

## Your Additional Voluntary Contribution (AVC) Transfer Guide

If you're thinking of transferring some or all of your BT Pension Scheme (BTPS) AVC benefits to another pension scheme, this guide will help you understand the steps you'll need to take and the information you'll need to send us.

It will also help you decide if transferring is right for you. You'll be giving up valuable benefits that other pension schemes may be unable to match.

Once your transfer is complete, it can't be reversed. The BTPS will have no more responsibility for your AVCs that have been transferred and will not have to pay you or your dependants or beneficiaries anything in respect of those benefits.

Transferring also makes you vulnerable to pension scams. If you've been cold called by an 'adviser' through phone, email or text promising big investment returns, alarm bells should be ringing. We highlight how to protect yourself from scammers later in this guide in the section called 'Protect yourself against pension scams'. We have also included in your transfer pack a number of pension scam awareness documents to help you to understand the type of risks to look out for – please do read through these documents carefully.

Please also read this guide carefully and get financial advice before deciding whether to go ahead.

Your benefits are always subject to the BTPS Rules and relevant legislation. If there's any difference between the description of benefits in this document and the BTPS Rules or legislation, the BTPS Rules and legislation will take precedence.

## What you need to do

### Speak to an authorised financial adviser

Transferring out of the BTPS is a big step.

Before deciding whether to go ahead with a transfer and to help you decide which option is most suitable for you, you should get advice from an Independent Financial Adviser (IFA). They should be authorised by the Financial Conduct Authority (FCA) to advise on defined benefit pension transfers. Ideally, they should also have adopted the Pension Transfer Gold Standard – a voluntary code of good conduct for defined benefit pension transfers advice.

Before you speak to an adviser, we strongly suggest that you read ‘A Guide to Good Practice by the Personal Finance Society’. This will give you a better understanding of what good advice looks like. You can find the guide at [www.thepfs.org/ptgconsumer](http://www.thepfs.org/ptgconsumer).

As well as making sure they’re authorised by the Financial Conduct Authority (FCA), here are some of the things you may want to ask an adviser before you appoint them:

- Can you recommend any pension product, or only a restricted selection of choices?
- Are you going to recommend your company’s own products or funds to me?
- What will I be charged for your advice? Are there any other fees?
- If you’re not going to charge me unless you recommend a transfer, how can you prove this won’t influence your advice?

You can find out more from The Pensions Regulator, The Pensions Advisory Service and the FCA. You can also find an authorised adviser at [moneyadvice.service.org.uk/directory](http://moneyadvice.service.org.uk/directory)

#### Your IFA should:

- Give you advice based on your personal circumstances and your attitude to risk.
- Explain the advantages and disadvantages of the benefits you’ll have in the scheme you’re transferring into.
- Explain how quickly your new pension fund will need to grow in order to match the value of the benefits you’re giving up.
- Tell you in advance what the transfer will cost you, including all fees and charges you will incur. You’ll need to pay for this advice.

#### BT’s retirement advice arrangement

BT Group has negotiated preferential rates with two firms of financial advisers, both of which are regulated and authorised by the Financial Conduct Authority, to provide retirement advice. If you would like to find out more, information is available on the ‘Where to go for financial advice’ page of our website. Visit [btps.co.uk](http://btps.co.uk) and go to ‘Preparing for retirement’. Of course, the decision to take financial advice and who you choose to help you is a personal decision, and there is no obligation to use these two financial advisers. The BTPS Trustee has not been involved in the selection or appointment of these financial advisers. This statement is not a recommendation of the capability of, or the services available from, BT’s selected advisers, but is merely to inform you of the availability of their services.

## Other sources of help

There are free resources that can help you weigh up whether transferring your AVCs is right for you.

The Money and Pensions Service is an umbrella for three services providing guidance in relation to money and pensions: Pension Wise, the Pensions Advisory Service and the Money Advice Service. These services are available to help you to understand your options in relation to your AVCs.

Pension Wise and the Pensions Advisory Service provide free and impartial guidance on pensions. The Money Advice Service provides money guides, tools and calculators to help improve individuals' finances.

### The Pensions Advisory Service (TPAS)

The Pensions Advisory Service (TPAS) is part of the Money and Pensions Service – which is an organisation sponsored by the Department for Work and Pensions. It aims to ensure that people throughout the UK have access to the guidance and information they need to make effective financial decisions over their lifetime.

You can contact TPAS for independent information or guidance concerning your pension at any time. TPAS is available to assist members of pension schemes. TPAS provide a free and confidential service for members and beneficiaries of pension schemes, using experienced pensions professionals. You can contact them by phone on **0800 011 3797** or visit their website at **pensionsadvisoryservice.org.uk**.

