

## **TRANSFERRING YOUR PENSION BENEFITS LEAVERS**

### **Introduction**

### **Changing Jobs**

This leaflet outlines your options as a pension scheme member if you are changing jobs. Generally you will have to choose between:

- 1) transferring the pensions benefits to your new scheme to increase your new Scheme benefits.
- 2) transferring your pension benefits from your United Kingdom Atomic Energy Authority Scheme to be preserved in an insurance type policy (S32 buyout policy) which will provide the money to buy you a pension at retirement.
- 3) leaving your pension benefits in your United Kingdom Atomic Energy Authority Scheme to be preserved for payment at retirement age
- 4) taking a refund of contributions if you have less than 2 years' service.

If you make the wrong choice your retirement benefits may be very poor and your dependants may be left without adequate cover on your death. It is therefore well worth spending some time to compare options open to you.

If you have been in service long enough to qualify for preserved benefits, on your instructions, your benefits will be transferred to a new scheme by payment of a transfer value payment.

The minimum transfer payment which the Scheme can now offer must be at least equal to the cash value of the pension benefits you have earned (their "cash equivalent") while in the scheme.

Generally you can transfer your pension benefits at any time after you leave up to one year before retirement age. However, you should find out whether your new scheme's Rules set a time limit within which you have to decide to transfer in your benefits.

The arrangements for transferring your pension benefits are described in the following pages. Also included are some points you should consider before you decide whether to transfer your benefits.

### **TRANSFERRING FROM A UNITED KINGDOM ATOMIC ENERGY AUTHORITY SCHEME**

If you wish to transfer your benefits out you must apply in writing within the time limits given in the following paragraphs. You may of course first request an estimate of the amount of your transfer payment to enable you to compare the various pension arrangements open to you.

### **TRANSFERS WITH LESS THAN 2 YEARS' SERVICE**

If you have less than 2 years' service, you may transfer your benefits to your new employer's occupational pension scheme or a personal pension scheme. Alternatively you may take a refund of contributions.

A transfer payment is usually payable only if:

- 1) you join your new employer's scheme or a personal pension within 12 months of leaving and
- 2) you apply for a transfer within 12 months of joining your new Scheme.

Many Public Sector pension schemes including those run by the United Kingdom Atomic Energy Authority belong to the Public Sector Transfer Club. 'Club' schemes provide similar benefits and members transferring their benefits will normally be given year for year credit unless the retirement ages of the Schemes are different or unless your new employer's scheme has agreed any special arrangements.

If you cannot immediately join your new employer's scheme due to a period of education or training, illness, or the need for you to serve for a given time before being allowed to join your new scheme, the 12 months limit may be extended.

Unless you were a United Kingdom Atomic Energy Authority Scheme member before 1st February 1988 and have an entitlement to a mixed transfer payment your transfer value will be equal to the cash value of the pension benefits you have earned (i.e. their 'cash equivalent')

\*Schemes run by your employer

### **TRANSFERRING WITH MORE THAN 2 YEARS SERVICE**

If you have two or more years qualifying service you are entitled to preserve your accrued pension benefits for payment at retiring age.

If you decide not to preserve your benefits on leaving you may apply for a transfer value to:

- 1) the occupational pension scheme of your new employer
- 2) a personal pension scheme or
- 3) one or more approved insurance contracts (e.g. S32 buyout policies) providing deferred annuities

You can apply for a transfer at any time from leaving the Scheme up to one year before the normal Scheme retiring age (or 6 months after leaving if this is later). E.g. a member leaving on his/her 59th birthday who has a normal retiring age of 60 can apply for a transfer up to age 59 and 6 months.

If you apply for a transfer to another occupational Scheme this can be made at any time up to normal retiring age. You should check with your new employer's scheme whether they would be prepared to accept a transfer value.

If your new employer's pension scheme is part of the 'Club' you should apply for a transfer within 12 months of joining your new scheme, as described on page 2.

A transfer value to a personal pension scheme or to an approved insurance contract can only be paid if you leave the Scheme at least one year before normal retiring age.

## **IMPORTANT POINTS TO CONSIDER BEFORE TRANSFERRING YOUR BENEFITS**

You may find it difficult to decide whether you should transfer your pension benefits out of the Scheme. The next few paragraphs cover some of the points you need to consider before making your decision. You should however note that once a transfer payment has been made to your new scheme or insurance company you have no further claim to benefits under the Scheme.

### **Preserved Benefits**

If you decide to leave your pension benefits in the Scheme they will become payable when you reach either age 60 or 65 depending on your retirement age. These benefits i.e. pension and lump sum, are normally increased every year at the same rate as increases in the Retail Price Index until they come into payment.

In certain exceptional circumstances preserved benefits may be paid before you reach retiring age. If you die before retiring age, the appropriate death benefit will become payable to your nominee, widow(er) or your estate.

Once payment of your pension commences, it will continue to be increased every year in line with inflation. If you are under age 55 the increases will normally be added to your benefits until you reach your 55th birthday.

### **Club Schemes**

If you transfer your benefits to another Club scheme your transfer will buy you roughly the same number of years in the new scheme and similar benefits, unless the retirement ages of the schemes are different, or unless the new scheme has introduced special arrangements

Even if your pay is initially lower in your new job it may still be worth considering transferring your benefits if you think that your pay will increase at a higher rate over the years to retirement than your preserved pension benefits.

