

# Royal Borough of Kensington and Chelsea

## TRANSFERRING BENEFITS OUT OF THE LGPS

### A GUIDE FOR MEMBERS (April 2022)

If you have any questions about the contents of this leaflet, your LGPS benefits or the rules that govern the transfer of LGPS benefits, please contact the RBKC Pensions Team as follow:

**By email:** [pensions@rbkc.gov.uk](mailto:pensions@rbkc.gov.uk)

**By phone:** 020 7361 2323 (9am – 5pm working days)

**By post:** RBKC Pensions, 3<sup>rd</sup> Floor Green Zone, The Town Hall, Hornton Street, London W8 7NX

#### Introduction

In certain circumstances, the Local Government Pension Scheme (LGPS) regulations permit a transfer of your LGPS benefits to a legitimate registered pension scheme or arrangement that is willing to accept the transfer payment.

The amount that could be transferred is known as the Cash Equivalent Transfer Value (CETV) and is based on the current value of your deferred LGPS benefits expressed as a lump sum in line with central factors published by the Government Actuary.

By transferring your LGPS pension rights, you would be giving up access to the guaranteed benefits offered by the LGPS, which may not be in your best interest.

#### The purpose of this leaflet is to inform you of:

- The conditions that must be met before a CETV can be paid
- The guarantees that apply to LGPS benefits that you would be giving up if you choose to transfer
- The requirement to take financial advice in certain circumstances
- What you need to do next if you wish to proceed with a pension transfer.

## Am I entitled to a Cash Equivalent Transfer Value (CETV)?

It is not always possible for a transfer of pension rights to be completed.

You are not entitled to a CETV if any of the following applies to you:

- You are within one year of your Normal Pension Age (NPA)
- You are already in receipt of a pension from the LGPS in England or Wales. (Your right to a CETV would not be affected if you are in receipt of pension benefits awarded to you following a pension sharing order on divorce / civil partnership dissolution)
- You are an active member of the LGPS.

If you choose to transfer, then **ALL LGPS benefits** must be transferred. If you hold more than one set of deferred LGPS benefits, then it is **not possible** to transfer one but not the other(s).

If you are an active member of the LGPS you are **not entitled to a CETV**. Nor is it possible for us to provide a **guaranteed** CETV quotation.

If you are an active LGPS member and also hold deferred LGPS benefits in England or Wales, you are not entitled to a CETV in respect of the deferred benefits until the active membership ceases.

## What benefits are offered by the LGPS?

The LGPS is considered to be one of the best schemes in the UK. The benefits you build up in the scheme are determined by your pensionable salary or, if you joined the scheme before 1 April 2014, a combination of your pensionable salary and period of scheme membership.

Once your membership has ceased, and when your pension is paid to you, an annual cost of living increase will apply to your benefits.

The value of your LGPS benefits and the pension you would receive from the LGPS **are guaranteed and will not be affected by administration charges, stock market fluctuations or annuity rates.**

The LGPS offers **financial security** for you and your family by offering a wide range of benefits which includes:

- A secure pension payable for life with guaranteed cost of living increases
- Immediate payment of pension for early retirement due to ill health
- Dependants' pensions

The guaranteed benefits offered by the LGPS are known as **safeguarded benefits**.

By taking the option to transfer your LGPS benefits to another pension scheme or arrangement you would be giving up access to the **secure lifetime income offered by the LGPS**, which may not be in your best interest.

## Where can I find out more information about the LGPS?

You can find out more information about the LGPS on the national members' website:

[www.lgpsmember.org](http://www.lgpsmember.org)

And from the RBKC pension fund website <https://rbkcpensionfund.org> where you can find a scheme guide in the 'Resources' section.

## How do the Freedom and Choice pension reforms affect me?

From 6 April 2015 changes in pensions legislation introduced greater flexibility for members of Defined Contributions (DC) pension schemes to access their pension savings from age 55 onwards. Known as flexible benefits, these new options include taking the entire fund as a lump sum, or taking a number of lumps sums at different stages. The first 25% of any such payment would be tax free, the remainder would be taxed in the same way that any other income is taxed.

As a Defined Benefit (DB) scheme, these pension reforms do not apply to the LGPS and do not introduce any new flexibilities for members retiring directly from the LGPS.

If your LGPS membership has ceased, and if you are entitled to a CETV (see page 2) you may choose to take advantage of the new flexibilities introduced by these pension reforms by transferring your LGPS benefits to a scheme which offers flexible benefits.

## Are there any restrictions on the transfer of LGPS benefits?

Transferring benefits out of the LGPS is an important decision which could have a significant impact on your income in retirement.

There are certain circumstances in which you are not entitled to transfer your LGPS benefits (see page 2).

If you are entitled to a CETV, you should consider your options carefully before making a final decision. Taking independent financial advice is recommended.

In some cases, taking independent financial advice is a **legal requirement** before a transfer of your LGPS benefits can be completed.

The circumstances in which you are required to obtain independent financial advice are set out below. You can find information about how to find a qualified financial adviser on page 4.

