



Importance ★★☆☆

## Pension flexibility: Transfers

Almost every occupational pension scheme needs to alter some of its procedures as a result of the changes in April. This includes DB schemes.

Changes like the new transfer rights apply directly to DB benefits. Others apply in DB schemes because they have DC AVCs. These are part of the new statutory concept of “flexible benefits” that is at the centre of the changes.

In addition, DB schemes face new procedural requirements where a member wants to take a transfer that would turn their DB benefits into DC or other flexible form. For more on this, see our separate briefing *DB to DC conversions and transfers*.

### Separate transfer rights

A member now has a separate statutory transfer right in relation to each category of benefits.

The categories of benefit are: DC, cash balance (CB) and other benefits. The main example of “other” is DB, though it can include benefits that look close to being CB but fall outside the technical definition. This briefing uses “DB” for all “other” benefits.

The statutory conditions for transferring a category to another scheme are:

- the member stops accruing that category and, in relation to DB benefits, this happens at least a year before *normal pension age* (defined for this purpose as the earliest age the member is entitled to receive DB benefits on retirement from employment),
- with CB or DB benefits, pension has not yet come into payment and
- with DC benefits, the member has not designated any amount to provide drawdown pension or short term annuity.

For example, a member of a DB scheme who stops paying DC AVCs now has a right to transfer their AVC savings to another

scheme. In the past, no statutory transfer right arose until a member’s pensionable service ended.

The time limits have also changed. Previously the general rule was that a transfer right expired a year before the member’s *normal pension age*. That is still the case with DB benefits but the right to transfer DC and CB benefits now remains available until they crystallise (e.g. when scheme pension starts or an amount is designated for drawdown or short term annuity).

As before, the member can exercise their transfer right differently in relation different portions of their transfer value but must transfer all of it (subject to any contracting-out constraints).

### Scheme rules

Statutory transfer rights remain a minimum and continue to override scheme rules. Schemes can still allow wider options under their rules e.g. later transfers of DB benefits, or partial transfers.

To protect the new discrete transfer rights, scheme rules may not prohibit a member from accruing one category of benefit in future if they take a statutory transfer of another. Nor may rules require a member who takes a statutory transfer of one benefit category to transfer another one as well.

### Information

In general, the statutory minimum requirements about the information trustees must give members who ask about their transfer rights are unchanged. So are the rules about when it must be provided. But there are some adjustments e.g.

- the members who can request information are those who are still accruing a category of benefit or who have ceased to accrue DC benefits (and those benefits have not crystallised) and
- the transfer value attributable to each category of benefit must be stated.

Where a member with DB benefits is considering a transfer to a DC or CB scheme, the additional information requirements around DB to DC conversion apply. See our separate briefing.

**Action:** trustees of all types of scheme – e.g. DC, DB, CB and hybrid – need to review and update their procedures for dealing with transfer requests. DB trustees need to accommodate the extra requirements where a transfer would turn DB benefits into DC or other flexible form.

## More information

If you would like more information, please get in touch with your usual contact in our pensions team or:



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