If your new scheme retirement age is earlier than your United Kingdom Atomic Energy Authority Scheme retirement age it may be worth considering transferring your benefits, since they will then become payable at that earlier retirement age. Subject to the rules of your new scheme, benefits transferred could also become payable immediately in the event of premature retirement. However, in these circumstances, a transfer of benefits may produce less service credit in your new scheme.

### **Non-Club Schemes**

If you are considering a transfer out to a scheme which does not belong to the 'Club' it is not so easy to make a comparison. You will have to decide whether the benefits provided by your new scheme at retirement in return for the transfer payment are worth more than the value of your benefits if they are preserved and pensions increases are added each year.

If your new scheme calculates pension benefits on final pensionable pay and years of service in the scheme, you can compare the number of years and days you had in the United Kingdom Atomic Energy Authority Scheme with the number your transfer payment would buy in your new Scheme.

You should also compare the benefits provided by the two schemes; the Schemes provide death benefits, widow(er)'s benefits, children's pensions and ill health . Other schemes may not be so generous. In addition the United Kingdom Atomic Energy Authority Scheme pensions are normally increased every year while preserved and once they come into payment to maintain their purchasing power

If your new scheme has a retiring age of 65 and your United Kingdom Atomic Energy Authority Scheme retiring age is 60, and you are leaving in your late 50s you may decide to preserve your benefits so that they come into payment at 60 while you are still working. You could then draw a further pension from your new scheme from age 65.

Some non-Club occupational schemes pay your contributions and those made by your employer into a fund which is invested to provide money on retirement to buy you a pension. In this type of scheme known as a 'money purchase scheme', pensions are not therefore related to final salary. You can of course ask your new scheme to estimate the amount of pension your transfer payment will buy if invested until you reach retiring age.

### **Money Purchase Pension Schemes\* (including personal pension schemes) and Section 32 Policies**

If you are considering a transfer to a money purchase occupational pension scheme, or to a personal pension scheme or a S32 policy you should note that once the transfer payment had been made you will have no claim whatsoever on the United Kingdom Atomic Energy Authority at a later date if the benefits you receive on retirement are disappointing.

You should also note the following points:

- 1) the pension from the S32 policy or a money purchase scheme is not related to final salary; the amount of pension depends on how well your money has been invested and how much it costs to buy you a pension at retirement;
- 2) the money provided by a S32 policy or a money purchase scheme on retirement will not buy a higher pension than you would have received from your United Kingdom Atomic Energy Authority Scheme unless the amount of interest you earn on your investment is high;
- 3) if you preserve your benefits in United Kingdom Atomic Energy Authority Scheme they will be increased every year up to your retirement age; once your pension comes into payment it will increase every year;
- 4) not all S32 policies or money purchase schemes provide annual increases on preserved pensions and pension in payment;

\*These schemes are usually insurance based

- 5) a S32 policy or money purchase scheme may not provide the same range of benefits as your United Kingdom Atomic Energy Authority Scheme - e.g. if it provides for death before retirement benefits, this could result in a reduction in the size of your normal pension benefits;
- 6) S32 policies and money purchase schemes do not automatically provide for a widow's pension. If you require this type of cover your normal retirement pension will have to be reduced to pay for it;
- 7) part of your transfer value may be used to cover the cost of setting up the policy, including any commission paid to an agent. The amount will vary between 10 - 15% of the transfer and you should find out whether the estimate of benefits given by the insurance company is based on the whole transfer payment or the reduced amount;
- 8) some policies or schemes may only allow you to buy a pension from one company at retirement. This may not be the best value for your money and may leave you with a smaller pension than you could have bought elsewhere;
- 9) estimates of the size of pension your fund will buy you at retirement are not guaranteed and assume a certain level of investment return, the fund you actually build up may not match these assumptions;
- 10) some policies or schemes do not permit you to transfer your benefits to another scheme or policy;
- 11) if your policy or scheme allows early retirement your pension in that event will usually be reduced to take account of the early payment.

## **WITHDRAWAL FROM SCHEME MEMBERSHIP**

Membership of your employer's occupational pension Scheme is no longer compulsory and you can, if you wish join a personal pension scheme instead.

If you withdraw from the Scheme and remain in the same employment you have the right to transfer the benefits you have accrued since 6th April 1988 to a personal pension scheme or to an approved insurance contract. Benefits accrued prior to that date will be preserved in your United Kingdom Atomic Energy Authority Scheme. Before deciding to transfer benefits out of your scheme you should take note of the points made above.

If you withdraw from the Scheme and later leave employment you can apply for a transfer value in respect of any benefits accruing for your service before 6th April 1988, which have been preserved in the Scheme.

### **FURTHER INFORMATION**

You should consult the Pensions Administration Office (PAO) Thurso if you have any queries about how the transfer arrangements may affect your own circumstances. The Pensions Administration Office (PAO) Thurso cannot however specifically advise whether or not you should transfer your benefits. You could however contact an independent financial adviser if you require any advice about transferring to or from a money purchase arrangement or a Section 32 policy.

Pensions Administration Office Contact telephone Number:

Benefits:           01847 804444