Chapter 19

Pensions supplementary provisions

Transfer value comparator

This annex belongs to COBS 19.1.3AR.

Transfer value comparator

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1 Where the *retail client* has 12 *months* or more before reaching normal retirement age under the rules of the ceding arrangement the *firm* must:

(1) revalue the future income benefits in COBS 19.1.3AR(1) by projecting them to the date they would normally be paid in accordance with the assumptions in COBS 19 Annex 4C 1R(4);

(2) determine the estimated future cost of the *pension annuity* in accordance with the assumptions in COBS 19 Annex 4C 1R(2); and

(3) apply the rate of return and charges in COBS 19 Annex 4C 2R to the amount determined in (2) to determine the estimated value needed at the calculation date.

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2 Where the *retail client* has less than 12 *months* before reaching normal retirement age under the rules of the ceding arrangement, the estimated value needed today to purchase the future income benefits using a *pension annuity* must be determined as the amount in COBS 19 Annex 4B 1R(2) multiplied by the ratio of (1) and (2) where:

(1) is the open market cost of purchasing a *pension annuity* which offers increases in payment which are the nearest match to those in the ceding arrangement; and

(2) is the value of the *pension annuity* in (1) where the cost is determined in accordance with the assumptions in COBS 19 Annex 4C 1R(2).

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3 (1) COBS 19 Annex 4B 2R requires *firms* to adjust the estimated cost of purchasing the future income benefits using a *pension annuity* to a market related rate by allowing for the ratio of current market pricing to the theoretical value of the annuity which is the nearest match.

(2) The *pension annuity* which is the nearest match for the scheme benefits should usually be taken as an index-linked *pension annuity* unless it can be shown that the majority of the benefits are not index-linked in some way.