



# South Tyneside Council

## Pensions Committee

Date: 26<sup>th</sup> February 2015

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## Transfer Out Quotations

Report of the Corporate Director Business and Resources

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### Purpose of Report

1. Certain members of the Local Government Pension Scheme have a right to transfer their pension rights to another pension scheme or to one of the various forms of personal pension.
2. The number of members considering this option may increase when the Government's "Freedom and Choice" reforms come into effect from 6<sup>th</sup> April 2015. The Fund may receive, in respect of some individuals, repeat requests for transfer out quotations in quick succession.
3. Members are not entitled to receive more than one quotation in a twelve month period. Further quotes can, however, be provided with the agreement of the pension scheme's trustees.
4. The Committee is recommended
  - to note the report
  - to agree the proposed policy on the provision of more than one quotation in a twelve month period.

## **Background**

5. Members of the Local Government Pension Scheme (LGPS) who have not yet started to receive payment of their pension have the option, if they so desire, to transfer the value of their accrued LGPS rights to another pension scheme or to one of the various forms of personal pension arrangement.
6. The processing of a transfer out case is resource intensive due to the extremely detailed due diligence work that is required to ensure that the transfer complies with all legal requirements and to identify inappropriate and/or illegal “pension liberation” type scams.
7. Numbers of transfer out requests have, until now, been low and repeat requests have been uncommon. This position may change from 6<sup>th</sup> April 2015 when the Government’s “Freedom and Choice” reforms come into effect.

## **Impact of the “Freedom and Choice” reforms**

8. Under the Government’s “Freedom and Choice” reforms, from 6<sup>th</sup> April 2015 members of the LGPS who transfer their accrued pension rights to a defined contribution pension arrangement (which could be an occupational pension scheme or one of the various forms of personal pension arrangement) will have the option of taking all of their pension rights in the form of a lump sum.
9. The first 25% of the lump sum will be tax free, with the remaining 75% being subject to tax.
10. Members may recall that when Personal Pensions were introduced there was massive interest in, and marketing of, the new arrangements. This resulted in large numbers of requests in respect of the same members from independent financial advisors, banks and other firms across the Financial Services sector.
11. It is possible that a similar pattern could unfold in the next few months.

## **Limitation on the number of Transfer Out quotations in a twelve month period**

12. The Government introduced several changes and additional requirements in response to the Personal Pension mis-selling scandal. One of these is contained in Regulation 6 of The Occupational Pension Schemes (Transfer Values) Regulations 1996.
13. Regulation 6 of The Occupational Pension Schemes (Transfer Values) Regulations 1996 states that a member of an occupational pension scheme is not entitled to apply for another transfer out quotation within twelve months of having requested a quotation, except where either the

pension scheme rules specifically allow for more than one quotation within the twelve month period or the pension scheme's trustees agree that more than one quotation can be provided.

14. The LGPS regulations do not provide a right for a member to request a further transfer out quotation within twelve months of having previously requested a quotation.
15. Due to the small numbers of transfer out quotation requests currently being received, it has not been necessary to ask the Committee to decide a policy on whether to allow members to request further transfer out quotations within twelve months of previously having requested a quotation. It is expected, however, that this could become an issue and a policy decision is now required.

### **Recommendation**

16. The Committee is recommended to agree that the limitation contained within Regulation 6 of The Occupational Pension Schemes (Transfer Out) Regulations 1996 shall apply and, consequently, members of the Tyne and Wear Pension Fund shall not, in respect of a particular set of pension rights, be entitled to apply for another Transfer Out quotation within twelve months of having requested a quotation

### **Reason for Recommendation**

17. To agree a policy with regard to whether a member of the Tyne and Wear Pension Fund may submit further Transfer Out request(s) within twelve months of submitting a request.

## Transfer Out Quotations

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**The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:**

<b>Background Paper</b>	<b>File Ref:</b>	<b>File Location</b>
Freedom and Choice Reforms file	N/a	Pensions Office, South Shields Town Hall