

HSC Pension Scheme Transfer Out Factsheet

A transfer out occurs when a cash equivalent transfer value from the HSC Pension Scheme (HSCPS) is paid to another pension scheme or arrangement. The transfer value buys benefits in the new pension scheme, which count towards benefits payable from that scheme.

Transfers completed on or after 6 April 2006 must be from one of the HM Revenue & Customs (HMRC) registered pension scheme to another. A transfer between two registered pension schemes is called an authorised transfer, also known as a recognised transfer, and no tax charge applies to these transfers.

There are several types of schemes the HSCPS can transfer out to. They are:

Club Schemes

These are public and private sector occupational pension schemes, like the HSCPS, who are all members of the Public Sector Transfer Club, also known as “the Club.” Other examples of Club schemes are the Local Government Pension Scheme, Civil Service Pension Scheme and Teachers’ Pension Scheme. All schemes within the Club calculate transfer values based on standard factor tables and guidance provided by the Government Actuaries Department (GAD).

Other Occupational Pension Schemes (OOPS)

These are occupational schemes that do not participate in the Club.

Insurance Money Purchase Schemes (IMPS)

These include personal pension schemes, Section 32 buy out policies and Stakeholder Pensions.

Qualifying Recognised Overseas Pension Schemes (QROPS)

A transfer is only possible to an overseas scheme that is a QROPS. QROPS approval is granted by HMRC. See www.hmrc.gov.uk for more information. Once QROPS approval has been granted, HMRC will issue the scheme with an acceptance letter. A copy of this letter must be provided before any request for an overseas transfer can be considered.

Corresponding Health Service Schemes – ie NHS Pension Schemes in England & Wales, Scotland and the Isle of Man.

Age Limits

Transfers to another occupational pension scheme (Club and OOPS), personal pension scheme or QROPS.

A member who has at least 2 years' Scheme membership can apply for a transfer at any time before they reach normal retirement age.

If they have less than 2 years' Scheme membership they must:

- Join their new pension scheme within 12 months of leaving the HSCPS; and
- Apply for a transfer within 12 months of joining their new scheme or before their normal retirement age, whichever is earlier.

In respect of a buy out policy, a transfer application must be made within 12 months of leaving the HSC Pension Scheme.

If a member opts out of the HSCPS with deferred benefits and more than 2 years membership prior to 6 April 1988 whilst still employed by the HSC, they can only transfer their pension benefits in respect of membership prior to 6 April 1988 only if they actually leave HSC employment before their normal retirement age.

If a member left the Scheme prior to 1 January 1986 with deferred benefits, a transfer is only possible to another occupational pension scheme. Any request must be made within 6 months of joining the new pension scheme. A transfer to a personal pension scheme is not possible under any circumstances.

In respect of a personal pension, if a member leaves pensionable employment with more than 2 years membership prior to 6 April 1988, a transfer is limited to their pension benefits in respect of membership from 6 April 1988 if there is a break of less than 1 month between the date they left pensionable employment and the date of commencement of any further pensionable employment.

A transfer to a corresponding Health Service scheme is normally possible at any time before normal retirement age.

The only exception to this would be if a member is not entitled to deferred benefits in the HSCPS (normally because they have less than 2 years membership) and they

have not joined a corresponding Health Service scheme within 12 months of leaving their previous HSC employment. In this case a refund of contributions will normally be the only option unless there are exceptional reasons to allow a late application.

Application for a Transfer

A member may contact HSC Pension Service direct and request a transfer of pension benefits, however we advise that they ask their new pension provider or advisor to contact us on their behalf. We are then able to provide information that is relevant to the type of scheme they are transferring to.

Request for Transfer Out

If the member has contacted HSC Pension Service direct requesting a transfer value, we normally have to write back requesting more information about their new scheme.

If a request is received from the new scheme asking for a transfer value we will check the information provided in their letter and if necessary write to them requesting further information.

If the HSC employer has not informed HSC Pension Service that the member has left the HSCPS we will contact them and ask them to do so. We will also request details of the pensionable pay to be used in the calculation of the transfer value if the transfer is to a non-Club scheme.

If the member has Scheme membership prior to 6 April 1997 we will also need to write to HMRC in Newcastle for the Guaranteed Minimum Pension (GMP) figure if this is not already held, as this forms part of the transfer value calculation. Refer to GMP factsheet in the employer section of the website for more information on GMP.

Once all the requested information has been received, we calculate the transfer value by converting the value of the member's pension rights to a current cash equivalent value in accordance with the HSC Pension Scheme regulations, using factors and guidance provided by the Scheme Actuary.

