



# Transferring your benefits out of the Scheme

In this Guide you will find information about transferring your benefits out of the Defined Benefit Section of Prudential Staff Pension Scheme.

**OCTOBER 2019**



# Contents

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Introduction	1	Who can transfer the DB Section benefits out of the Scheme?	3
Costs	1	Help and support	3
Scams	1	Frequently asked questions	4
Taking a transfer value	2	Further information	5
Types of transfer	2	Glossary	6



# Introduction

If you're thinking about transferring your benefits out of the Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme) to another registered pension arrangement, this Guide may help you understand the process.

To start, you will need to obtain the current transfer value of your DB Section benefits. You may be able to obtain an estimate of the current value from MyPension, the secure area of the Scheme website. Alternatively, you can contact the DB Section Administrator whose details are on page 5.

Before going ahead with a transfer, it is important that you get financial advice. Current legislation requires that, if your transfer value is in excess of £30,000, you must demonstrate that you have received the appropriate advice. The Trustee will not release the funds to your new pension provider without it. The Trustee always recommends that you seek independent financial advice when making a decision about your retirement.

## Costs

The Trustee does not currently charge an administration fee to arrange for your DB Section benefits to be transferred to another registered pension arrangement. Please be aware that your new pension provider to which the transfer value is being paid may make a charge.

# Scams

If someone offering to help you transfer your DB Section benefits contacts you unexpectedly it's possibly a pension scam. They could be trying to defraud you out of your pension savings by encouraging you to cash in your pension savings and transfer your money.

## What should you be wary of?

- Any investment or business opportunity that you have not spoken to them about previously;
- The opportunity to access your pension savings before the age of 55; and
- Tempting ways to invest your pension savings, for example exciting property investments.

Despite these opportunities appearing to be very convincing they may be fake.

**Beware:** Once you've transferred your money into a scam, it's too late. You could lose all your pension savings and face tax charges of up to 55% and/or incur large additional fees.



# Taking a transfer value

Below you will find a high-level process map showing the various steps involved in transferring your DB Section benefits to another pension arrangement.



## Types of transfer

You can only transfer your DB Section benefits to another registered pension arrangement.

This may be an arrangement provided by your current employer (similar to the Scheme) or an arrangement purely for you. It must be an arrangement approved by HM Revenue and Customs (HMRC) to receive pension savings.

### Overseas Transfer

It is possible to transfer your DB Section benefits to an overseas pension arrangement provided that it satisfies certain criteria set by HMRC. While the Government does not publish an approved list of overseas pension arrangements, it does publish a list of pension arrangements which may meet the necessary requirements please go to: [www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops/list-of-recognised-overseas-pension-schemes-notifications](https://www.gov.uk/government/publications/list-of-qualifying-recognised-overseas-pension-schemes-qrops/list-of-recognised-overseas-pension-schemes-notifications).

Where you wish to transfer your DB Section benefits to an overseas pension arrangement, significant due diligence on behalf of the Trustee is required to confirm that the receiving pension arrangement meets the necessary conditions to allow the transfer. You should expect that the process will take significantly longer than a transfer to a UK based pension arrangement.

# Who can transfer their DB Section benefits out of the Scheme?

Depending on your membership status the option to transfer will either be automatic, or at the discretion of the Trustee.

## Active members

You can choose to transfer your DB Section benefits out of the Scheme. However, you will need to opt out of the DB Section and become a Deferred member first. If you opt out you will cease to build up further benefits within the DB Section. The Death in Service benefits payable to your Dependants may also be affected. For more information on opting out please refer to the Scheme website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

## Deferred members

Normally, unless you have already reached your Normal Retirement Date, you automatically have the right to transfer your DB Section benefits to another pension arrangement. If you have reached your Normal Retirement Date you may still be able to transfer your DB Section benefits out of the Scheme. However you will need the Trustee's permission to do so.

## Pensioner members

If you have started receiving your pension in respect of your DB Section benefits you are not normally able to transfer these benefits out of the Scheme.

If you have passed your Normal Retirement Date (for most members this is their 60th birthday) the option to transfer your DB Section benefits is at the discretion of the Trustee.

## Transferring your Additional Voluntary Contributions (AVCs)

If you have paid AVCs, either to the in-house AVC arrangement or the commercial AVC arrangement you can transfer them to a registered arrangement without transferring your other DB Section benefits. However, if you transfer your other DB Section benefits you must transfer your AVCs at the same time. Your AVCs do not need to be necessarily transferred to the same arrangement as your other DB Section benefits.

# Help and support

Before proceeding with a transfer, it is important that you consider obtaining financial advice.

The most likely individual to be able to provide this is an Independent Financial Adviser (IFA). If you have not used an IFA before you can find details of ones local to you by visiting [register.fca.org.uk](http://register.fca.org.uk).

Current legislation requires that if your transfer value is in excess of £30,000 you must demonstrate that you have received the appropriate advice from an authorised financial adviser. The Trustee will not release the funds to your new pension provider without it. The Trustee always recommends that you seek independent financial advice when making a decision about your retirement.

