

## Overview of Payment of Transfers Out Process: December 2024

This document provides an overview of the process in place following a positive election from a scheme member to transfer their LGPS benefits to their new pension scheme. **Much of the information in this section is taken directly from the [Non-club Technical Guide](#) which can be found on the LGA website. The guide itself contains more detailed notes that you will need to refer to from time to time.**

### Background

Members have a statutory right to transfer if certain conditions are met. When deciding to grant statutory transfers, we must carry out appropriate checks to decide if the conditions for transfer are met.

We should also be aware of the risks of pension scams.

Before making payment of a transfer, we:

- Must check the receiving scheme to ensure it is able and willing to accept the transfer, and also a scheme to which a transfer can be made under the relevant legislation.
- Must check one of the conditions for transfer are met to grant a statutory right to transfer
- Where neither condition is met, and they suspect the receiving scheme to be an illegitimate arrangement, we may refuse the transfer.
- If we suspect the receiving scheme is an illegitimate arrangement, we should report it to Action Fraud.
- If we believe that we will not meet the legislative deadlines, make an application to The Pension Regulator (TPR) before the deadline.

## Due Diligence: The Conditions

Before a transfer can be paid, due diligence must be conducted. On 30 November 2021, “The Conditions” were introduced, as part of the Occupational and Personal Pension Schemes (Conditions for Transfer) Regulations 2021. These apply to:

Deferred members, AVC members and Pension Credit members who apply for a transfer on or after 30 November 2021. They do not apply to pensions on divorce transfers. Whilst technically the process does not apply to the payment of “Cash Transfer Sums” (deferred refund members) either, for ease, this process will also be generally adopted for those cases.

We have incorporated The Conditions into our processes.

### The First Condition

This allows you to proceed with transfers to certain types of schemes with no additional checks. These are:

- Public Service Pension Schemes
- Master Trust Schemes ([a list is available of the TPR website](#))
- A Collective Defined Contribution Scheme (CDC) – again a list is available on the [TPR website](#)

### The Second Condition

The second condition applies to all other transfers but differs slightly depending on the type of transfer.

#### Occupational Schemes

If the member wishes to transfer to an occupational pension scheme, before the transfer can proceed we must ask for evidence that the member is employed by the scheme’s sponsoring employer.

#### Employment Link

To establish this link, we must request the following evidence from the member to determine whether a statutory transfer can proceed:

- A letter from the member’s employer confirming the member’s continuous employment. This should include the date that the member’s continuous employment began, that they are a sponsoring employer of the receiving scheme and confirmation that contributions on the schedule of contributions have been paid and the dates of those payments.
- A schedule of contributions or payment schedule showing the contributions due to be paid by the employer and by or on behalf of the member in the last three months and the due dates.
- Payslips for three months, or other evidence in writing, confirming the member’s salary (including any commission, bonuses or other amounts paid) is above the lower earnings limit for National Insurance.
- Copies of bank or building society statements or passbook showing the deposit of salary from the employer for the last three months.

If, based on copies of the documents referred to above, you have reason to believe that there is no employment link, this will be a red flag (see appendix). If you decide there is an employment link and no other red or amber flags are present, you may proceed with the transfer.

### **Overseas Schemes**

Transfers paid overseas can only be paid to a qualified recognised overseas pension scheme (QROPS). However, like any other transfer you must also be satisfied that the second condition is met. For overseas cases this will mean either the employment link (see occupational schemes) or proof of residency.

#### Proof of Residency

This only applies where the transfer is being made to a qualifying recognised overseas pension scheme and where the member has not provided evidence that satisfies you that an employment link exists.

In these cases, you must check that the member is resident in the same country that the receiving scheme is based by obtaining a copy of the member's formal residency documentation and at least two other items of evidence that demonstrate they are resident on the date you received the transfer application. This evidence will vary depending on the country of residence but could include:

- utility bills
- TV subscriptions
- insurance documents relating to their overseas home
- the address registered on their driving licence
- bank account and credit card statements
- evidence of local tax being paid
- registration at that address with local doctors

If you have reason to believe that overseas residency is not demonstrated, this is a red flag. If you decide that overseas residency is demonstrated, and no other red or amber flags are present, the transfer can proceed without any further checks. Further details on red and amber flags are in the appendix.

