

## General Information

**Transvas Report: Transfer Value Comparator and Late Retirement**

**Date Logged: November 2018**

## Why is Transfer Value Comparator needed?

The FCA's Policy Statement PS18/6 specifies that from the 1st October 2018 a Transfer Value Comparator (TVC) must be included within an Appropriate Pension Transfer Analysis (APTA). In its consultation in 2017 (CP17/16), the FCA said consumers did not understand the value of the benefits being given up from DB schemes and felt the TVC was a clearer approach to highlighting this.

It is designed to be a prescribed calculation with the stated expectation that, whatever pension transfer analysis system the adviser used, it would produce a consistent figure.

## Uncertainty Regarding Late Retirement

Prior to the introduction of the TVC, it was clear that a TVAS was NOT required when a member had already passed the scheme's Normal Retirement Age (NRA) and was retiring immediately.

Instead, the adviser would follow the previous process for a member considering a transfer within 12 months of NRA. Namely, obtain the current scheme pension and compare against an annuity which could be purchased with the CETV, based upon the client's circumstances (e.g. spouse, health, etc). It might be that you were offered £10k per year in the scheme whereas the transfer value of £250k would purchase an annuity in the open market of £8k per year (assuming a similar annuity shape).

FCA Conduct of Business Sourcebook (COBS) 19 Annex 4B lays out when a TVC is required:
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1R covers "...retail client has 12 months or more before reaching normal retirement age..."
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2R covers "...retail client has less than 12 months before reaching normal retirement age..."
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COBS 19 Annex 4B does NOT cover a scenario where "...retail client has passed normal retirement age..."
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Despite the lack of coverage in PS18/6 and COBS we have been informed by some customers that the FCA has stated that a TVC would be required for late retirement.

What is the proposal where a scheme does not actually allow late retirement but the member simply did not make contact with the scheme until they had already passed NRA? In such a case, when the member asks for their scheme pension, the actuary assumes the member retired at NRA and works out the various back payments due.

## Further Uncertainties

The entire premise of the TVC (along with the assumptions used) changed considerably from the initial consultation paper to the final policy statement (PS18/6) issued in March 2018.

For further details on the discrepancies, you may wish to read the following article written in Money Marketing by Jason Wykes, managing director of O&M Pension Solutions.

<https://www.moneymarketing.co.uk/transfer-value-comparator-confusion/>

## Enabling the TVC for Late Retirement

Currently Transvas profiler will not produce a TVC for retirement passed Normal Retirement Age. We believe this is in line with the COBS rulebook.

However, given the different interpretations of the policy statement within the industry, we are in talks with the FCA to try and determine a definitive response as to whether a TVC is required on late retirement. Once we have received a conclusive response our system will be updated accordingly to reflect any changes if needed.

If on reflection you require a TVC for a member who has passed their Normal Retirement Age, our Transfer Bureau customers can request for this to be produced on an ad-hoc basis.

For our Transvas Profiler users if you require this functionality you will need to create a 'Flag File' called PS18\_6. We would suggest that if you require this please contact our support team on 0845 564 0520 to discuss this further.