Transfer FAQs

Q1 - Do I need to take financial advice?

If your total transfer value is £30,000 or more, it is a legal requirement that you take financial advice from an authorised independent financial advisor before transferring. The requirement for advice is based on your full transfer value and applies to partial transfers where the partial transfer amount is less than £30,000 but the full transfer value is £30,000 or more. Given the limits set by the Trustees this means you will need to take financial advice.

Before appointing an advisor, you should check that your chosen advisor is registered with the FCA and authorised to provide advice on transfers. You can check that your advisor appears on the FCA register using the following link:

https://register.fca.org.uk/

You can also call the FCA's Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pensions advice.

Q2 - Where can I find an advisor?

Details of local independent financial advisors can be obtained via the following website:

www.unbiased.co.uk

Please note that there may be a charge for obtaining advice.

Q3 - Who else can I talk to about transferring?

If you are aged 50 or over, you may be able to obtain free guidance from Pension Wise, a Government backed pension service. You will find details at the following website: www.pensionwise.gov.uk

You can also contact the Pensions Advisory Service, who provides free and impartial guidance on any pension related matters. You will find more information and contact details at the following website: www.pensionsadvisoryservice.org.uk

Q4- What is a transfer value?

A transfer value is the cash value of a deferred pension benefit at the date on which the transfer value is calculated. You can think of it as the amount of cash the Scheme would need to hold in order to meet all future benefit payments to the member and his/her dependants, based on market conditions at the calculation date.

Q5 – When can I take a transfer value?

All deferred members have a legal right to take a full transfer of their Scheme benefits to an alternative, approved pension arrangement provided that the transfer value is taken at least one year before their normal retirement date.

For the avoidance of doubt, members in receipt of a pension cannot transfer out of the Scheme.

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Q6 - Why do members transfer out of defined benefit schemes?

The Crest Nicholson Group Pension & Life Assurance Scheme is a defined benefit ("DB") scheme, where members are entitled to a guaranteed amount of pension based on their service and salary when they left the Scheme. In a defined benefit scheme, members have some flexibility in terms of how they take their benefits. For example, members can take 25% of the value of their defined benefits as tax-free cash lump sum at retirement. However, this flexibility is quite limited and most members must take the major part of their benefit in the form of a guaranteed lifetime pension.

In a defined contribution ("DC") scheme, individuals have much more flexibility on how they access their pension savings and on how their pension savings can be passed on after they die. However, there is no guarantee on the level of benefit that can be provided from a DC scheme.

Typically, members who transfer from DB to DC schemes do so to obtain more flexibility on how they access their pension savings. When they transfer, they give up all of the guarantees they have in a DB scheme. The main options available under a DC scheme are annuity purchase, flexible drawdown and full encashment. More information on these flexibilities, which came into effect in April 2015, is provided under Q14.

Q7 - What flexibility would I have if I transfer?

If you transfer part or all of your defined benefit to a defined contribution arrangement, your transfer value will form an individual "pot" of money in your new DC arrangement. After you reach age 55, you will be able to take up to 25% of your DC pot as a tax-free cash lump sum. You can then use the balance of your pot in a number of ways. The three main options, which can be combined, are set out below. Before you transfer, you should check that the receiving DC arrangement provides the full range of flexibility that you would require.

Buying an annuity policy (which provides a guaranteed lifetime pension)

You can use your DC pot to buy an annuity policy at retirement. This would provide a guaranteed lifetime pension income in much the same way as a defined benefit pension, but you would be able to tailor your pension to suit your circumstances. For example, you would be able to decide:-

- How your pension increases (could be in line with RPI, at a fixed annual rate, or with no increases)
- Whether a spouse's pension is payable after your death and if so at what level
- Whether there is a minimum guaranteed payment period even if you die before this period expires
- Whether you might receive a higher pension if you have impaired health

The amount of pension that you can buy at retirement with a DC pot will depend on a number of factors including investment performance, market conditions at the time of purchase, your age and health status.

Additional cash

You could choose to take more than 25% of your DC pot as a cash lump sum at retirement. If you do this, you would pay tax on any amount above 25% of your DC pot. Depending on other income, you may end up paying significantly more tax if, for example, the additional cash taken pushes you into a

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higher tax band. Taking additional cash could also affect any means-tested benefits you might otherwise be entitled to.

Income drawdown

Instead of buying a pension, or taking additional cash, you could access your DC pot flexibly from year to year taking your money a bit at a time, as you need it. This is known as 'income drawdown'. It provides much more flexibility than an annuity (for example to take more cash in some years and less in other years) but does not provide a guaranteed pension for life.

Once you have taken the maximum amount of tax-free cash, your cash withdrawals would be subject to income tax at your marginal rate. Your fund would remain invested until you have used it up completely. Although your fund would be expected to grow, it will be exposed to risk and may decrease in value, for example if your investments fall in value. As such, you should be willing to take some investment risks and may need to take advice to manage your investments if you wish to use drawdown.