## Considerations before you arrange an IFA appointment

Before you arrange to meet an IFA there are a couple of things to consider:

- Ensure you have all the information you need. For an IFA to provide advice he/she may wish to consider all your financial arrangements, not just details about your DB Section benefits; and
- Allow enough time for this information to be provided. If you require the DB Section Administrator to provide information regarding your DB Section benefits, this may take several days to arrive.

You may wish to provide them with a copy of the Member Booklet (available from the Scheme website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk)) which may provide additional useful information for your IFA.

# Frequently asked questions

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We have provided the answers to some of the most frequently asked questions below.

## What is a pension transfer?

It is the process of moving the value of the pension savings you have built up in one pension arrangement to another.

## Where can I get advice?

You can obtain advice regarding any pension matters, including transfers, from an Independent Financial Adviser (IFA). If you don't have one, you can find one in your local area by visiting [register.fca.org.uk](https://register.fca.org.uk).

## Why is advice important?

You should always consider getting advice before making a transfer. Understanding whether a pension transfer is right for you can be complicated. You should be aware of what your existing pension arrangements could provide before transferring them to a new pension arrangement. A financial adviser must recommend transfers that are suitable for your needs.

It is also important to regularly review your pension arrangements with your adviser as your circumstances and your pension requirements are likely to change over time. If your transfer value is in excess of £30,000 you will need to demonstrate you have received the appropriate advice before the transfer can proceed. The Trustee always recommends that you seek independent financial advice when making a decision about your retirement.

## Do all pension schemes accept transfers?

Some schemes do not accept transfers. Your adviser will be able to give you more information. Once you transfer your DB Section benefits from within the Scheme, any right you or any of your beneficiaries have to those benefits in the DB Section will end.

## Where can I find more information?

The Pensions Advisory Service website, [www.pensionsadvisoryservice.org.uk](https://www.pensionsadvisoryservice.org.uk) has a great deal of information about the things you should consider before making any big financial decisions.

Please remember it may be some time between your pension savings being transferred and it then being invested in your new pension arrangement. Your investment may potentially be exposed to additional investment risk during this time.

## What should I consider before transferring out of the DB section?

A financial adviser will be able to help you, but members often like to consider the following before transferring their benefits out of the DB Section:

- The investment choices available;
- Any annual management charges;
- The time remaining to invest the money before drawing your benefits;
- The quality of the receiving arrangement's administration;
- Any options provided by the DB Section not available from the new arrangement; and
- Any other fees that might be incurred.

## How long does it take for the transfer to be finalised?

This varies from case to case however it is likely to take several months from the date you start the process until the funds have been transferred to your new pension provider.



## Further information

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For further information on leaving Service (or opting out) or any other matters relating to the DB Section.

Writing to: **Prudential Staff Pension Scheme**  
**XPS Administration**  
**Priory Place**  
**New London Road**  
**Chelmsford**  
**CM2 0PP**

Emailing: **[pspsdb@xpsgroup.com](mailto:pspsdb@xpsgroup.com)**

Telephone: **01245 673515** (UK callers)  
**(44) 1245 673515** (Overseas callers)

Website: **[www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk)**

### Small Print

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

All benefits are payable in accordance with the Trust Deed and Rules, the legal document governing the Scheme. In the event of any discrepancy between any information provided to you and the Trust Deed and Rules, the Trust Deed and Rules will prevail.



# Glossary

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## **Additional Voluntary Contributions (AVCs)**

These are any personal contributions that you choose to pay to the DB Section.

## **Annual Allowance**

This is the maximum amount of pension savings that you can make which will qualify for tax relief in any tax year.

## **Automatic Enrolment**

The requirement to enrol most employees and workers in the UK into a pension scheme provided by an employer.

## **Civil Partner**

This is the person you have entered into a registered Civil Partnership with under the Civil Partnership Act 2004.

## **Company**

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

## **Consumer Price Index (CPI)**

The official index used by the Government as its measure of inflation. The Government previously used the Retail Price Index as its official index for measuring inflation.

## **DB Section**

Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme).

## **DB Section benefits**

The benefits payable to you as a result of your membership of the DB Section (and/or those payable to your Spouse/Civil Partner or other Dependant(s) following your death) but excluding any benefits payable in respect of AVCs.

## **DC Section**

Defined Contribution (DC) Section of Prudential Staff Pension Scheme (the Scheme).

## **Dependant**

Your Spouse or Civil Partner/same sex spouse or any other person who, in the opinion of the Trustee, is financially dependant upon you at the date you take your pension or die.

## **Eligible Child**

In most cases, this means your own or adopted child under age 18 or older if still in full-time education/vocational training and the Trustee so decides (though not normally beyond age 23).

## **Final Pensionable Earnings**

In summary, for the purposes of the DB Section, Final Pensionable Earnings is calculated as the higher of either:

1. The basic salary you earned in the 12 months immediately before you leave service. Ignoring any additional amounts, such as bonuses or overtime.
2. Your highest annual salary in any one tax year, in the last five years before you leave Service. Ignoring any additional amounts, such as bonuses or overtime.
3. Your average annual salary over the best three consecutive tax years in the last 10 years. Ignoring any additional amounts, such as bonuses or overtime.

