



## PASA GUIDANCE

**Defined Benefit Transfers: A Guide to Good Practice**

**Part 1: Processing Standard Cases**

**July 2019**

## **Disclaimer**

**The document is for guidance only and does not purport to constitute legal advice. It is not exhaustive and nothing in this document can be relied upon as evidence of compliance with any other legal or regulatory requirements. This document relates to circumstances prevailing at the date of its publication and may not have been updated to reflect subsequent developments. Following the document's guidance does not relieve a party of its legal and regulatory obligations and following the guidance may not prevent a claim being brought against a party.**

## DB Transfers Guidance

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## 1. Introduction

The time taken to process defined benefit (DB) transfers varies hugely. Some transfers take months to execute, for a number of reasons. Unfortunately, whether the criticism is fair or not, delays can damage relationships with scheme members and lead to a breakdown of trust. This can undermine the industry's objective to reinforce the value of Safeguarded rights, leaving consumers at the mercy of a sometimes dysfunctional advice market, or worse still, scams. Scammers often refer to the time taken to process a transfer to create an impression of trustees seeking to hold on to money belonging to the member.

The complex nature of Safeguarded rights creates a challenge for drafting an efficient and standardised transfer administration timeframe. Strong and ever-increasing governance also legitimately adds time to the process.

PASA is mindful of finding the balance between member protection and an individual's statutory right to take their pension in a different shape or form, via a flexible arrangement. We're committed to driving high standards and improved transfer option communications, aiding members to make informed choices in a secure environment.

Whilst there are lots of members who could already be making poor choices, the key objective of the PASA DB Transfers Working Group is to create a framework to help deliver balance. As an industry, we must come together and work to implement this Guidance. The Guidance sets out to create faster, well-communicated, efficient and cost-effective strategies which scheme administrators and the industry as a whole can execute.

This document is Part 1 of a series of two. This Guidance relates to 'standard or straightforward cases, whilst Part 2 will cover 'non-standard' or complex cases. We anticipate Part 2 will be published towards the end of 2019 and we'll incorporate any learnings from this first release.

Comments on this guidance can be sent to PASA at: [info@PASA-UK.com](mailto:info@PASA-UK.com)

## 2. Impact of Pension Schemes Act 2015 & scheme demographics

Pension freedoms, public awareness of high transfer values and increased adviser activity have resulted in the volume of transfer quotation requests more than doubling. This has resulted in increased workloads and associated costs. As a consequence of increased workloads, the transfer process has often slowed. Pension scams have also increased, putting member savings at risk. Priority must be given to effective safety checks protecting members from those transactions showing red flags on due diligence checks. **However, transactions that don't cause the scheme administrator, or trustees, to flag concerns should be processed as speedily as possible.**

Some elements of a transfer are outside the control of the transferring scheme administrator. For example, waiting for documentation from a member or their adviser, reliance on a third party to calculate transfer values or awaiting confirmation from HMRC as to the *bona fides* of the prospective receiving arrangement. While processing can't proceed in their absence, the working group explored ways to minimise 'down time' to benefit the whole end-to-end member experience. PASA views the timescales in this document as a maximum, and cases should be processed earlier where possible. In the event a third party causes a delay in processing a transfer, the administrator should make this known to the third party and the member. Delays should be called out to avoid frustrating everyone in the process. Administrators may not be able to control the third party, but they should seek to influence the process to improve the service for the member.

It's important to note whilst this paper is voluntary, we anticipate the Pensions Ombudsman will reference it when reviewing complaint cases, as a source of what good industry practice looks like.

During the drafting of this Guidance, PASA was part of a working group lead jointly by the Financial Conduct Authority (FCA) and The Pensions Regulator (TPR), to create a 'Transfer Template' to improve the quality of scheme and member information available on transfer cases. The Transfer Template would be made available to members and their advisers. The Transfer Template aims to reduce follow up data requests from advisers and improve the quality of advice through improved understanding of the security and benefits of Safeguarded rights. The Transfer Template is included as a key element of this Guidance and can be found in Appendix 4. The Transfer Template is also available separately on the PASA website. Further details of the context around the Transfer Template are set out on page 17.



### 3. Guidance Aims

- **Improve the overall member experience through faster, safer transfers**

This Guidance sets out the maximum acceptable timescales for processing transfers. It promotes the principle of administrators taking a lead on the end-to-end member experience. Highlighting where third parties cause unnecessary delays and collaborating to improve transaction speed. Speedier production of settlement paperwork reduces the risk of a transfer quote exceeding the guarantee period, and avoids the need for recalculation.

- **Improve efficiency for administrators**

Using standard forms and templates with clear instructions will result in members and advisers receiving the required information promptly. Using the Transfer Template to standardise transfer requests will aid automation resulting in improved efficiency, saving time and resources. The Transfer Template seeks to avoid repetitive requests for further information.

- **Improve communications and transparency in the processing of transfers**

Keeping members and stakeholders better informed and pro-actively managing expectations reduces the need for chasing and raising queries. Clarity around the scheme benefit basis ensures greater understanding and better quality advice. Each communication should add value to the member by keeping them informed of the transfer's progress. Providing appropriate additional information to increase awareness of the next steps, associated timeframes and any circumstances which could affect those timescales.