**You will be responsible for arranging and paying  
for any financial advice that you receive.**

## When would I be required to obtain independent financial advice?

If you are considering transferring your LGPS benefits to a pension scheme or arrangement which **does not offer flexible benefits** you are not required to obtain independent financial advice. However, you may still wish to take financial advice before making the irrevocable decision to transfer. Please see pages 4 to 5.

It is important that you understand the implications of transferring your **safeguarded benefits** out of the LGPS to a scheme which offers flexible benefits.

**If the CETV of your safeguarded benefits in the LGPS is over £30,000 you will be required to take independent advice** from a Financial Conduct Authority (FCA) authorised independent financial adviser or an appointed representative before a CETV can be paid to another pension scheme under which you may access flexible benefits.

Please be aware that the CETV of any other pension rights you have as a deferred, deferred refund or deferred pension credit member in the LGPS will be taken into account in determining whether the total value of your **safeguarded benefits** is more than £30,000.

If you decide to proceed with a transfer to a scheme offering flexible benefits, we will ask you for a signed statement within 3 months of the provision of a guaranteed CETV quotation confirming:

- That the adviser has permission under the Financial Services and Markets Act 2000 to carry out the regulated activity described in article 53E of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to provide advice on the transfer of **safeguarded benefits**
- That the advice has been given on the transfer of **safeguarded benefits** to flexible benefits and that the advice is specific to the type of transfer proposed by you.
- That the advice has been given by a pension transfer specialist, or the firm has ensured that the advice has been checked by a pension transfer specialist
- That the advice given applies specifically to you and the possible transfer of your **safeguarded benefits** in the LGPS
- The FCA reference number of the company or business the adviser giving the advice works for.

### Adviser responsibilities

It is the responsibility of the financial adviser to comply with FCA rules and the advice you receive from the adviser should:

- be informed by your personal circumstances
- explain the benefits being given up when compared with any future options

**If the CETV of your LGPS rights in all funds across England and Wales is less than £30,000**, you are not required to take independent financial advice before a transfer payment can be made to a scheme which offers flexible benefits. A decision to transfer your **safeguarded benefits** out of the LGPS could have a significant impact on your retirement. Although it is not a legal requirement if the CETV of your LGPS rights in all funds across England and Wales is less than £30,000, taking independent financial advice before making this important decision is recommended.

We will assume that any proposed transfer is to a pension scheme which offers flexible benefits unless we receive written confirmation from you (by completing the relevant section of the Transfer Discharge Form) that this is not the case.

### How do I find a qualified independent financial adviser?

The following organisations and their associated websites may be of use to you in locating an independent financial adviser who is authorised to give advice on transferring **safeguarded benefits** to a scheme which offers flexible benefits:

The Financial Services Register [www.fsa.gov.uk/register/firm](http://www.fsa.gov.uk/register/firm)

The Personal Finance Society [www.thepfs.org](http://www.thepfs.org)

The Money Advice Service [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

Your Local Citizens' Advice Bureau [www.citizensadvice.org.uk/index/join-us.htm](http://www.citizensadvice.org.uk/index/join-us.htm)

**You will be responsible for arranging and paying for any financial advice that you receive.**

**WARNING** If you are considering transferring your LGPS rights with a view to accessing flexible benefits, please be aware that scammers may operate in these markets. See page 6 for more information together with the attached FCA Pension Scams Leaflet.

## What information will the financial adviser need?

You should make sure that the financial adviser has all the relevant information to enable them to provide comprehensive advice to you.

This information should include:

- The current value of your deferred LGPS benefits
- The fact that the LGPS deferred benefits will increase in line with changes in the Consumer Prices Index (CPI)
- The guaranteed CETV amount
- Details of the scheme to which the transfer is proposed and any further information about what benefits may be payable to you from the receiving scheme at retirement, if the transfer were to proceed.

To assist in the provision of advice, a full scheme guide setting out the structure and benefits offered by the LGPS can be found in the *Resources* section of the RBKC pension fund website <https://rbkcpensionfund.org>

### I want to transfer my LGPS benefits – what do I need to do?

If you decide you wish to proceed with a transfer of your LGPS benefits to a new pension scheme or arrangement you will need to complete member and scheme discharge forms within **three months of the guarantee date of the CETV quotation**.

If you are transferring to a Qualifying Recognised Overseas Pension Scheme, then the appropriate discharge forms will already have been supplied. Otherwise, the letter which accompanies your guaranteed CETV will include details of how to obtain the correct forms.

If the transfer is to be made to a scheme which offers flexible benefits, and the CETV of all your LGPS benefits is more than £30,000 you must also complete and return an **Advice Confirmation Form** within 3 months of the guarantee date of the CETV quotation. A copy of that form is given to you with your quotation letter from RBKC Pensions.

If the required forms are not received within 3 months of the guarantee date, it will be necessary to issue a second CETV quotation. If this is required within 12 months of the issue of the first CETV, a **charge of £250.00** (plus VAT) **will apply**. You would also be required to obtain independent financial advice based on the second CETV quotation before a transfer payment could be made.

