

Warwickshire Local Pension Board

12 July 2022

Information on Pension Scams

Recommendation

That the board considers and comments on the information contained in the report

1.0 Executive Summary

- 1.1 Unfortunately, pension scams are on the rise in the UK. In some cases, the scammer will try to persuade members to transfer their pension to a different scheme, often a scheme the scammer has set up themselves.
- 1.2 Since a 'cold-call' ban was introduced in 2019, scammers' tactics have evolved. They are targeting people searching for investments online and through social media. They make attractive sounding promises they have no intention of keeping.
- 1.3 The Government has identified common pension scam risks associated with transfers which, if present, may suggest to a member they are in danger of being scammed. The Government calls these red and amber flags.
- 1.4 Examples of when a red flag is present are:
 - A request for a transfer to an occupational pension scheme and we do not have enough information to link the member with an employer that participates in that scheme
 - A request for a transfer to an overseas scheme and, we either do not have enough information to link the member with an employer that participates in that scheme, or to prove that the member is resident in the country the scheme is based in
 - Someone has provided, or agreed to provide advice about the transfer and they do not have the necessary permissions from the Financial Conduct Authority to do this

- A request to transfer following direct marketing, such as cold calling, texts and emails, by a person or firm that has not previously been contact with the member
- The member has been offered an incentive to transfer such as, but not limited to, a bonus, a loan from their pension savings, access to pension savings before age 55 or limited time investment offers
- The member has been pressured to transfer.

1.5 Examples of when an amber flag is present are:

- Information about the receiving scheme indicates:
 - the scheme invests in high-risk or unregulated investments
 - the investment structure is unclear, complex or unorthodox
 - overseas investments are included
 - there are unclear or high scheme charges
 - our records show that there is a sharp or unusual rise in transfers to the receiving scheme or involving the same adviser.
- If we decide there are any amber flags present, we must pause the transfer until evidence that the member has attended an appointment about pension scams with MoneyHelper. MoneyHelper offers free, impartial guidance backed by Government on money and pension choices.

1.6 If a member elects to transfer, to help protect their pension from scammers, the Government requires the Pension Fund to decide whether any red or amber flags are present. The Fund will not need to do this if a member transfers to a different public service pension scheme, an authorised master trust scheme or an authorised collective defined contribution scheme.

1.7 This report sets out further information about the background of dealing with procedures for transfers, scams and appeal procedures for pension decisions.

2.0 Financial Implications

2.1 None.

3.0 Environmental Implications

3.1 None.

4.0 Supporting Information

- 4.1 The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 came into force from 30 November 2021 to introduce further legal restrictions on a member's statutory right to transfer benefits out of Warwickshire Pension Fund.
- 4.2 These regulations provide administering authorities more power to act if they are suspicious about circumstances that have led to a member requesting to transfer their pension. The member will no longer be able to insist on a statutory transfer taking place.
- 4.3 Since 2015 when Freedom and Choice was introduced, individuals from the age of 55 with a defined contribution pension have been able to access their entire pension flexibly if they wish.
- 4.4 This has led to certain individuals looking to move their pension benefits from the Warwickshire Pension Fund to other arrangements. The Fund has a responsibility to ensure checks to ensure the receiving arrangement is a registered reputable pension arrangement before a transfer can take place.

5.0 Pension Regulator Guidance

- 5.1 The Pensions Regulator is asking Pension Funds, trustees, providers, and administrators to pledge to do more to protect scheme members and follow the principles of Pensions Scams Industry Group (PSIG) Code of Good Practice.
- 5.2 The Warwickshire Pension Fund already has well established due diligence processes in place to warn and prevent Members from being victims of pensions scams. These include:
- requirement for a member to obtain independent financial advice where the transfer value exceeds £30k.
 - Signposting the Pension Wise and Moneyhelper where free advice on pensions can be obtained.
 - Pensions scams leaflet sent out to all members requesting a transfer out
 - Completion of scheme declaration forms by the member and receiving scheme in order to prove they meet the criteria for a suitable pension arrangement.
 - Checks on independent financial advisors that they are approved to provide advice for pension transfers
- 5.3 However, in accordance with industry best practice we have also made the pledge to combat pension scams. By doing so, we commit to:
- Regularly [warn Members about pension scams](#);

- Get to know the warning signs of a scam and best practice for transfers by [completing the scams module in the Trustee Toolkit](#) and make it mandatory for all staff who may work directly on transfers to do so; and
- Study and use the resources on the Financial Conduct Authority (FCA) [ScamSmart website](#), [our scams information](#) and the [PSIG code report concerns about a scam](#) to the authorities and communicate this to the Scheme Member.

6.0 Timescales associated with the decision and next steps

6.1 None.

Appendices

None.

Background Papers

None.

	Name	Contact Information
Report Author	Victoria Jenks, Ian Morris	martingriffiths@warwickshire.gov.uk, vickyjenks@warwickshire.gov.uk, ianmorris@warwickshire.gov.uk
Assistant Director	Andrew Felton	Andrewfelton@warwickshire.gov.uk
Strategic Director	Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: n/a