



Updated: March 12, 2009

Kestrel International USA Inc./
Tim Carroll, FLIA General Manager
2707 Wood Hollow Drive,
Atlanta, GA 30360

info@ukpensiontransfer.com US Agents
Tel (770) 391-0181
Fax (770) 390-0253

Frequently-Asked Questions & Answers

NOTE: New legislation was introduced on April 6, 2006. This page was updated on 13 March 2009.

Can I import my UK frozen pension fund and add it to an IRA or 401K?

No. The United States IRS and revenue authorities in Canada will not permit it. UK Pensions can only be transferred to a US pension where the UK pension plan meets the pension rules of the IRS tax code. Similar rules are enforced by Canada's revenue authority. No UK pension plan seeks to meet either the US or the Canadian requirements. The benefits and terms of UK pensions are considered to be over-generous by the US and Canadian tax authorities.

As long as your pension is provided from UK by a UK pension provider it has to follow UK pension legislation. This does not permit you to cash the whole of your pension fund unless the total of your combined UK occupational pensions - excluding the National Insurance Pension - is valued at less than £15,000. It would then be considered "Trivial". Trivial pensions can be cashed completely but not before age 60. Where your total funds exceed £15,000, the maximum that can be cashed is 25% of your pension fund. The amount is only allowed once and is known as the Pension Commencement Lump Sum (PCLS). This optional cash benefit applies equally to the Protected Rights and the Non Protected Rights elements and is granted free of UK income tax. It can be taken from the minimum pension age onwards. The minimum age is 50 prior to April 2010 and 55 thereafter. The remaining 75% of all elements of the pension fund must be applied to provide an income benefit but the income can be deferred until age 75, or any earlier age, if it is not required when the 25% PCLS is taken.

If you have exported your UK pension fund to a Qualified Recognised Overseas Pension Scheme (QROPS), and if you are a non-resident of UK and have lived outside UK for at least 5 years, you are permitted to cash the whole of the exported pension fund. Such an encashment would be subject to tax assessment in your country of residence.

Do I have to buy an annuity to provide my UK occupational pension income?

No. Providing your fund - net of any optional 25% cash withdrawal - qualifies in size, it can opt for a "Drawdown Income" facility. The pension will then be paid direct from the fund and not from an annuity. You can thereby continue to control the capital and its investment. With effect from 6th April 2006 a form of this facility can continue optionally beyond the earlier age restriction of 75. However, after taking benefit you can buy an annuity whenever it suits you with all or part of the available fund. The optional "Drawdown Income" levels range between a maximum and a minimum set by the Government Actuaries Department (GAD) which reviews them every five years. From 6th April 2006 the minimum level has been reduced to zero so that individuals who do not wish to take income simultaneously with their 25% tax free cash lump sum withdrawal can defer the income until a later age.

Can I take my 25% cash sum without taking a pension income?

Yes. However, when you reach age 75 you must either buy a pension annuity with the remainder of your fund or apply it to an Alternative Secured Pension (ASP). The ASP allows you to draw income direct from your pension fund which you can continue to control at any level within a range where the maximum is 90% of the Government Actuaries Department (GAD) formula and the minimum is 65% of the maximum.

What are my "Protected Rights" or "Guaranteed Minimum Pension"?

Those individual members who contracted out of the State Earnings Related Pension Scheme (SERPS) also known as the State Second Pension (S2P) were obliged to accept an alternative provision as part of their personal or occupational pension. This element is known as "Protected Rights" or "Guaranteed Minimum Pension" (GMP). Until the introduction of tax simplification legislation on 6th April 2006 it was treated in a more restrictive manner than it is now. Today Protected Rights benefits can be taken at the same time and in the same manner as "Ordinary Rights" benefits. From 1st October 2008 "Protected Rights" funds can also be invested in the same manner as "Ordinary Rights" funds.

Can I add money to my UK pension?

Yes, in certain circumstances. If you have net relevant UK earnings while you are non UK resident or if you return to reside and work in UK you can then "unfreeze" your occupational pension. If you have a Personal UK Pension which commenced while you were still resident in UK you may continue paying its premiums while living outside UK subject to the following limits:

2007/8	£225,000
2008/9	£235,000
2009/10	£245,000
2010/11	£255,000

How soon can I draw my UK frozen occupational or personal pension?

Until April 2010 the minimum age at which retirement benefits can be taken is age 50. Thereafter it is age 55.

When can I claim my UK "State" or "National Insurance" Pension?