### Pension Wise

This is a free and impartial government pension guidance service. It's for people over 50 who want to understand more about what they can do with Additional Voluntary Contributions (AVCs) and other elements of a defined contribution (DC) pension.

Your AVCs are classed as defined contribution pension savings. With a defined contribution pension, you build up a pot of savings that you can use to give you a lump sum, take an income as and when you need it, or buy a regular income for life, known as an annuity.

If you're over 50, Pension Wise will give you:

- **Free tailored and impartial guidance** – over the phone, internet or in person, to explain your options and help you make the best use of your pension savings.
- **Information about the tax you might have to pay** depending on how you take money out of your pension pot.
- **Tips on choosing the best option for you** – including how to shop around.

You can book a free appointment online at **pensionwise.gov.uk** by calling **0800 138 3944**. Face to face appointments are usually available.

The Pension Wise website also gives you useful information on the different ways you can take your pension and the tax you might have to pay. Find out more online at **pensionwise.gov.uk**.

## Protect yourself against pension scams

Pension scams are on the increase. Scammers can be polite, professional and highly articulate. They might have glossy brochures and websites that look legitimate. They may tempt you with promises of one-off investments, pension loans and upfront cash. What's more, members of defined benefit schemes – like you – are prime targets. That's because your benefits are valuable and scammers know you might be thinking of transferring the cash equivalent of your benefits into another scheme.

Here are some dos and don'ts that will help protect you against pension predators.

### DON'T

- Accept offers from anyone who contacts you about your pension out of the blue. These could include a 'free pension review', a home visit or hand-delivered paperwork.
- Believe anyone who says they're authorised by the FCA. Check for yourself that they're on the FCA's approved register. **Visit** <https://register.fca.org.uk>
- Be lured into overseas investment deals. Well-known scams include unregulated investments in things like hotels and vineyards, where your money is also more at risk because it's hard to access and in one place.
- Fall for promises of 'guaranteed' returns. There's no such thing.
- Be rushed into a decision because of a 'time-limited' offer.

### DO

- Check the FCA's list of known scammers at [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart)
- Ask the Pension Advisory Service for help if you have doubts. Visit [pensionsadvisoryservice.org.uk](https://pensionsadvisoryservice.org.uk)
- Call Action Fraud on **0300 123 2040** if you think you've been scammed and be sure to let us know too. It may not be too late to stop a transfer if it hasn't gone through.
- Speak to an authorised independent financial adviser before making a decision that could affect the rest of your life. If you don't have a financial adviser, you can find one at [moneyadvice.service.org.uk/directory](https://moneyadvice.service.org.uk/directory)
- Follow the Pension Regulator's advice on [pension-scams.co.uk](https://pension-scams.co.uk)

### The FCA warning about international SIPPs

The FCA has warned about overseas advisory firms advising expatriates to transfer or switch their UK pensions into a self-invested personal pension (SIPP) – often marketed as an 'international SIPP'.

The FCA has expressed concern that consumers who invest in this way may be exposed to high and/or unnecessary charges.

The FCA recommends that if you are considering transferring out into an international SIPP, you should contact The Pensions Advisory Service (TPAS), for impartial guidance before taking any further action. Their contact details are on the previous page.

## Decide if you want to go ahead or not

Think through the different scenarios you could face during retirement and weigh up the security your BTPS AVCs give you compared to those offered by the scheme you're thinking of transferring into. If you take advice, your IFA will work out whether another scheme can give you benefits that are more appropriate to your circumstances, or ways of using your AVCs that the BTPS doesn't offer.

### Leaving your AVCs in BTPS

If you choose to leave your AVCs in BTPS, you have several choices on how to use them towards your retirement. For example, you can currently use your AVCs to increase your tax-free lump sum, take them as taxed cash, buy a lifetime annuity or transfer them into another pension scheme.

If you decide to leave your AVCs in BTPS, you should make sure the funds they are invested in are suitable for your circumstances. You can find out the value of your AVCs, view information about the funds available and request fund switches on our member portal. Log in at [btps.co.uk](https://btps.co.uk). You'll also receive an AVC statement each year.

### Transferring your AVCs to another pension scheme

Transferring your AVCs into another pension scheme may give you the flexibility to draw down funds as and when you need them and/or to buy an annuity. You have the option to transfer out either all your AVCs – or just a portion of your AVC fund – to another pension arrangement. Please be aware that if you choose to transfer just a portion of your AVC fund rather than all of it, you will only be able to do this once. Any further AVC transfer must be for the remaining balance of your AVCs.