# Pension scams: Don't get stung

If you are considering transferring your LGPS benefits to a scheme which offers flexible benefits, you should be aware that scammers may operate in these markets.

They will try to lure you with promises of one-off investments, pension loans or upfront cash.

## **Most of these are bogus.**

If you're under age 55, you cannot release your pension unless you are too ill to work, even if it is transferred to a scheme which offers flexible benefits.

If you're over 55, and you transfer your LGPS benefits to a scheme which offers flexible benefits, you can release funds from your pension from April 2015. **You may still be at risk from scammers.**

You may be required to take independent financial advice before your LGPS benefits can be transferred to a scheme which offers flexible benefits (see pages 3 to 5). It is recommended that you seek independent financial advice in any event before making any decisions that could affect your income in retirement.



The Pensions Advisory Service and the Financial Conduct Authority provide useful information about the common tactics employed by scammers, and the steps you should take if you have suspicions about a company or individual. If you have concerns, or for more information about pension scammers, please visit:

[www.pensionsadvisoryservice.org.uk/publications/category/leaflets-and-guides](http://www.pensionsadvisoryservice.org.uk/publications/category/leaflets-and-guides) or  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

For more information about the LGPS and the rules governing pension transfers please contact RBKC Pensions. Our contact details can be found on page 1 of this guide.

# Don't let a scammer enjoy your retirement



Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

## Scam tactics include:



- contact out of the blue



- promises of high / guaranteed returns



- free pension reviews



- access to your pension before age 55



- pressure to act quickly

## If you suspect a scam, report it

- Report to the Financial Conduct Authority (FCA) by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at [www.fca.org.uk](http://www.fca.org.uk)
- Report to Action Fraud on **0300 123 2040** or at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)
- If you're in the middle of a transfer, **contact your provider immediately** and then get in touch with The Pensions Advisory Service (TPAS) at [www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)



# Four simple steps to protect yourself from pension scams

1

## Reject unexpected offers

If you're contacted out of the blue about your pension, chances are it's high risk or a scam. Be wary of free pension review offers. A free offer out of the blue from a company you have not dealt with before is probably a scam. Fortunately, research shows that 95% of unexpected pension offers are rejected.\*

2

## Check who you're dealing with

Check the [Financial Services Register \(www.register.fca.org.uk\)](http://www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorized.

If you don't use an FCA-authorized firm, you also won't have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme. So you're unlikely to get your money back if things go wrong. If the firm is on the FCA Register, you should call the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice.

Beware of fraudsters pretending to be from a firm authorized by the FCA, as it could be what we call a 'clone firm'. Use the contact details provided on the FCA Register, not the details they give you.

3

## Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into making a decision.

4

## Get impartial information and advice

The [Pensions Advisory Service \(www.thepensionsadvisoryservice.org.uk\)](http://www.thepensionsadvisoryservice.org.uk) – Provides free independent and impartial information and guidance.

[Pension Wise \(www.pensionwise.gov.uk\)](http://www.pensionwise.gov.uk) – If you're over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

**Financial advisers** – It's important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Be ScamSmart with your pension. Check who you are dealing with.



Dear Member

We are writing to you as you may be considering transferring your pension. In these times of financial uncertainty, we are asking you to be very careful. Since the coronavirus outbreak began, stock markets have fallen and are likely to go up and down for some time. However, your pension remains a safe, long-term investment for your retirement, and transferring it is a serious decision so please do not do anything in haste.

If anyone approaches you directly to offer transfer advice, be on your guard. The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up — it could be a scam. You can also visit the ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to check the firm you are dealing with is regulated and to see whether what you're being offered is a known scam or has the signs of a scam.

There are two types of pension — defined benefit (DB) and defined contribution (DC). If you have a DB pension, the benefits you'll get in retirement (including how much you get paid each month) are specified — whereas with a DC pension, your benefits will depend on the performance of investments and the level of contributions made by you and your employer before your retirement.

Legislation gives you the right to 'transfer' your pension. However, whilst you have this right, in most cases, transferring out of a DB pension scheme into a different type of pension arrangement is unlikely to be in your best long-term interests as you'll be giving up a valuable level of predictability in your retirement income.

**Please remember that you can't change your mind once you've transferred out of a DB pension.**

It is therefore really important that you get guidance or advice before making a decision. The Pensions Advisory Service (TPAS) is part of the Money and Pensions Service and offers free specialist pensions guidance and will help answer any questions you may have. If your transfer value is more than £30,000, you are required by law to take advice from a suitably qualified financial adviser regulated by the Financial Conduct Authority (FCA), before you can transfer your benefits to a DC pension scheme.

Take your time to make all the checks you need — you can find suggested questions to ask your adviser on the FCA's website: <https://fca.org.uk/consumers/what-ask-adviser> with further information on pension transfers at <https://www.fca.org.uk/consumers/pension-transfer>

We hope that you are able to stay safe and well in these difficult times.

Yours sincerely



Nicola Parish  
The Pensions Regulator



Megan Butler  
Financial Conduct Authority



Alex Connolly  
The Money and Pensions Service