



for LGPS Members

Freedom and Choice - Transfers from the LGPS to Defined Contribution Schemes

There has been a great deal of information in the media and elsewhere about the Government's announcement in the 2014 Budget that reforms to workplace pensions would be made, effective from 6 April 2015. These reforms offer greater flexibility ('Freedom and Choice') in the way individuals aged 55 and over can access any Defined Contribution (DC) pension savings they may have.

It's important that as a member of the Local Government Pension Scheme (LGPS) you understand that you are a member of a public sector Defined Benefit (DB) scheme and therefore the flexibilities introduced under 'Freedom and Choice' do not impact on how you can take your Defined Benefits from the LGPS.

There are, however, some indirect changes which impact upon any members of the LGPS who are considering transferring the value of their accrued LGPS Defined Benefit pension rights from the LGPS to a DC arrangement offering 'flexible benefits'.

What is Freedom and Choice?

From 6 April 2015 members of certain pension schemes have more freedom over how they take their money from their pension pot. These changes affect pension scheme members who are:

- age 55 or over, and
- have a pension based on how much has been paid into their pot (a Defined Contribution pension)

There are now four main options for members who are in a Defined Contribution pension scheme which offers flexible benefits from their pension pot including:

- purchase an annuity (annual pension) or scheme pension if offered by the scheme
- flexi-access drawdown
- taking a number of cash sums at different stages
- taking the entire pot as cash in one go

These new flexibilities do not apply to any Defined Benefits you have in a Defined Benefit pension scheme, including the LGPS, and therefore they have no direct impact on your Defined Benefits from the LGPS.



Local Government
Pension Scheme



Does Freedom and Choice impact on LGPS members at all?

Not directly. However, if you cease membership of the scheme with 3 or more month's membership then, unless you are retiring with immediate payment of your benefits on the grounds of redundancy, business efficiency or ill-health, you will be given information about your right to transfer your benefits built up in the LGPS. If you then choose to use the right to transfer the value of your LGPS Defined Benefits to a Defined Contribution pension scheme which offers flexible benefits, you will be able use the 'Freedom and Choice' flexibilities under that scheme.

Are there any new rules around transfers from the LGPS to a Defined Contribution scheme?

Yes, if you cease membership of the LGPS and wish to use the right to transfer the value of your LGPS Defined Benefits to a Defined Contribution pension scheme which offers flexible benefits you will be obliged by law to obtain appropriate independent advice, at your own cost, from an authorised independent adviser, who is registered with the Financial Conduct Authority (FCA). You must prove that this advice has been taken before any payment of a transfer can be made from the LGPS Pension Fund(s) to a Defined Contribution pension scheme offering flexible benefits.

You are only entitled to request one transfer quotation in any 12 month period and, if you wish to proceed with a transfer, the election to proceed must be made at least 12 months before your Normal Pension Age in the LGPS or, if you are a Pension Credit member, at least 12 months before your Normal Benefit Age.

In addition you can only transfer benefits from the LGPS if you have left the scheme and you have not already drawn benefits from the LGPS (either in your current employment or any earlier employment).

Are there any exemptions to the rule on advice?

Yes, if the total value of all your LGPS benefits across all LGPS Pension Funds is £30,000 or less then you are not legally required to take advice. However, given the impact on your LGPS benefits, you are recommended to take such advice regardless of the legal requirement.

In addition, if you leave the LGPS with 3 or more months but less than 2 years membership (and you do not have an entitlement to a deferred benefit in the LGPS in respect of that membership) you would not legally be required to take advice. However, given the impact on your LGPS benefits, you would again be recommended to take such advice regardless of the legal requirement.

How will I know what the total value of my LGPS benefits is?

You will need to request a transfer value quotation from all LGPS Pension Funds in which you have benefits in the scheme. The total value of your benefits is the sum of all these transfer values. If the total amount is more than £30,000 then you will be legally required to take advice.

What happens to my LGPS benefits if I do transfer to a Defined Contribution scheme?

From the point of transfer all rights to any benefits of any description in any circumstance in the LGPS included in the transfer are extinguished.

If you have more than one set of benefits in the LGPS (for example, because you hold two separate deferred benefits in the scheme from two separate periods of employment) and you decide to transfer one and not the other, only the benefits in respect of the one that is transferred will be extinguished; you would still be entitled to benefits in the LGPS in respect of the one that you had not transferred.

Who do I need to get authorised independent advice from?

You must by law receive appropriate independent advice from an independent adviser who is authorised by the Financial Conduct Authority (FCA). You can check if an adviser is authorised by the FCA using the Financial Services Register on the FCA website - <http://www.fsa.gov.uk/register/firmSearchForm.do>

The advisor must not only be authorised but also must be qualified to give specific advice on transfers between pension schemes. It is important that you ensure that this is the case before committing to the receipt of advice. Please do not ask your LGPS Pension Fund to advise you as you cannot by law receive advice on this matter from them. They are not authorised by the FCA to provide such advice.

Can the LGPS Pension Fund give me names of an authorised independent adviser?

The LGPS Pension Fund cannot give you details of an authorised independent adviser. You can however locate details of an authorised independent adviser on one of the following websites or contact your local Citizens Advice Bureau.

FSA register	http://www.fsa.gov.uk/register/firmSearchForm.do
The Personal Finance Society	http://www.thepfs.org/
Association of Professional Financial Advisers	http://www.apfa.net/
Citizens Advice Bureau	http://www.citizensadvice.org.uk/index/join-us.htm

How much will this advice cost and who pays for it?

The cost will vary depending on the authorised independent adviser you decide to use. You, as the member choosing to transfer, will be expected to meet the cost of the advice.

You should ensure that you get a clear and understandable quote of the cost from the authorised independent adviser before committing to receiving advice from them.

Do I have to follow the advice that I receive from the authorised independent adviser?

No. However, if you choose to ignore the advice and proceed with the transfer to a registered Defined Contribution scheme offering flexible benefits (or to a qualifying recognised overseas pension scheme) you will have no redress from either the authorised independent adviser or from the LGPS Pension Fund, should that decision prove to be financially disadvantageous to you.

If I follow the advice to transfer what protection do I have?

If the advice you are given from an authorised independent adviser is to proceed with the transfer and it proves to be financially disadvantageous to you, you would need to seek redress from the authorised independent adviser who provided that advice.

There will be no redress from, or reinstatement in, the LGPS Pension Fund from which the benefits have been transferred.

How will the LGPS Pension Fund know I have taken appropriate independent advice?

If you are required to take appropriate independent advice you will have to prove to your LGPS Pension Fund(s) that this advice has been taken before the Fund can release the transfer value payment.

As part of the transfer information provided by the Royal County of Berkshire Pension Fund there is an **'Advice Confirmation Form'** which the adviser must complete. The information on this form includes confirmation:

- that advice given to you was specific to the transfer
- that the adviser is authorised to provide such advice
- of the FCA reference number of the company for whom the adviser works
- of your name, and the name of the scheme from which the transfer is being sought and in respect of which the advice was given.

You must also sign the **'Advice Confirmation Form'** and ensure it is returned with all other documents required to transfer your LGPS benefits.

On receipt of the above proof of advice the Royal County of Berkshire Pension Fund check the authorisation status of the adviser's company. We will do this by checking the company's entry in the **FCA register** (<http://www.fsa.gov.uk/register/firmSearchForm.do>) using the FCA reference number provided by the adviser on the **'Advice Confirmation Form'**.