The value shown on your quote is unguaranteed as your AVCs continue to be invested so their value changes daily. If you decide to transfer, the amount you transfer may be different from the estimated amount.

The risks associated with each of these options are explained in the Money Advice Service booklet, **Your pension: your choices** that accompanies your Transfer Out Quote. You can also get guidance from Pension Wise, detailed earlier in this guide.

Neither the BTPS Trustee nor administrator can advise you on whether a transfer is right for you.

### If you don't want to go ahead

You can stop your transfer application at any point before we transfer the value of your benefits. Just tell us you no longer want to transfer by calling BTPS Member Services on **0800 731 1919**. Your AVCs will remain in BTPS and we'll get in touch as you get close to your Normal Pension Age. If you want to retire sooner, check out what your options might be on [btps.co.uk](https://btps.co.uk)

### If you do want to go ahead and transfer out - to a UK pension scheme

If you're transferring out to a UK pension scheme, you'll need to complete and return all of the forms that accompany your transfer out quote.

- Transfer Acceptance Form – this is your formal acceptance of your transfer out quote.
- Receiving Scheme Transfer Declaration Form – send this to your new pension provider if you decide to go ahead. They need to return the completed form to us with a cover note on their headed company paper and other documents.

## If you do want to go ahead and transfer out - to an overseas pension scheme

If you're transferring out to an overseas pension scheme, you'll need to request the relevant overseas discharge documentation. An overseas transfer charge may be payable.

Your overseas scheme must meet strict conditions before your overseas transfer can go ahead. We explain what these are in Frequently Asked Questions below.

## What we'll do if you decide to go ahead

When we get your completed forms, we will:

- Check your forms are filled in properly. If anything looks wrong or missing, we'll get in touch with you.
- Carry out due diligence checks to reduce the risk of transferring your benefits to a scheme which is involved in a pension scam.
- Pay the transfer value of your AVCs to your receiving scheme if we get all your documents in time and the receiving scheme passes the checks that we must perform.

## Frequently Asked Questions

### 1. What is a pension transfer?

It's the transfer into another pension scheme of a cash amount that reflects the total value of the part of your AVCs you wish to transfer.

Once we've transferred this cash amount, you and your loved ones won't be entitled to any benefits from your AVCs. Your payments in future from BTPS will only relate to the defined benefit part of your pension.

### 2. How do you work out the transfer value?

Your AVCs are invested in a range of stock market funds. As the transfer value of your AVCs is based on the unit prices of those funds, it can change from day to day.

### 3. Is the transfer value guaranteed?

The transfer value of your AVCs isn't guaranteed. This is because your AVCs are invested in funds and the value of those funds change daily.

### 4. Will my new pension scheme pay me the same benefits as the BTPS?

It's highly unlikely. This is because most pension schemes differ from one another. It's vital to compare your BTPS benefits with what you might get if you move them elsewhere, and to understand the costs you might have to pay. An IFA can help you do this.

### 5. What might stop my transfer payment being made?

Here are just some of the reasons:

- Your new pension scheme isn't properly registered or doesn't meet the legal conditions set down by HM Revenue & Customs (HMRC).
- Your new pension scheme isn't able to accept transfers. To pre-empt this, check they can accept your AVCs before returning your application to us.
- You haven't sent us all the forms we need.
- Your forms haven't been filled in properly.

If we can't pay your transfer, we'll let you know why and tell you what you can do to get things moving again.

### 6. Can I change my mind once the transfer has been paid?

No. Once we've paid the value of your AVCs to another pension scheme, we can't reverse the payment. That's why it's so important to make sure you think through all the pros and cons of transferring before deciding to go ahead. Your decision is irreversible.

### 7. What happens once you've paid the transfer?

- We'll send you a **Transfer Confirmation** to tell you that we've paid the transfer. You should keep this for your records.
- We'll send a **Transfer Confirmation** to your new pension scheme. They'll probably get in touch with you as well to tell you the transfer is complete. If you don't hear from them after you've had the Transfer Confirmation from us, you should get in touch with them.

## 8. Can a transfer out attract an inheritance tax charge?

If you are in ill-health or if you die within two years of transferring out there may be inheritance tax implications.

If you transfer out of BTPS and are in ill-health at the date of the transfer, HMRC may decide a transfer of value has taken place and an inheritance tax charge may be applied, irrespective of how long ago the transfer was made.

Also, if you were to die within two years of the transfer date, inheritance tax may also be payable, even if you were in good health at the date of transfer. HMRC requires that any transfers made in the two years prior to a person's death must be report using Inheritance tax form 409.