### **Other Pension Schemes**

Transfers to personal pension schemes will only be paid where our checks do not show any red or amber flags. Details on Red and Amber Flags can be found in the appendix, but the areas of concern for transfers to personal pension schemes are:

Has there been an increase in transfers from the same advisor or provider?

Are scheme charges high or unclear?

Has Independent Financial Advice been obtained from someone with the appropriate credentials?

Was the member “cold called” by the new scheme?

Was the member given incentives or pressured to transfer to the new scheme?

### **The Second Condition: Further information**

If you decide that an amber flag is present you must direct the member to take part in a safeguarding guidance session from MoneyHelper. The member must prove to you they have attended this session before the transfer can proceed.

You may need to contact the member to obtain further information to decide the presence of any red or amber flags. The information you request must be reasonable and proportionate to the level of risk you believe may be present.

To help you decide whether red or amber flags are present, you or your Team Manager must speak to the member and work through the list of questions that have been provided in Altair doc TVOCALLOG (copy in appendix) which can be generated and attached to the member record.

If you have concerns about any of the answers given you will need to speak to your Team Manager and decide if there are any Amber or Red flags.

#### **MoneyHelper**

Where one or more amber flags are present members must be directed to obtain guidance from MoneyHelper.

The purpose of MoneyHelper is to help identify common risks involved in transfers, highlight the dangers of pension scams and allow the member whether to proceed with their transfer. Note that this is not to be used as a substitute for our own due diligence.

Once the member has attended their session with MoneyHelper they must provide us with a six-digit reference that they will have been given. This must be given to us before we can proceed with the transfer.

In addition, we will advise our legal colleague (Jaishika) to conduct their own due diligence in respect of the receiving scheme and any financial advisors that are involved in the case.

#### **Refusing a Transfer**

Having completed our diligence check, you decide to refuse a transfer, we will need to clearly communicate the reasons why to the member and this must be done within seven days of the decision. **A letter will be sent from the Pensions Manager for these cases.** You will need to speak with your Team Manager prior to making the decision and this must all be recorded on the record.



## Other Information

### Payment Timelines

Where a valid election to receive a transfer is received, payment must be made within six months beginning with the guarantee date that was used in the original transfer quote. The election must have been received within three months of the guarantee date.

If the CETV is not paid within six months of the guarantee date and an extension has not been granted by TPR, then they must be notified within 21 days after the end of the six months and we may be subject to a penalty of up to £10,000.

### Delays

If you need more time to assess whether the second condition is met and you consider that the case meets the criteria for an extension you may apply to TPR for an extension to the normal six month time period (within the statutory deadline for six months from the guarantee date). Speak to your team manager if you think that you need to do this.

### Transfers valued over £30,000

If the transfer is valued at over £30,000 then officers must check that independent financial advice has been received. This is covered in the transfer forms that are issued to members (Advice Confirmation Form). This is signed by both the member and the adviser, who must also add their FCA reference number.

A transfer cannot proceed without this taking place.

### Scam Prevention

We take the following steps to satisfy that the possibility of a scam has been considered and checked prior to the payment of a transfer.

- Issue the “Don’t let a scammer enjoy your retirement” warning leaflet and the “Transfer warning letter” to the member who has expressed an interest in transferring their benefits. These documents are automatically included in the LETTAUTH22 document that is issued at the beginning of the process.
- Work through “The Conditions” as set out elsewhere in this document.
- The Fund must have a Scam Prevention page on their website. This has been included on our website for a number of years.
- Reference to scams must also be included in supporting documentation on Annual Benefit Statements. A section relating to scams is already included in on our ABS webpage.

