The PENSIONS Advisory Service

Spotlight

Transfers with immediate vesting compared with Open Market Option

This Spotlight highlights the differences between an open market option (OMO) and a transfer with immediate vesting.

If you are a member of a defined contribution scheme (such as a workplace money purchase scheme or an individual personal pension scheme) and you wish to access your pension pot, one option you can usually have is to use your pot to buy an annuity (a pension payable for the rest of your life, or for a fixed number of years).

Benefits can either be provided by your current pension provider, or you could go to another pension provider instead, such as an insurance company.

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

Open Market Option

From 6 April 2006, all defined contribution schemes, such as personal pensions; stakeholder pensions; retirement annuity contracts and Section 32 policies had to offer the open market option, allowing you to choose your pension provider.

With an open market option, your existing pension provider pays you any entitlement to a tax-free cash sum, if you have chosen to take one, and the rest of your pot is used to buy the annuity with a pension provider of your choice.

The trustees of a workplace money purchase scheme can buy the annuity in their name or in your

Transfers with immediate vesting

This is where all of your pension pots are moved into a single personal pension with another pension provider. The receiving pension provider will then pay you any entitlement to a tax-free cash sum, if you have chosen to take one, and pay you an annuity.

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Why would I want to do this?

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

Some pension providers specialise in certain types of annuity products. These can take into account areas such as your health circumstances or where you live.

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

Why would I not want to do this?

Some pension pots may have valuable benefits, sometimes called safeguarded benefits, which would be lost on transferring out. For example, a Guaranteed Annuity Rate (GAR), which may provide you with a higher level of income than you may be offered on the open market. It is, however, important, that you check the terms and conditions attached to the GAR, and that the annuity provided is suitable for your circumstances.

Some pension pots are invested in With Profits funds, and may have a Market Value Adjustment (MVA) applied to the value if you switch out of the fund, or access the benefits, before your Selected Retirement Date or Maturity Date.

You should ask your provider if there are any special features or safeguarded benefits on your plan before you make your decision.

About Us

The Pensions Advisory Service (TPAS) works to make pensions accessible and understandable for everyone. We provide independent and impartial information and guidance about pensions, free of charge, to members of the public.

We help with all pension matters covering workplace, personal and stakeholder schemes and also the State Pension. We answer general questions, help with specific queries and offer guidance for people with complaints about their private pension scheme.

Contacting us

Pensions Helpline **(Monday- Friday 9:00am- 5:00pm)**	**0800 011 3797**
Online enquiry form	www.pensionsadvisoryservice.org.uk/online-enquiry
Web chat live	www.pensionsadvisoryservice.org.uk
Write to us	The Pensions Advisory Service 11 Belgrave Road London SW1V 1RB

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