

Pension Post

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For financial advisers only

Transferring from a scheme to a PRSA with more than 15 years' service

Tony Gilhawley of Technical Guidance Ltd looks at transferring from a scheme to a PRSA with more than 15 years' service.

Some clients with a preserved benefit in an occupational pension scheme may only be able to transfer to a buy out bond (sometimes known as a personal retirement bond). But some may want to eventually get to a PRSA, in order to be able to defer taking benefits up to age 75, to segment benefits and take benefits in stages from a number of smaller PRSAs, or to transfer overseas.

Transferring from a scheme to a PRSA

A client with a preserved benefit in an occupational pension scheme faces a number of 'jumps' if they want to take a transfer value directly to a PRSA:

- They can't transfer if they have more than 15 years active service, i.e. as an employee, in the scheme, including in any scheme of a related employer. But the 15 year active service limit does **not** apply to:
 - A transfer of AVCs
 - Payment of a transfer value to a PRSA for a Pension Adjustment Order beneficiary
- Where active service is less than 15 years, a transfer cannot be made before the individual is provided with a Certificate of benefits comparison and a Reason why statement. These are **not** required where:
 - The transfer value is less than €10,000; or
 - The transfer is being made on a scheme wind up

Of course, a transfer to a buy out bond (BOB) is not subject to a 15 years active service limit, or the Certificate of benefits comparison and Reason why requirements. But, currently, a BOB cannot transfer directly to a PRSA.

Indirect transfer to PRSA

A client with a preserved benefit in Scheme A may be able to transfer indirectly to a PRSA, by first transferring from Scheme A to a BOB, and then from the BOB to Scheme B, where they have a preserved benefit, and from there to a PRSA. This assumes, of course, that the client had less than 15 years' scheme service in Scheme B and so can transfer from Scheme B to a PRSA.



Of course, the same thing can work if the BOB is transferred to an active Scheme B, but in that case, the transfer on to the PRSA can currently only happen when Scheme B benefit is preserved, and the client has less than 15 years' service in the scheme.

Future changes

The Pensions Authority Reform/Simplification process includes a number of interesting proposals which are relevant to a client who wants to transfer from a scheme or a BOB, to a PRSA, but is currently prevented from doing so directly.

The Pensions Authority Consultation document of July 2016 stated:

- “the Authority proposes the prospective cessation of RACs and BOBs in order to rationalise the number of pensions vehicles to reduce complexity
- Before the prohibition on the establishment of new BOBs could be commenced, **the Authority proposes that the restriction on transfers to PRSAs for scheme members with more than 15 years' service be removed.**

- The Act provides that a PRSA provider shall not accept a transfer from a scheme to a PRSA unless the member has been furnished with the following documents:
 - (a) a certificate of comparison of the benefits (CBC) which may accrue from the scheme and which may accrue from the PRSA; and
 - (b) a written statement of the reasons why such a transfer is or is not in the interest of the person wishing to make such a transfer

The content and other aspects of this obligation will be considered as part of the Authority’s intended review

- Before the prohibition on the establishment of new BOBs could be commenced **the Authority proposes that existing BOB holders be allowed to transfer to PRSAs should they so wish”**

If the Pensions Authority follows through on these proposals (targeted for Q2 2020), then a client with a preserved benefit in a scheme which they might like to transfer to a PRSA, but are currently prohibited from doing so, because they have more than 15 years scheme service, may be able to transfer to a PRSA in the near future, in one of two ways:

- Stay in the scheme and wait for the proposed abolition of the 15 year service limit on transfers to a PRSA to be implemented; however there may still be a Certificate of benefits comparison requirement.
- or
- Transfer to a BOB before then, and wait for the proposed temporary transfer option from a BOB to a PRSA to be introduced



Currently the target date for these measures is pencilled in for Q2 2020, or just under two years from now.

However this potential ‘escape route’ from a scheme to a PRSA for someone with more than 15 years’ active service in the scheme is not yet certain; it is conditional on the Pensions Authority following through with their proposals above as outlined in their ‘Reform and simplification of supplementary funded private pensions’ consultation document, 18 July 2016.

But it may offer some light at the end of the tunnel for those clients already in BOBs, or those who can only transfer a scheme preserved benefit to a BOB, who want to eventually transfer funds to a PRSA.

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