



## PENSION CAPITAL STRATEGIES

### **PENSION CAPITAL STRATEGIES WERE SURPRISED AND DISAPPOINTED AT THE PENSION'S REGULATORS RECENT COMMENTS ON ETV'S**

**London, 11 December 2009** – Pension Capital Strategies Ltd (PCS) support the need for focus on Employee Transfer Values (ETVs) and the need to ensure appropriate practices. PCS agree with the Regulator that trustees should be vigilant and exercise careful scrutiny over transfer incentive exercises and that it is important that proper processes are put in place, including the provision of independent financial advice, to ensure that pension scheme members are properly informed about the choices they have.

However, Charles Cowling, Managing Director, PCS, says "We are disappointed with the Regulator's implication that transfer incentive exercises as a whole are inappropriate, rather than there are inappropriate practices that need to be stopped. We do not agree that 'Trustees should start from the presumption that such exercises and transfers are not in member interests'. Nor do we agree that 'the company's gain is likely to be the member's loss'. This simplistic view does not reflect the likely reality of the large majority of cases".

PCS believe there are many reasons why taking a fair and reasonable transfer value (which may or may not include a separate cash incentive) could be in member's interests. These will vary from case to case but can include one or more of the following:

- A pension scheme member is going through a divorce, or is not married and wants to benefit from the value of a spouse's benefit included in the transfer value
- A pension scheme member wants more flexibility in how and when he / she draws their pension and in what form (i.e. early or late retirement, possibly with a different scale of pension increases)
- A pension scheme member may wish to benefit from the opportunity of a higher tax free cash sum at retirement
- A pension scheme member may be in poor health and able to benefit, possibly significantly, from taking a transfer value
- A pension scheme member may wish to increase their life assurance protection

- A pension scheme member wants the freedom and flexibility to manage their own financial affairs and not be reliant on a previous employer
- A pension scheme member may be concerned about the concentration of investment risk from having a very large part of their life savings tied up in the future health of their former employer (even a very strong company has a material risk of going bust over the next 20 years or so - with the dire consequences that this might have on the individual's pension entitlements, even with the possible presence of the PPF).

Where there is a cash incentive included as part of the exercise then there will be several more reasons why a transfer could be in the member's interests:

- if the pension scheme member has large debts (or even just a mortgage), then it usually makes more financial sense to pay off debt before saving for retirement. The ability to cash in part of their pension savings (through a cash payment attached to a pension transfer value) will often be financially attractive.
- if the pension scheme member has recently been made redundant, the cash payment could avoid the individual having to make very expensive short term borrowings or possibly, even, sell their home.
- if the pension scheme member is likely to be on means tested benefits in retirement, then there can be significant advantages in taking a transfer value + cash payment.

Charles Cowling concludes, "We have handled many pension scheme transfer cases and these are just some of the reasons given by members why a transfer can be in their interests. For the Pensions Regulator to suggest otherwise is, we believe, unhelpful - and potentially detrimental to pension scheme members. In particular, transfer values often represent an important way for trustees and employers to manage down the huge risks in their pension schemes.

"PCS believe members' interests would be better protected if the Regulator focused on improving transfer values offered by trustees and ensuring proper practice on transfer incentive exercises. But that should not mean avoiding transfer incentive exercises. It is important to remember that done well a transfer incentive exercise can be equally beneficial for many members as well as employers".

--ENDS--

**Enquiries:**

Charles Cowling  
Isabella Young

07920 834047  
07920 586032

**Notes to Editors:****About Pension Capital Strategies**

Pension Capital Strategies (PCS) was established in 2006 to help companies to manage their Defined Benefit pension obligations, offering advice on managing scheme assets and liabilities, on communication with trustees and on finding the right funding solutions.

A subsidiary of the Jardine Lloyd Thompson Group, PCS can draw upon skills and experience in the areas of corporate finance, tax, capital markets, asset management, actuarial and general pension regulation and practice to provide strategic advice and practical answers.

[www.pensionstrategies.co.uk](http://www.pensionstrategies.co.uk)