### Becoming Aware of a Scam

If you believe that

- a scam has occurred, or
- a red flag has been raised as part of your due diligence, or
- you suspect that a scam could be taking place or are suspicious of those involved

then you must raise this with your Team Manager and report this to [Action Fraud](#).

## Appendix A: Our Payment Process in a nutshell:

Check all forms that were issued have been completed correctly, including the “Yes/No” questionnaire (and raise with your team manager if any “Yes” answers are present)

If Club/Master Trust/CDC arrange for payment of transfer to be made

Otherwise:

- If the transfer value is over £30,000 has both member and adviser completed the Advice Confirmation Form. Ensure all information is checked and you are satisfied that the advisor is correctly registered with FCA

Transfers to non-club occupational schemes:

- Do we have evidence of an employment link (establish this in all cases)
- Establish whether there are any red or amber flags present

Transfers to an overseas schemes:

- Has the member confirmed the new scheme is QROPS and have they provided proof of an employment link or residency?

Transfers to other schemes:

- Establish if there are any red or amber flags present

If amber flags present:

- Speak to member (using TVOCALLOG) and if still concerned direct to MoneyHelper. Also arrange for further diligence checks by legal colleague (Jaishika) to be conducted
- If still not satisfied speak with Team Manager about refusing the transfer

If red flags present:

- Speak with Team Manager about refusing the transfer

If satisfied transfer can be paid, but if transferring to a personal pension scheme and the value is over £100,000 ensure the case been passed to legal colleague (Jaishika) for final diligence checks before making payment. Jaishika will report back to officers on her findings and also write to the member detailing those findings and a further final declaration will be enclosed for the member to complete.



## **Appendix B: Transfer Decision Making Process**

### **1. Is condition one met?**

Yes – Proceed with the transfer.

No – Go to 2.

### **2. Is the receiving scheme occupational?**

Yes – Go to 3.

No – Go to 4.

### **3. Is there sufficient evidence of an employment link or overseas residency?**

Yes – Go to 6.

No, failed to provide evidence – Refuse the transfer.

No, insufficient evidence – Direct member to MoneyHelper.

### **4. Is the transfer to an overseas scheme?**

Yes – Go to 5.

No – Go to 6.

### **5. Is there sufficient evidence of overseas residency?**

Yes – Go to 6.

No, failed to provide evidence – Refuse the transfer.

No, insufficient evidence – Direct member to MoneyHelper.

### **6. Are there any red flags?**

Yes – Refuse the transfer.

No – Go to 7.

### **7. Are there any amber flags?**

Yes – Direct member to MoneyHelper.

No – Proceed with the transfer.

## Appendix C: Red and Amber Flags

### Amber Flag 1: The member hasn't shown an employment link or overseas residency

This applies where you decide that the member's response to a request for evidence has not fully demonstrated the [employment link](#) or [overseas residency](#) because the member has not been able to provide all the evidence requested. This might be for reasons such as the member's earnings are lower than the lower earnings limit, they have been in employment for less than three months or there are no employer contributions.

### Amber Flag 2: The member can't show an employment link or overseas residency

This applies where the member provides all of the evidence requested but they have not been able to fully demonstrate the [employment link](#) or [overseas residency](#). This may also apply if you have concerns that the evidence provided may not be genuine or that it has been provided by someone other than the member (except in cases where the member is being represented by someone with the power to make a request for a transfer).

### Amber Flag 3: High risk or unregulated investments are included in the scheme

You may decide that this flag is present if you have reason to believe that the investments in the scheme which, based on your reasonable judgement of the current market at the time of the transfer request, are beyond the normal range of investment risk, or contain a higher concentration or proportion of those investments than you'd expect to see in a balanced portfolio for an average member.

You may find [high-risk investment information from the FCA](#) useful when carrying out your due diligence.

The FCA has told us that these general examples may help you to identify a high-risk investment:

- investments that promise significant returns at a point in the future
- investments that would only normally be offered to high-net worth, sophisticated or professional investors
- investments that are unorthodox, speculative or would not feature in an investment portfolio appropriate for an average member

This flag also captures situations where the receiving scheme allows investments that are not regulated by the FCA and therefore will not provide access to services from the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS).

