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## TRANSFERS WITH IMMEDIATE VESTING COMPARED WITH OPEN MARKET OPTIONS

This fact sheet highlights the differences between an open market option and a transfer with immediate vesting.

If you are a member of a defined contribution scheme (i.e. an occupational money purchase scheme or an individual pension arrangement) and you wish to take retirement benefits, you generally have the option to use your fund to buy an annuity (a pension payable for the rest of your life) or possibly to use your fund for income drawdown purposes.

Benefits can either be provided by your current insurer, or you could go to another insurer instead.

**The Pensions Advisory Service is unable to give individual specific advice and you should seek independent financial advice if you require further assistance.**

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### Open Market Option

From 6 April 2006, all defined contribution schemes such as personal pensions; stakeholder pensions; retirement annuities and Section 32 contracts had offer the open market option, giving you the option to choose your insurer.

Under an open market option, your existing insurer pays out any entitlement to a tax-free cash sum and the balance of your fund is used to buy the lifetime annuity with an insurer of your choice.

The trustees of an occupational money purchase scheme can buy the annuity in their name or in your name.

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### Transfers with Immediate Vesting

This is where all of your plan(s) are moved to another insurer. The receiving insurer will then pay you your tax free cash sum, if you have chosen to have one, and either pay you an annuity or set up a drawdown arrangement for you.

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### Why would I want to do this?

Insurers each have their own tables for working out how much annuity to pay you, and so it is possible that another insurer could offer you a higher annuity for the same pension fund. It is therefore a good idea to shop around to make sure that you obtain the best rates.

If you need assistance with making retirement decisions, the retirement planners on our website may be useful to you.

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#### About Us

The Pensions Advisory Service has been providing free help and guidance to members of the public on pension matters since 1983 either by telephone or written advice. We can also help people who have a pension complaint or dispute.

#### Contacting us

#### The Pensions Advisory Service

11 Belgrave Road  
London SW1V 1RB

*We regret that we are unable to accept visitors at our office.*

Helpline 0845 601 2923

General Office 020 7630 2250

Fax 020 7592 7000

[enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

*Please note that this guide is for information only. The Pensions Advisory Service cannot be held responsible in law for any opinion expressed, nor should any such opinion be regarded as grounds for legal action.*

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