## 9. Can I transfer to an overseas pension scheme?

Yes – as long as the scheme meets the legal conditions to allow the transfer, including those required for a Qualifying Recognised Overseas Pension Scheme (QROPS). You don't have to live in the country where the QROPS is based.

## 10. What's a Qualifying Recognised Overseas Pension Scheme (QROPS)?

It's a scheme that meets rigorous HMRC checks and legal conditions. We'll carry out due diligence tests to check that, as far as possible, the overseas pension scheme you want to transfer into meets these conditions. However, it's your responsibility – not ours – to make sure it does. If it doesn't, both you and the overseas scheme may have to pay extra tax charges.

For the full list of HMRC conditions for a QROPS, visit [gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm112400](https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm112400)

## 11. Would I pay tax on an overseas transfer?

Since 9 March 2017 there's been a 25% tax charge on transfers to a QROPS. We take the tax off your transfer amount before making the transfer.

You might not have to pay this tax charge if one of the following is true.

- You live and pay tax in the country where your QROPS is based.
- You live and pay tax in the UK or in a country in the European Economic Area (EEA) and the QROPS is also based in an EEA country.
- The QROPS is an occupational pension scheme and you work for a sponsoring employer under the scheme.
- The QROPS is an overseas public service pension scheme and you work for an employer that is part of the scheme.
- The QROPS is the pension scheme of an international organisation that you once worked for or currently work for.

If you don't have to pay the tax because of any of these reasons but your circumstances then change within five years, you may have to pay the 25% tax charge at that point. For instance, you may move to another country or your QROPS may move to another country.

On the other hand, the tax will be refunded if one of the above exemptions applies within five tax years of the date of transfer.

If you transfer to an overseas pension scheme that's not a QROPS, the tax charge will be at least 40% of the value of your fund. You might also have to pay extra tax if the value of your transfer is over the Lifetime Allowance. The amount above the Lifetime Allowance is currently (in the 2020/2021 tax year) taxed at 25%. This is on top of the amount of tax you usually pay.

## 12. What is the Lifetime Allowance (LTA)?

This is the limit on the total value of pension savings you can build up through your lifetime without triggering an extra tax charge. For the 2021/2022 tax year the Lifetime Allowance is £1,073,100 for most people, and in the March 2021 Budget, the government indicated it would remain at this level until 6 April 2026.

Whenever you start taking a pension you use up a percentage of your Lifetime Allowance. It is based on the value of your whole pension pot. For defined benefit schemes this is usually 20 times the pension you get in the first year plus your lump sum. If you're in more than one pension scheme, you must add up what you've used in all pension schemes you belong to. The Lifetime Allowance doesn't include your State Pension.

The Money Advice Service website also has more information to help – go to [moneyadviceservice.org.uk](https://www.moneyadviceservice.org.uk).

Because the LTA used to be higher than it currently is, those people who have benefits that are over the LTA have been able to protect the value of their benefits from future tax charges. There are different types of protection, each with different conditions attached. You can find out more about the different protections by searching lifetime allowance at [gov.uk](https://www.gov.uk).

If you've protected your LTA through HMRC, please give us a call on **0800 731 1919** to let us know. If you think the total value of all the pension money you've had might be nearing your LTA limit, speak to a financial adviser.

## 13. Can I transfer if I have an HMRC Protection Certificate?

If you hold an HMRC Protection Certificate for Enhanced Protection, Primary Protection, Fixed Protection or Individual Protection, you should get financial advice to understand if transferring your benefits would invalidate your protection.

## 14. What are my retirement options with my AVCs if I don't want to transfer?

How you take your pension is an important decision that will affect your financial future. So it's good that you're thinking about all of the options you have with BTPS. Within BTPS you can currently use your AVCs to increase your tax-free lump sum, take them as taxed cash, buy a lifetime annuity or transfer them into another pension scheme. If you transfer to another pension scheme, you'll be giving up these other options.

You can see what retirement options you have by logging in to use the Pension Calculator on [btps.co.uk](https://www.btps.co.uk). An IFA can help you make your decision.

## 15. How will transferring out affect my AVC investments in the Standard Life With-Profits Fund?

If you transfer from the Standard Life with-profits fund, you may be giving up valuable guarantees and your fund may be subject to a reduction in value on transferring. A guide to Standard Life's with-profits funds is available at [www.standardlife.co.uk/investments/funds/with-profits-information](https://www.standardlife.co.uk/investments/funds/with-profits-information) and you can find out more by logging in to Standard Life on [online.standardlife.com/secure/customer-authentication-client/customer/login](https://www.standardlife.com/secure/customer-authentication-client/customer/login). If you have not accessed the Standard Life site before you will need to register following the link.