At the normal State retirement age of 65 for men. Over a ten year period, starting 6th April 2010 state pension age for women will change from 60 to 65. This means women born before 6th April 1950 will reach pension age at 60. Women born on or after 6th April 1955 will reach pension age at 65. Women born between 6th April 1950 and 6th April 1955 will reach pension age at age 60 plus one month for every month or part of a month that their date of birth falls after 5th April 1950. For these women Retirement Pension will always be awarded from the 6th of the same month. A claim should be submitted within 3 months - either side of your 60th birthday if you fall into this category. Otherwise the claim should be submitted within 3 months on either side of your 65th birthday. Write then or for an estimate now to :- Contributions Agency, International Services, Longbenton, Newcastle upon Tyne, NE98 1YX, England. Tel:- +44 191 225 Fax:- +44 191 225 7800 . To qualify for any NI pension entitlement a minimum of 9 contributions years is required and this will only provide a small percentage of the full Standard NI Pension which requires 33 contribution years in a 44 year career. Until retirement age a British expatriate can make voluntary contributions to enhance the entitlement. These can be paid-up in arrear for a maximum of 6 years and the payment of arrears can be spread by easy installments. When the pension is paid to you it can either be credited to a UK bank account or to your bank account in USA or Canada. It can be paid at 4-weekly intervals. Residents of USA (but not Canada) in receipt of a UK NI pension will benefit from any increments granted by the UK Government.

What happens when I die?

The terms of your existing occupational pension will be stated in your Statement of Benefits which Kestrel International will obtain for you as part of its research. Normally, 50% of the member's pension will be paid to the surviving spouse and additional amounts may be payable to dependent children until they attain the age of 16. A transfer of the member's pension can substantially improve the death benefits. For example, a transferred pension could provide the whole fund in tax free cash if the member died before taking retirement benefits. If death occurred after retirement, 100% of the member's Drawdown Pension Income

can be assumed by the spouse or named beneficiary. Alternatively, the value of the remaining fund can be paid to the beneficiary in cash after payment of a one time UK tax of 35%.

Your NI pension will not continue after your death but for married members a widow's pension then becomes payable.

Where can I invest my UK occupational pension fund?

Your existing occupational pension can only be invested as the trustees decide unless it is a Personal Pension Plan where you can select from a range of investment funds offered by the pension provider. If you transfer your amalgamated pensions to a Self Invested Personal Pension plan (SIPP) you can instruct its trustees to place investments in any form of negotiable security approved for this purpose by Her Majesty's Revenue & Customs. This currently includes UK commercial property. Although recently embraced by new legislation UK residential property, works of art, jewelry and antiques have effectively been excluded from pension fund investment due to heavy tax disadvantages. Where a pension fund invests in UK commercial property even in partial ownership a mortgage can be obtained for an amount equal to 50% of the fund.

Will I have to pay tax on my UK pension?

Yes. However, tax will only be payable on the income withdrawn and only then in either your country of residence or in UK at source but not both. If you elect to pay tax at source in UK you may claim your UK personal allowance before tax. If no other taxable income is arising from UK this will reduce the tax liability on your UK pension income.

Can I have my UK pension paid to me in USA?

Yes. Your occupational frozen UK pension and your NI pension can be paid to you by installment arising in GB pounds and converted to US dollars. Your occupational pension will offer you a choice of installment frequency. Your NI pension can be paid at intervals of 4 weeks or 13 weeks.

Can I improve my UK occupational pension fund before I retire?

Usually, yes - by instructing Kestrel International to compare your existing benefits with alternative UK providers. These can only be carefully selected from those who will accept your current resident status. An improvement can be effected by transferring your pension fund to one that can offer superior terms that also embrace all the current and former changes in pension legislation and those embodied in the 2004 Tax Simplification Legislation, as well as superior investment skills and opportunities. Before drawing your NI pension you are entitled to make voluntary contributions which will enhance it if its current estimate is below the level of the Standard Pension.

Am I entitled to receive my UK State Pension and US FICA Pension?

Yes, providing you have made sufficient contributions in each country. However, where the maximum standard UK NI pension is being drawn, a proportion of the USA Social Security payment may be subject to offset. If you do not have enough insurance for a UK pension the agreement between the US and UK allows the UK to treat US insurance as UK insurance.

Will USA tax my Cash Lump Sum Benefit if I import it?

If you have become a citizen of USA a tax liability can arise. If you are simply resident under some form of visa or a Permanent Resident Card there is no USA tax liability.

Updated: March 12, 2009