A GUIDE TO TRANSFERRING YOUR PENSION OUT OF THE SCHEME

For members of The RSM UK (2006) Retirement Benefit Scheme

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Introduction

You are entitled to a Defined Benefit ('DB') pension which will provide you with a predictable retirement income.

However, since April 2015, people with Defined Contribution ('DC') pensions have a lot more flexibility in how they use their retirement savings.

Members of DB schemes, such as The RSM UK (2006) Retirement Benefit Scheme (the 'Scheme'), who wish to access this flexibility can also do so – but only if they first transfer the cash value of their pension to a DC arrangement.

A decision to transfer your pension out of the Scheme is not one that should be undertaken lightly. Yes, there might be more flexibility around how you can take your retirement benefits, which may suit your personal circumstances better, but you could face greater risks and even potentially lose a lifetime's worth of savings.

We have produced this guide to help you understand what's involved in a transfer: the pros and cons; the process; getting advice; and your options.

To help you understand your pension options in more detail, the Trustee of The RSM UK (2006) Retirement Benefit Scheme ('Trustee') has appointed HUB Pension Consulting Limited ('HUB') to provide you with appropriate financial advice at RSM's expense.

Please note that neither the Trustee nor the Company can provide you with any financial advice in relation to your pension or what options might be suitable for you.

Please read the helping you with pension options guide to find out more.

If you wish to use your own local financial adviser you can find one through these websites: **www.moneyhelper.org.uk** or **www.unbiased.co.uk**. It is important that your adviser is regulated by the Financial Conduct Authority ('FCA') and qualified to advise from transfers from DB pension schemes.

What's inside this guide

As a member of the Scheme you have the option to transfer the value of your benefits to another arrangement. This guide is intended to provide you with important information that you need to consider if you're thinking of transferring.

About transfer values

What is a transfer value?

Your transfer value is the expected cost to the Scheme of providing your benefits. You can think of it as the amount of money that the Scheme needs to set aside to pay your pension from the day you retire to the day you die, along with any pension that is paid to your spouse or civil partner (if you have one) or dependants after your death.

Why might I consider transferring my scheme pension?

Transferring your Scheme benefits may be an attractive option if, for example:

- you may prefer more immediate cash or more income earlier in your retirement (perhaps because of ill health, paying off debts or because of spending plans); and/or
- you may wish to make use of new rules on passing DC pension assets tax-free on your death to your family.

Restrictions on your right to transfer

Although you have a statutory right to transfer your pension benefits, this right is no longer absolute. New laws empower the Trustee to prevent or pause a transfer request to other types of schemes if they see warning signs of possible scams.

Where these apply, the Trustee will assess the transfer for scam risk indicators (Red and Amber Flags):

Red Flags are those circumstances where the suspicion of a scam will be strongest and Amber Flags are circumstances where there are some concerns, but where the position is less clear-cut than in the red-flag scenarios.

Where the Trustee concludes that any red flag is present, it will prevent your transfer from proceeding. If the Trustee finds that any amber flag is present, your transfer can only proceed if you provide evidence that you have taken scam-specific guidance from MoneyHelper (the guidance service provided by the Money and Pensions Service).

Some examples are set out below:

- Red Flags: you have been offered an incentive or feel pressured to make a transfer, your transfer request has been made following unsolicited contact for the purpose of direct marketing of the transfer.
- Amber Flags: the receiving pension scheme includes high risk, unregulated or overseas investments or is charging unclear or high fees, or you provide incomplete responses to the Trustee regarding information requested about the transfer.
- To help with this assessment, the Trustee may need to request further information from you before your transfer request can be processed. Depending upon the circumstances, this may lead to delays with your transfer being processed.

About transfer values

If I take the transfer value, what does that mean?

It means that you will transfer your benefits out of the Scheme, which is a DB (or final salary) pension scheme, into a DC (or money purchase) pension arrangement. You would give up your right to a pension in the Scheme and would receive benefits from your new pension provider instead.

You would also give up any right your spouse, civil partner or dependant(s) has to a pension from the Scheme on your death, so it's important to talk to them about it too.

At the moment, the Scheme offers you a guaranteed pension income. If you transfer your benefits to a DC scheme, you will lose this certainty. Instead, your benefits will be invested and as with every investment, there's a risk that the value of your pension pot can go up or down. If you are considering this option, you should think about how much money you will need each year and how long your money needs to last. If too much money is taken too quickly, the available retirement income could fall drastically or even run out, especially if stock markets fall.

How is my transfer value calculated?

Transfer values are calculated using a formula set by the Trustee with guidance from the Scheme Actuary. This formula takes into account certain assumptions – for example, about how long Scheme members are expected to live, the likelihood they will be survived by a spouse or civil partner and how long their spouse or civil partner will live, the level of future inflation and assumed investment returns in the Scheme.

How do I ask for a transfer value?

You can ask the Scheme administrator to send you a transfer value quote, in writing, by post or email. They will send you a quote and the application forms to use if you want to go ahead with the transfer.

About transfer values

How many transfer value quotes can I have?