The earliest tax year which will count in points 2 and 3 above is that commencing 6 April 2000.

If you were an Active member on 30 September 2019, your Final Pensionable Earnings will be capped at the rate applicable at this date.

There are two areas where this cap will be applied differently.

- If an Active member's Pensionable Earnings is less than £35,000 per annum, their Final Pensionable Earnings will continue to recognise increases to their salary on and after 30 September 2019, until such time that their Final Pensionable Earnings reaches £35,000 per annum (or, if part-time, their full-time equivalent).
- If an Active member is already earning above the Scheme Earnings Cap, their benefits are limited by the Scheme Earnings Cap until the Scheme Earnings Cap overtakes their Final Pensionable Earnings at 30 September 2019.



If you participate in the Company's Pension Plus arrangement, for this purpose, you are treated as if you do not participate in this arrangement.

There are occasions when your Final Pensionable Earnings might be calculated differently. If you have any questions or need any further information please contact the DB Section Administrator in the first instance.

Please see Appendix II for an example of a Final Pensionable Earnings calculation.

### Guaranteed Minimum Pension (GMP)

If you were an Active member of the DB Section between 6 April 1978 and 5 April 1997 (inclusive), you will have accrued a GMP within the Scheme. This is the minimum pension the Scheme must pay to you as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P).

- **Contracting out** — In return for you and the Company paying a reduced level of National Insurance contributions, you stopped building up your second tier State Pension entitlement. The Scheme committed to pay this amount to you as part of your overall Scheme entitlement.
- **State Earnings Related Pension Scheme (SERPS)** — From 6 April 1978 to 5 April 2002 this was the second tier of State Pension. In addition to your Basic State Pension the State would pay an additional pension based on your earnings during any period you were not contracted out.
- **Second State Pension (S2P)** — In 2002 the Government replaced SERPS with S2P. The principles were broadly the same in that S2P was a second tier of State Pension provision based on your earnings during any period you were not contracted out.

With effect from 5 April 2016, the Government abolished the two-tier State Pension provision in favour of a single-tier flat-rate State Pension.

### GMP Pension Age

This is currently 60 for women and 65 for men.

### Lifetime Allowance

The Lifetime Allowance is a limit on the amount of pension benefits that you can accumulate during your working life which will qualify for tax relief.

### Money Purchase Annual Allowance

If you elect to take your benefits from any other registered pension arrangement using the new pension flexibilities available, for example in the form of a Uncrystallised Funds Pension Lump Sum (UFPLS) you will trigger, for the tax year you draw your benefits (and for future years), a Money Purchase Annual Allowance. This means your tax efficient contributions to any defined contribution scheme will be more restricted (usually to £4,000). More detail can be found on the Scheme's website.

### Normal Retirement Date

The date at which you are expected to retire. For most members your Normal Retirement Date is aged 60 although it is aged 65 for some male members. You will have been told if your Normal Retirement Date is not aged 60. Your Normal Retirement Date is sometimes referred to as your Normal Pension Date.

### Pension Input Period

This is the period over which pension contributions are measured to work out whether you have exceeded the Annual Allowance. The Pension Input Period is the same as the tax year: 6 April to 5 April.

### Pensionable Pay (in respect of the DC Section)

This means your basic salary.

### Pensionable Service

In general, this means the permanent Service (in years and complete months) you completed with the Company as an Active member of the DB Section.

### Pensions Plus

The Company operates a salary sacrifice arrangement called Pensions Plus, for more information please see the Company's document Your Guide to Pensions Plus. You can download a copy from the Company Documents section of the Scheme website: [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

### Qualifying Recognised Overseas Pension Scheme (QROPS)

This is an overseas pension scheme that meets certain requirements and which HM Revenue & Customs recognises as eligible to receive transfers from registered pension schemes in the UK.

### Registered pension scheme

A pension scheme that is registered with HM Revenue & Customs under the provisions of the Finance Act 2004

**Scheme**

Prudential Staff Pension Scheme.

**Scheme Actuary**

An appropriately qualified individual who advises the Trustee on actuarial matters relating to the Scheme.

**Scheme Earnings Cap**

(Members who joined the Scheme on or after 1 June 1989 ONLY)

The maximum salary that can be considered for Pensionable Earnings calculations.

**Service**

Your employment with the Company.

**Spouse**

This is the person to whom you are legally married. This includes opposite sex spouses and same sex spouses.

**Spouse GMP (SGMP)**

The minimum pension the Scheme must pay to your Spouse/Civil Partner as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P). Please see the definition in the Glossary for Guaranteed Minimum Pension (GMP) for further information.

**State Pension**

The pension you may receive from the State when you reach State Pension Age.

**State Pension Age**

The age at which your State Pension becomes payable.

**Trustee**

Prudential Staff Pensions Limited, a limited company, is the Trustee of the Scheme and is responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules. The Trustee holds, manages and invests assets for the benefit of members and their beneficiaries.

**Trustee Director**

An individual, either appointed by the Company or nominated by the Scheme members, who along with other Trustee Directors form the board of the Trustee.