

Trivial Commutation and Small Lump Sums for Occupational Pension Schemes

The Main Aim of this unit is:

The aim of this Unit is to provide occupational pension scheme administrators with an understanding of the terms 'trivial commutation' and 'small lump sums' and the rules governing how and when these payments can be made. The unit also explains how to calculate a Trivial Commutation Lump Sum and Her Majesty's Revenue and Customs (HMRC) conditions for payment.

The learner will need to know and understand:

The meaning of the terms 'trivial commutation' and 'small lump sums':

- What is available under Defined Benefit and Defined Contribution Schemes
- Advantages of this route for a member.
- Advantages of this route for an Employer/scheme.

HM Revenue and Customs (HMRC) Rules and terminology for Trivial Commutation:

- The current maximum limit.
- Importance of benefits in other pension arrangements.
- Extinguishing rights to benefits in a scheme.
- Nomination date.
- Commutation period.
- Establishing when a commutation can be classed as 'trivial' for Uncrystallised and Crystallised benefits.

Trivial Commutation taxation rules for:

- Uncrystallised benefits.
- Crystallised benefits.
- Dependants' pensions.
- The relaxation of HMRC rules for trivially commuting Equivalent Pension Benefits

Small Lump Sums

- Relevant Accretion Rule.
- De Minimis Rule and why this rule was introduced.
- Payments by occupational pension schemes and public service schemes where a member has accrued rights across different related schemes which are under the small lump sum limit in each related scheme.

The Learning Outcomes for this unit:

On successful completion of this unit the learner will

1. Know the HM Revenue and Customs (HMRC) rules regarding trivial commutation of pension benefits including the situations when it may apply and the taxation rules.
2. Be able to calculate a crystallised and an uncrystallised trivial commutation payment from a Defined Benefit Scheme.
3. Understand the HMRC rules regarding trivial commutation payments for dependants' pensions including any differences in the rules from a normal trivial commutation payment.
4. Explain 'small lump sums' and how these can help pension schemes and members.
5. Explain the significance of HMRC de-minimis amount and how it can help pension schemes and members.

Assessment Method

Assessment is via examination compiled, carried out and marked in-house (PMI recognised centre). Assessment is to cover all learning outcomes in order to pass the unit.