You can have one free transfer value quote each year. Your transfer value will remain valid for three months from the last day of the month of the date of calculation. If you wanted to request another transfer value within a year, you may be charged for this (currently £200 per quote).

How long is my transfer value quote guaranteed for?

The transfer quote is guaranteed for three months. If you ask for us another transfer value quote after this three-month period has expired, it will be recalculated and it may be higher or lower than the original amount.

I have paid Additional Voluntary Contributions ('AVCs') in the Scheme – are they included?

Any AVCs in the Scheme will be included when your transfer value is worked out. If you decide to go ahead with the transfer, it will include the value of your AVCs. If you have AVCs, these can be transferred to another pension arrangement while you leave the rest of your benefits in the Scheme, if you wish.

Do I have to transfer my whole pension?

No. The Trustee has agreed that members can transfer some of their benefits while leaving some behind in the Scheme. You can only take a partial transfer once – any further transfer would need to be of all your remaining benefits.

Can I transfer out of the Scheme at any time?

You have the right to transfer out of the Scheme at any time up to one year before the Scheme's normal retirement date. The Trustee currently permits transfers right up to the point you start receiving your pension (pensions in payment cannot be transferred). You will be required to take independent financial advice before transferring out of the Scheme, if your transfer value is higher than £30,000.

About transfer values

What are my options for transferring my benefits out of the Scheme?

You can ask for your transfer value to be paid to another registered UK pension scheme (such your new employer's pension scheme or an approved personal pension scheme), or a recognised overseas pension scheme ('ROPS').

A list of schemes that have told Her Majesty's Revenue and Customs ('HMRC') they meet the conditions to be a ROPS can be found at: https://www.gov.uk/guidance/check-the-recognised-overseas-pension-schemes-notification-list

HMRC cannot guarantee these are ROPS or that any transfers to them will be free of UK tax. It is your responsibility to find out if you have to pay tax on any transfer of retirement savings.

Please make sure the new scheme is a bona-fide arrangement and not a front for scammers. See page 14 for more information on how to protect your pension from scammers.

About transfer values

What happens if I accept the transfer value quote?

When you receive a transfer value quote, you will need to provide the details to your new scheme. If you decide that you want to go ahead, you should confirm your requirements to the Scheme administrator using the form that will be included with your quote. You and your new scheme and your financial adviser will need to complete the appropriate discharge papers.

Once you have returned your forms, both schemes will work together to transfer your benefits.

If I do transfer out, what benefits will I have left in the Scheme?

If you choose to transfer out the full value of your benefits in the Scheme, this will remove all of your rights in the Scheme and you will have no pension left in the Scheme. If you transfer out only a portion of your benefits, any pension you have remaining in the Scheme will be reduced accordingly. You can ask the Scheme administrator to provide an illustration of how much pension you would continue to receive and also what effect this would have on any spouse's or civil partner's pension.

Your options after taking a transfer

Can I carry on saving for my retirement if i take a transfer?

The amount that a person can build up in retirement savings each year while receiving tax relief is limited by the Annual Allowance. The standard Annual Allowance is currently set at £40,000, but people who 'flexibly access' their existing retirement savings have a reduced Annual Allowance (currently £4,000). Transferring your benefits out of the Scheme does not count as flexibly accessing your benefits, but it may be that the way you access your benefits after transferring will be. You should discuss this with your financial adviser.

Can I cash in my transfer value?

In principle, yes, if you are aged 55 or over, you can potentially take your transfer value as a cash lump sum. However, you would first have to transfer your pension out of the Scheme and into an alternative arrangement that allows cash withdrawals. Different schemes and providers offer different types of flexible retirement options. Check what options are being offered and consider shopping around – your FCA-regulated financial adviser should be able to help with this.

Your new provider will have their own fees and charges, so make sure you understand how this could affect you as they can reduce the money received. Also, you would be liable to pay tax on your withdrawal. Please discuss the tax implications with your financial adviser, including the possibility that you may have to pay a higher rate of tax than normal depending on the amount taken. You should also consider how long your money needs to last. Taking cash may also have implications for people with debt or who may be entitled to means-tested benefits.

Can I change my mind?

Once the payment has been made, there is no going back.

Taking advice

Do I have to take financial advice?

If your transfer value is worth more than £30,000 and you tell us that you want to have it paid to another arrangement, you will need to take appropriate regulated advice. The Scheme administrator will request evidence from your adviser that you have taken appropriate financial advice and will verify that the adviser's confirmation meets the legislative requirements (but will not ask about the advice you have received). This is a legal requirement to protect you and ensure you have considered the benefits and disadvantages of transferring your benefits out of the Scheme. This is something the law says must happen. Without proof, the Scheme administrator cannot pay the transfer value.

You can either use HUB as your adviser, please refer to the helping you with pension options guide. Alternatively you can find a local financial adviser through these websites: www.moneyhelper.org.uk or www.unbiased.co.uk. As set out above, it is important that you receive advice from a regulated adviser who is qualified to advise on transfers from DB pension schemes.

Can't I just assume I'd be better off by transferring?