### Amber Flag 4: The scheme charges are unclear or high

This does not include all situations where a member is unaware of the charges on their product. You should use your judgement and knowledge of the market to assess whether the charges are not in line with norms for comparable products.

There may be additional charges for which the purpose is unclear, exit penalties associated with lock-in periods or performance bonuses that start at low levels of return. Charges may also be unclear if they are layered so that the member is paying several charges to associated parties which together add up to an excessive amount.

### Amber Flag 5: The scheme's investment structure is unclear, complex or unorthodox

You may decide that this flag is present, for example, where:

- there is direct investment into a specific asset or assets such as the unregulated investments listed in amber flag 3
- there is no clear fund wrapper or regulatory body involved in the investment
- the receiving scheme or investments in it appear to be designed to avoid regulation or exploit loopholes

#### **Amber Flag 6: Overseas investments are included in the scheme**

The specific concern here is not whether the investment is in, for example, a global equity fund but whether the investment is in assets or funds where there is a lax, or non-existent, regulatory environment or in jurisdictions which allow opaque corporate structures. After carrying out due diligence you may consider the transfer is at a low risk of a scam and, where your scheme rules allow, you may consider granting a discretionary transfer.

Some overseas advisers recommend members invest their pension funds in an offshore investment bond in an international self-invested personal pension. The [FCA has warned that this may expose members to high or unnecessary charges](#) and has stated that the tax benefits of such arrangements are redundant for a member investing in a UK personal pension.

#### **Amber Flag 7: A sharp, unusual rise in transfers involving the same scheme or adviser**

The risk of ‘factory gating’ (the practice of targeting specific workers where events occur that may lead to greater interest in transferring their pension) is significant in large or concentrated workforces. It is also common for victims of scams to unknowingly persuade family, friends and colleagues to become involved in a pension or investment scam, believing it to be a good deal. This can cause clusters of transfer requests to a particular scheme or using a particular adviser over a short period of time.

Transfers to a receiving scheme linked to a new employer following a corporate or TUPE (Transfer of Undertakings (Protection of Employment)) transaction are not necessarily a cause for concern. It is therefore important that you are aware of activity affecting sections of the workforce and whether these might trigger concerns.

Where you identify a sharp or unusual rise in transfer requests involving the same adviser, you should report this to the FCA via email to [DBTransferSchemeInformation@fca.org.uk](mailto:DBTransferSchemeInformation@fca.org.uk).

You may request additional information to help you decide if any of these flags are present.

If you reasonably believe that one or more of these flags exists, you should contact the member as soon as possible to explain that they are required to obtain guidance from MoneyHelper and why.

## **Red Flags**

### **Red Flag 1: The member has failed to provide the required information**

This is where the member refuses or fails to respond or provides only partial information which is insufficient to decide if the employment link or overseas residency can be demonstrated or if any red or amber flags are present.

You may decide that this red flag is present if the member does not respond after one month of the second request for information. You should inform the member of the last date that you will accept information and how they can ask for extra time.

**Red Flag 2: The member has not provided evidence of receiving MoneyHelper guidance**

When providing information about the need to obtain MoneyHelper guidance you should allow a reasonable period for the appointment to take place and to receive the specified confirmation details. If the reasonable time elapses without contact from the member you can proceed to [refuse the transfer](#).

