

General Information

Transvas Report: Immediate Vesting

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Can a TVAS Report show Immediate Vesting?

The FCA lays down the annuity rates to use in Projections and TVAS reports.

Specifically, the mortality and annuity rate assumptions that must be used in a TVAS report are stipulated in the FCA's Conduct of Business Sourcebook (COBS): COBS 19.1 "Pension transfers and opt-outs" and COBS 13 Annex 2 "Projections".

COBS 13 specifies that where the intended retirement or maturity date is within one year, the standard FCA rates must be compared with actual annuity rates. See COBS 13 Annex 2 Projections, Rule 3.1 (7).

There are not sufficient market annuity rates available to value all the complex annuity shapes attached to Occupational Pension Scheme benefits (for example CPI linked annuities and temporary annuities).

Without the annuity rates, the TVAS system cannot calculate the Capitalised Value of the Existing Scheme benefits and without this capitalised value, it is not possible to calculate Critical Yields.

Therefore no critical yields will be produced for retirement illustrations within 1 year.

The Existing Scheme pension projections do not require annuity rates therefore it is possible to show retirement benefits within 1 year.

Personal Pension projections require annuity rates in order to convert the Personal Pension Fund into an annuity. In the TVAS system, only 1 annuity shape is used within the Personal Pension and this shape is based upon matching the style of the largest slice of existing scheme pension at retirement.

In the latest version of the TVAS system, we can now input this single annuity rate, meaning it is possible to show Personal Pension retirement benefits within 1 year.

How is the PP Annuity Rate Obtained?

For TVAS system users, it is down to the TVAS user to source this information from a web portal such as Assureweb.

For Transfer Bureau customers, O&M will adopt the following methodology:

A range of indicative annuity rates are sourced from Assureweb, using O&M Systems Pension Profiler software. Specifically, the system will use the Assureweb quick quote functionality.

This will be based on £100,000 fund and member's details where they are available – for example date of birth, partner's date of birth, post code – but excluding state of health.

Only one annuity shape will be used in the Personal Pension projections, with the shape being the closest match to the shape of the largest slice of existing scheme pension at retirement.

For example, if the largest slice of pension at retirement has escalation of CPI capped at 5% and a 50% spouse's pension the indicative immediate annuity rates for the Personal Pension will have RPI escalation and a 50% spouse's pension.

This will generate a list of immediate annuity rates. We will use the third best rate on the list (to eliminate outliers and extremes).

This annuity rate is merely for illustrative purposes. As a Transfer Bureau customer, you can request a re-run of the TVAS report and provide a revised annuity rate, for a fee of £25+vat.

In summary...

For retirements within 1 year:

The report will show Pension Projection from the Existing Scheme;

The report will show Pension Projection from the Personal Pension;

The report will not show Critical Yields.

Will Critical Yields ever be calculated?

In March 2015, O&M had a meeting with the FCA regarding this position and the problems it causes. In PS15/12 the FCA have announced they will be consulting on TVAS calculations later in 2015 and we hope this will form part of the consultation.