As well as providing flexible access, drawdown can also enable you to pass on your unused pension savings to your dependants (in some cases tax-free).

As noted above, you can use a combination of annuity purchase, additional cash lump sum and income drawdown.

Q8 –Where can I transfer to?

You can transfer all or part of your Scheme benefits to an approved UK or overseas pension arrangement. The receiving arrangement must be approved by HMRC and must be willing to accept your transfer value.

Q9 - What happens to my Scheme benefits if I transfer?

If you take a full transfer, the value of your full Scheme pension, including dependants' benefits, will be transferred to an alternative arrangement of your choice and you will no longer have any benefits in the Scheme, or be a member of the Scheme.

For partial transfers, see Q6.

Q10 - Is there a risk that I could lose my benefits if I transfer?

Yes, there is a risk you could lose your benefits if you transfer out of the Scheme. The main risk is that your benefits are transferred to a scam arrangement and you subsequently lose part or all of your transfer value.

In order to minimise the risk of being scammed you should follow the FCA's 4-step guidance, which is:

- **Step 1 - Reject unexpected offers**. If you are contacted out of the blue or if you are offered a free pension review, both of these indicate a high probability that a scam is involved.

- **Step 2 – Check who you are dealing with**. Before selecting an advisor, check the FCA register and check the advisor is authorised to provide pensions advice.

- **Step 3** – **Don't get rushed or pressured**. Take your time to make all the checks you need.

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- **Step 4 – Get impartial information or guidance**. As well as taking independent advice from an authorised advisor, you can obtain free guidance from the Pensions Advisory Service and from Pensions Wise.

More detail on how to avoid being scammed is provided via the following link:

https://www.fca.org.uk/scamsmart/how-avoid-pension-scams

Q11 - What other things should I think about before I decide whether to transfer?

The key thing to understand is that by taking a transfer value, you are giving up a guaranteed lifetime pension, which (in most cases) will increase in payment and which includes benefits for your dependants in the event of your death. In return, a lump sum would be paid into a receiving arrangement of your choice and you would have more flexibility on how you use that lump sum.

However, that flexibility comes with a number of risks and we have set out below some of the key issues that you should consider. Please note this is not advice nor is it intended to be an exhaustive list and your financial advisor will identify the issues and risks that you should personally consider before transferring:

- **Investment risk** – taking a transfer value is likely to mean that you will be exposed to investment risks that do not affect your deferred benefits in the Scheme. This is because the amount of your deferred pension payable by the Scheme at your retirement is already known, and does not depend on future investment returns. However, if you transfer to a DC arrangement then you take on the risk that the investment fund you select performs better or worse than expected. As a result, you will not have any certainty on the level of income you will receive during your retirement, which could be significantly lower (or higher) than the guaranteed Scheme pension that you would give up.

- **Life expectancy -** Your Transfer Value may seem like a very large sum of money relative to the Scheme pension that you would give up. However, you need to consider whether it will provide you (and your dependants) with an adequate income for the rest of your life, factoring in future price inflation. One of the key factors here will be your current health status and whether or not you have any dependants. If you leave your deferred pension in the Scheme, you will have a guaranteed income for life, no matter how long you live for.

  If you are considering drawdown, you need to think about how long your fund may last, as there is a risk that your pension savings could run out before you die. As well as thinking about your life expectancy (i.e. how long you might live in retirement), you should also think about whether you have any other sources of income if your fund is used up.

- **Charges** - while your funds remain invested, they will be subject to ongoing investment charges. You may also need to take advice from time to time on how your funds should be invested (which may change during your retirement) and on how much you should withdraw. You should consider the effect that these charges will have on the value of your funds. You should also note that, by contrast, your Scheme benefits are not affected by charges.

- **Death benefits** – if you transfer, you need to think about how you would provide for your dependants in the event of your death. A transfer would give you more choice over the benefits that are payable to your dependants in the event of your death and, if buying an annuity, you would be able to specify benefits to suit their needs. Alternatively, if you wish to use drawdown arrangement, you would be able to pass on your unused pension savings to your dependants (which, under current tax rules, could be tax-free if you die before age 75).

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If you do not transfer, the benefits payable in the event of your death after retirement will be those specified under the Scheme Rules with the main death benefit being a spouse's pension of two thirds of your own pension at date of death.
You should discuss all of the options available to you with any spouse or dependants before proceeding, because your decision affects them too.

- **Tax** – taking a transfer may affect the value of your benefits for tax purposes and could, in some cases, mean that you exceed one of the tax limits and are liable to pay a tax charge. Transferring may also affect the amount of tax-free cash you can take.

  In addition, if you take any pension savings as taxable cash or as drawdown, your Annual Allowance (the level of tax efficient pension saving you can make) will reduce. You should discuss the tax implications of transferring with your financial advisor before you make any decision.

- **State benefits** - If you currently receive means-tested benefits, you should discuss the implications of the different options with your financial adviser.

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