**Red Flag 3: Someone carried out a regulated activity without the right regulatory status**

This is where you have reason to believe that the member has been in contact with someone who agreed to or who has carried out any of the following regulated activities without the appropriate regulatory permissions from the FCA:

- providing pension transfer advice
- providing advice about where to invest their pension
- making arrangements for the member to buy or sell investments or making arrangements with a view to the member buying or selling investments

If you find yourself in the position of having to consider whether somebody has strayed into carrying out one of the specified regulated activities in circumstances where they do not have the appropriate FCA permission, you might find it helpful to consider the following information provided by the FCA to TPR; however, as financial services legislation falls outside TPR's scope, you may also need to obtain your own advice:

- In practice, the FCA expects that a person advising on a pension transfer will also be advising on where to invest the transferred benefits.
- In some circumstances, a member has been in contact with an unregulated introducer. If that introducer has been involved in the transfer process and has influenced or been instrumental in the member's decision to transfer or buy investments, depending on the particular circumstances, the introducer may have been carrying out regulated activities without the appropriate regulatory permissions.
- If the member lives abroad and wants to transfer their benefits overseas, a regulated adviser in the UK who is advising on a pension transfer may work with an overseas adviser who is advising on investing the transferred benefits in overseas investments. Depending on the particular circumstances, this may not in itself be a cause for concern.
- If there is not a regulated adviser in the UK giving advice to a UK based member about leaving the UK scheme, and an overseas adviser has advised on overseas investments that would only be possible for the member to buy if they transfer out of the UK scheme, there may be cause for concern. In such circumstances there may be scope for you to have reason to believe that the overseas advisor has implicitly advised on the transfer without the appropriate regulatory permissions.

**Red Flag 4: The member requested a transfer after unsolicited contact**

You may decide this red flag is present if the member has received unsolicited contact such as cold calling, texts and emails about pensions. This unsolicited contact is against the law, but it may still originate from inside or outside the UK.

This flag should not capture contact from those previously unknown to the member where they have agreed to a trustee or employer passing on their details to an adviser to support the member in making financial decisions. It also should not capture calls from authorised firms and advisers where the member has an existing relationship and might reasonably receive unsolicited calls from them in connection with their pension.

**Red Flag 5: The member has been offered an incentive to make the transfer**

You may decide that this flag is present if the member was incentivised to make the transfer. The regulations provide examples of what is and is not an “incentive” for the purpose of the regulations. These examples are non-exhaustive lists, and where a particular incentive is not included in either of these lists, we expect trustees to assess whether the type of incentive offered is one which indicates there is a heightened risk that the transfer might lead to a member being scammed.

As the examples are not exhaustive, it is important that you keep up to date with current and evolving scam tactics and consider industry good practice.

You may be faced with other examples of incentives being offered. Some could be considered normal industry practices. After carrying out due diligence you may consider the transfer is at a low risk of a scam and, where your scheme rules allow, you may consider granting a discretionary transfer.

The regulations specifically exclude situations where the member is being incentivised to transfer as part of an employer-sponsored transfer exercise. See our guidance on employer-sponsored transfer [incentive exercises](#).

**Red Flag 6: The member has been pressured to make the transfer**

You may decide this flag is present if the member was under pressure, or indicated to you that they felt under pressure, to transfer. Pressure may be direct coercion or passive such as having a courier wait for forms to be completed.

A member may not be aware that they had been pressured. It is the behaviour of the individuals involved in the transfer that is being assessed as well as any indication by the member that they felt pressured.

## **Appendix D: Clean List**

A clean list is a record of low-risk occupational and personal pension schemes and should be used as part of our process. The list allows us to maintain a smooth transfer process where our due diligence analysis shows little or no risk. Although, the use of a clean list is voluntary, its use is supported by TPR. The list should be reviewed regularly to make sure schemes continue to present low risk.

We will review our clean list annually and present to the Local Pension Board.

### **Our current clean list (3 January 2025)**

Aviva Personal Pensions (Personal Pension Scheme)

Legal and General (Personal Pension Scheme)

NEST (Occupational Pension Scheme)

Royal London (Personal Pension Scheme)

Scottish Widows (Personal Pension Scheme)

Standard Life (Personal Pension Scheme)

We are satisfied that payments to the schemes stated on the clean list are low risk and will not trigger any amber or red flags. These are all long established schemes that the fund has paid numerous transfers to without issue. Therefore, we will pay transfers to these schemes without additional checks including where payment exceeds £100,000.



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