Details of the transfer value are sent to the new Scheme. We also send a discharge form – this is a form that needs completing by the member and their new scheme if they want the transfer to proceed.

Which Scheme?

Members are not able to transfer to or from a registered pension scheme, which before 6 April 2006, was a retirement annuity approved under Section 620 (formerly section 226) of the Income and Corporation Taxes Act 1988.

Pension credit rights or benefits as a result of Pension Sharing on Divorce cannot be transferred to or from the HSCPS.

Transfer Value Calculation

After calculating the member's benefit entitlement, (including any additional benefits purchased), HSC Pension Service then takes account of any cost of living increases, any guaranteed minimum pension (GMP) liability, and any adjustment for market conditions (AMC) at the time of the transfer calculation. The AMC changes each month and is calculated at the beginning of each month from the figure published in the Financial Times.

Pensions increase is applied to the transfer value to take account of the rises in the 'cost of living' from the date the member left the HSCPS to the date the transfer value is calculated.

Transfer Values

1. Club Transfers

HSC Pension Service transfer values are guaranteed for 3 months in accordance with the Pensions Act 1995. If a request for payment is received within the 3 month guarantee period, we pay the guaranteed amount. If it is received outside the 3 month guarantee period we recalculate the transfer value at the date the request for payment was received and pay that amount to the new scheme.

2. OOPS, IMPS and QROPS transfers

If a request for payment is received within the 3 month guarantee period we pay the guaranteed amount. If it is received outside the 3 month guarantee period, we recalculate the transfer value and send revised forms to the new scheme with a further 3 month guarantee period.

3. Corresponding Health Service Schemes

If the transfer is to England & Wales or Scotland we pay the transfer value immediately using factors at the date the transfer request was received. The receiving scheme credits the member with exactly the same period of membership (including any with Mental Health Officer (MHO) status) that they had with the HSCPS. We notify the receiving scheme of the membership being transferred by sending them a membership statement. We also send the receiving NHS Scheme copies of any continuing elections to purchase additional pension (AP) or added years by additional voluntary contributions (AVCs).

NHS (IOM) will have received a transfer value quote first, together with a membership statement and copies of any continuing contracts to purchase additional pension (AP), or added years by additional voluntary contributions (AVCs). If a request for payment is received within the 3 month guarantee period, we pay the guaranteed amount. If it is received outside the 3 month guarantee period we recalculate the transfer value at the date the request for payment was received and pay that amount to the new scheme.

For transfer purposes NHS (IOM) is also a QROPS as it is subject to different tax laws.

Money Purchase AVCs (MPAVC) with HSCPS

The receiving scheme is notified that the member has a MPAVC. If the member wishes to transfer their MPAVC along with their main Scheme benefits we notify the receiving scheme that payment of the MPAVC will be sent separately and then ask the MPAVC provider to forward payment of the MPAVC to the new scheme.

Free Standing AVC (FSAVC)

If our records show that the member has a FSAVC we will notify the FSAVC provider of any transfer of benefits to a new pension scheme.

Cash equivalent transfer value (CETV) for divorce purposes

Under the Pension Sharing on Divorce (Provision of Information) Regulations 2008 HSC Pension Service has 3 months to provide the member with a CETV for divorce or dissolution of civil partnership purposes. Upon receipt of properly completed forms PD1 and PD2 and where workload permits, we aim to provide the CETV within 6 weeks. A member is entitled to one CETV without charge in any 12 month period for divorce purposes. If a CETV has already been provided within the last 12 months, or if the member is a Scheme pensioner, there will be a charge.

Hypothetical transfer values for Scheme members

Transfer values are for information only and must not be used for divorce purposes. HSC pensions will provide details of the transfer value but no discharge forms. A member is only entitled to one free hypothetical transfer value per 12 month period.

Charges

The HSC Pension Scheme makes no charge for the calculation and payment of transfer values.

Doubts About Transferring

There is no compulsion on the member to transfer their benefits even if an enquiry has been made. However, we cannot cancel a transfer once payment has been sent to the new scheme.

HSC Pension Service always recommends that the member seeks independent financial advice if they are in any doubt about whether a transfer is the best option for them. We are by law unable to offer advice on the matter.

The following organisations provide information about transfers that may assist members when deciding whether to transfer. They are:

The Financial Services Authority who can be contacted at: www.fsa.gov.uk or at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London, E14 5HS.

The Pensions Regulator can be contacted at www.thepensionsregulator.gov.uk or at the Pensions Regulator, Napier House, Trafalgar Place, Brighton, BN1 4DW.

The Pensions Advisory Service can be contacted at
www.pensionsadvisoryservice.org.uk or at 11 Belgrave Road, London, SW1V 1RB.