (MaPS) brings together the support and services of three government-backed financial guidance providers: Money Advice Service, The Pensions Advisory Service and Pension Wise.

It offers free support on a wide range of financial matters, online and over the phone. This covers a variety of pension topics, including:

- Auto enrolment
- Building your retirement pot
- Pension problems
- Pension basics
- State Pension
- Taking your pension
- Tax and pensions
- Pensions and retirement

For more information visit <https://www.moneyhelper.org.uk/en/pensions-and-retirement>

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## Disclaimer

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Although every effort has been made to ensure that the information given in this leaflet is accurate, none of the information given can give you legal rights to benefits that differ from those provided in the pension trust and rules.

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