No. In fact, the opposite could be true – if your transfer value is paid into a personal pension scheme, the investment company will take some of the money to cover administration expenses and possibly commission. You would also lose the predictability of retirement income offered to you by the Scheme.

Also, remember that you would be giving up future pension increases – so over time, your actual income might end up lower if your new arrangement doesn't provide guaranteed increases. You would also be giving up a spouse's/civil partner's or possibly dependants' pensions, payable on your death in retirement, so you should consider discussing the transfer with your family, as your decision could affect their future financial security. Your financial adviser should ask you about your financial and personal circumstances and discuss your view on risk.

Taking advice

How can I tell which option provides the better benefits?

The chances are you can't. In order to compare your Scheme benefits with those which the other pension arrangement may provide, you'll need to make assumptions about the future. Unless the other arrangement guarantees to provide benefits at least as great as those to which you are entitled under our Scheme (which is extremely unlikely), you'll be taking a risk that your future retirement benefits may be lower.

Remember that in a pension scheme like ours, it is the Company that takes the investment risk to be able to provide your benefits, not the individual member. So, as long RSM remains solvent and the Scheme continues, your benefits are guaranteed. Furthermore, even if RSM went out of business and could no longer support the Scheme, the government's Pension Protection Fund ('PPF') provides an extra level of security. You can find out more on the PPF's website: www.ppf.co.uk

If you don't believe in putting your future retirement benefits at risk, then don't proceed with transferring your benefits out of the Scheme.

Taking advice

How do I know if my adviser is any good?

There are different types of financial advisers. You need to find one who is authorised by the FCA to advise on DB transfers. In addition, while the Financial Services Act requires your adviser to give you best advice, there are unfortunately advisers who will ignore their obligations under the Act.

Check your adviser is registered on the FCA website at www.fca.org.uk/firms/financial-services-register and that they're authorised to give advice on pensions and transfers in particular.

Make sure you absolutely understand what your adviser is telling you. Insist that he/she answers your questions clearly and in writing, gives full details of your options and provides a summary of the pros and cons of their recommendation.

If your adviser recommends having a transfer value paid to a personal pension scheme, you will be swapping your guaranteed Scheme pension for benefits that will depend on how well the investment company manages your money and how much it takes as charges. Ask your adviser how much commission you will pay and what the company's charges are.

Consider whether your transfer value, after being reduced by these charges, is likely to provide you with benefits greater than those which you are about to lose. So, if your adviser thinks that a transfer value will make you better off, ask him/her to give reasons in writing.

If the adviser recommends a unitised with-profit policy or managed fund, make sure you understand what this means and the degree of risk which it entails.

Taking advice

How safe is my pension now, compared with if I transfer it out?

If RSM became insolvent and there was not enough money in the Scheme to secure all members' benefits with an insurance company, then you may be entitled to compensation from the PPF . Currently the PPF tops up scheme benefits to broadly 90% of the benefits that would have been payable under a scheme for members who have not yet reached their normal retirement date at the date of insolvency. There is more about the PPF at www.ppf.co.uk

Please note that by providing this information there is no suggestion that RSM is expected to become insolvent.

If you transfer your benefits to a DC pension arrangement which is not an occupational pension scheme, you are likely to be covered by the Financial Services Compensation Scheme ('FSCS'). The FSCS may provide compensation if the provider of your pension arrangement became insolvent.

The PPF and FSCS provide different levels of protection depending on your personal circumstances. A financial adviser will be able to explain these levels of protection in more detail.

Getting more information

For more general pension and retirement information,you can visit any of these websites:

Money and Pensions Service
www.moneyandpensionsservice.org.uk

Money and Pensions Service
www.moneyandpensionsservice.org.uk

Money Helper
www.moneyhelper.org.uk

Protecting your pension

Many people have been targeted by pension scams, offering seemingly enticing 'investment opportunities' to encourage you to transfer the value of your Scheme benefits to their funds.

Beware of unregulated investments offering 'guaranteed returns'. These often include exotic sounding investments like hotels, vineyards or other overseas ventures and deals where your money is all in one place – and therefore more at risk. Visit the FCA's Scamsmart website at www.fca.org.uk/scamsmart to see if the deal you're being offered is a known scam, or has the hallmarks of a scam.

If you fall for a scam, you could lose your entire life's retirement savings and you could also face significant tax penalties from HMRC.

Please also refer to www.moneyhelper.org.uk/en/money-troubles/scams for more information about how to spot a potential scam

Stay in touch

As long as you remain in the Scheme it is very important that you keep us updated of all postal and email address changes. You might not receive important information from us if emails are undeliverable or if we receive any returned mail. The Scheme administrator's contact details are below:

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Expression of wish form

It is important to make sure that your Expression of Wish Form is always up to date with your personal circumstances.

We record your wishes so that, in the event of your death, we can quickly identify anyone you have nominated to receive any cash sum that is payable. Please ensure the form is completed correctly, as any mistakes cannot then be rectified.

Please contact the Scheme administrator to request a new form.

rsmuk.com

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