



# **The City of London Pension Fund**

## **Transfers-out of the scheme: processes and precautions**

September 2025

## **Actions and precautions when transferring benefits out of the pension scheme**

### 1. Introduction

The Local Government Pension Scheme (LGPS) is a defined benefit public sector pension scheme governed by the LGPS Regulations 2013. Transfers out of the scheme are permitted under specific conditions and require careful administration to ensure compliance, scheme member protection, and scheme integrity.

The Pensions Office plays a critical role in safeguarding scheme members' pension rights during transfers. By adhering to regulatory requirements, conducting thorough due diligence, and prioritising scheme member protection, administrators ensure the integrity of the scheme and the financial security of its scheme members

### 2. Eligibility and Conditions for Transfer

The Pensions Office must confirm that the scheme member meets the statutory conditions for transfer:

- The scheme member must be deferred (no longer contributing to the LGPS).
- Transfers must be made to an HMRC-registered pension scheme or a Qualifying Recognised Overseas Pension Scheme (QROPS).
- Transfers are only allowed if the scheme member is at least one year away from their Normal Pension Age.
- Scheme members cannot transfer their benefits if they are already receiving LGPS pension benefits or have retired due to ill health and received Tier 3 benefits.

### 3. Required Actions by the Pensions Office

#### 3.1. Provide Transfer Quotations

- Calculate and issue a transfer value quotation, guaranteed for three months from the calculation date.
- Include a written option form and relevant documentation for the receiving scheme

#### 3.2. Due Diligence and Scam Prevention

- Conduct due diligence checks on the receiving scheme.
- Assess for signs of pension scams, including how the scheme member was contacted and advised.
- If risks are identified, the Pensions Office must pause or refuse the transfer.  
Risks are divided into Red and Amber Flags

- Red flags: Indicators of high scam risk. If a red flag is identified the transfer **must be refused**. Examples include:

- Member pressured to transfer quickly;
- Receiving scheme offers incentives or loans;
- Evidence of scam activity.
- Amber flags: Indicators of potential risk. If an amber flag is identified, the scheme member **must obtain guidance from MoneyHelper before the transfer can proceed.** Examples include:
  - Complex investment structures;
  - Overseas investments;
  - Unclear or inconsistent information from the receiving scheme.

### 3.3. Escalation Procedures

- Step 1: Initial Due Diligence
  - Collect all required information from the member and the receiving scheme.
  - Check statutory conditions for transfer and identify any amber or red flags.
- Step 2: If Amber Flags Are Found
  - Inform the member in writing that they must obtain MoneyHelper guidance.
  - Do not proceed until confirmation of guidance is received.
  - Document all communications and decisions.
- Step 3: If Red Flags Are Found
  - Refuse the transfer under statutory rules.
  - Notify the member in writing, explaining the reason for refusal and their right to complain.
  - Record the decision and rationale for audit purposes.
  - Consider reporting to Action Fraud if scam activity is suspected.
- Step 4: Reporting Obligations
  - Apply the traffic light framework for breaches:
    - Red breach: Must report to The Pensions Regulator.
    - Amber breach: Use judgment; may need to report.

### 3.4. Financial Advice Requirement

- If the transfer value exceeds £30,000, the Pensions Office must ensure the scheme member has received independent financial advice from an FCA-authorized adviser

Maintain records of the advice confirmation before proceeding.3.4. Scheme member Communication

- Clearly explain the implications of transferring from a defined benefit to a defined contribution scheme, including loss of guaranteed benefits and survivor pensions
- Encourage scheme members to consult **MoneyHelper** or **Pension Wise** for guidance.

## 4. Precautions and Safeguards

### 4.1. Scam Protection Measures

- Follow the Pensions Regulator's guidance on scam prevention <https://www.thepensionsregulator.gov.uk/en/pension-scams> .
- Invite scheme members to attend a meeting to discuss the concerns if risks are suspected

### 4.2. Regulatory Compliance

- Ensure all actions comply with LGPS Regulations 2013, particularly Part 2 (Administration) <https://www.legislation.gov.uk/uksi/2013/2356/part/2> and Part 2 Chapter 7 (Transfers) <https://www.legislation.gov.uk/uksi/2013/2356/part/2/chapter/7>
- Maintain accurate records of all communications, calculations, and decisions.

### 4.3. Club Transfers (generally transfers between public sector pension schemes)

- If transferring to another public service pension scheme, apply Club transfer rules for equivalent benefit treatment.
- Ensure the transfer is initiated within 12 months of joining the new scheme and there is no break exceeding five years

## 5. Additional Considerations

- AVCs (Additional Voluntary Contributions) may be transferred separately, subject to specific conditions
- Transfers related to the McCloud remedy must be handled with care, as protections vary across the different pension schemes to which the Remedy may apply.