Some schemes and administrators already provide a good level of detail in their communications, but not necessarily at the same stages as set out in this Guidance. If it can be demonstrated the aims and principles set out here are being achieved, there's no need for changes to existing processes.

Some administrators communicate via email or member portals, therefore reducing their environmental footprint. PASA encourages the use of efficient and secure methods of communication and we wouldn't expect these processes to change as a result of this Guidance. However, the content should be reviewed against the principle of adding value to members.

## 4. Definition of a Standard Case

Whilst the overall objective of this Guidance is to improve efficiency in processing all transfers, it's important to acknowledge there are varying degrees of complexity of cases. We've broken down the review into 'standard' and 'non-standard' cases. This Guidance looks at 'standard' cases, which meet the criteria below:

- The request constitutes a request for a statutory guaranteed cash equivalent transfer value (CETV)
- The request is received via the standard business as usual process
- The scheme administrator has the benefit of some or full automation to calculate the transfer value
- The transfer value basis and/or scheme discharge paperwork is/are not currently under review

The below case(s) are non-standard and therefore excluded from the scope of this Guidance:

- Cases requiring significant manual intervention
- Partial transfers
- Overseas transfers (a transfer of a person residing overseas, involving an overseas adviser or an overseas destination scheme)
- Where, following appropriate due diligence, the case is suspected to be a pension scam
- Non-statutory transfers including cases where a transfer requires the specific consent (from the employer/trustee) or requires the exercise of trustee discretion

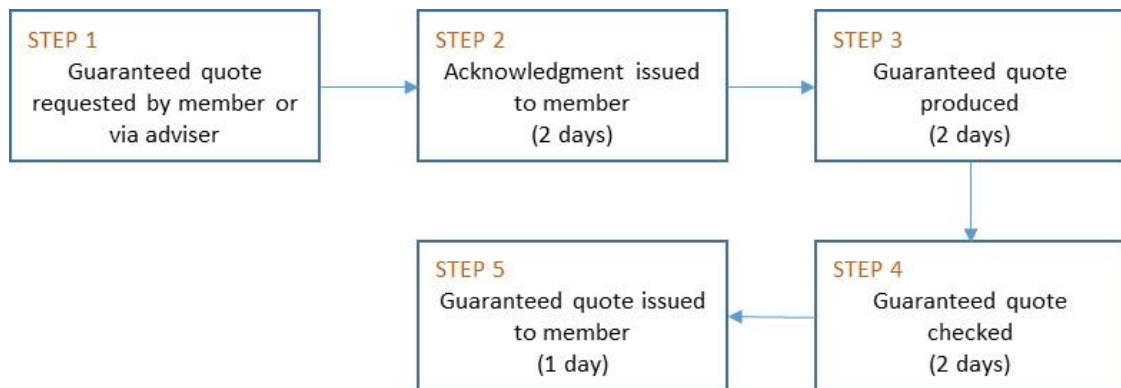
**Note:** we recognise in some cases a non-statutory transfer can also be guaranteed. However, there are a number of considerations throughout the process which need to be addressed and as such these are out of scope of this Guidance.

### **DC to DC transfers**

While it's not the focus of this Guidance to look at DC to DC transfers, we recognise many administrators have harmonised their internal DB and DC transfer processes to reduce complexity in their own business and also to recognise members often have DB and DC benefits within the same scheme. PASA encourages applying best practice principles across different types of work or business areas.

## 5. Processes

### Standard cases where there is no referral to actuary



**Total maximum expected time: 7 working days**

#### STEP 1:

Member contacts the scheme administrator to request a quote. If the request is received from a member's adviser (IFA) it should follow the administrator's own procedures regarding letters of authority.

#### STEP 2:

It adds value for the member to receive an acknowledgement letter containing important information to consider. This acknowledgment should include information on Pension Scams and financial advice considerations including reference to the Pensions Advice Taskforce (PAT) Gold Standard set out by the Personal Finance Society (PFS) <https://www.thepfs.org/about-us/initiatives/the-pension-transfer-gold-standard/understanding-the-pension-transfer-gold-standard/>.

Administrators should include a copy of the PAT Consumer Guide with each acknowledgement letter. This sets out what the member should expect from an accredited adviser when considering a transfer out of a DB scheme. A link to the consumer guide (printable) is included here [https://www.thepfs.org/media/10121248/pension-transfer-gold-standard-logo-consumer-guide-a5-size\\_print-no-crops\\_-p1.pdf](https://www.thepfs.org/media/10121248/pension-transfer-gold-standard-logo-consumer-guide-a5-size_print-no-crops_-p1.pdf) and a link to the web-friendly version is available here <https://www.thepfs.org/media/10121247/pension-transfer-gold-standard-logo-consumer-guide-a5-size-web-p1.pdf>.

The key objectives of this acknowledgment are to:

- Acknowledge the member's request
- Introduce information to help the member in making good decisions about whether and how to proceed. Reducing the risk of the member making a poor choice and wasting time
- Provide the member with a better understanding of the process and early notice of the associated timescales

An example acknowledgment letter is included in [Appendix 1](#).

If it's possible, the administrator should start Step 3 at the same time as Step 2 to reduce the time taken for the member to receive their transfer quotation.

When providing time expectations to members, administrators should consider using calendar days rather than working days. This should be consistent across all communications.

Where schemes are able to issue the transfer quote well within the 7 days, additional communication shouldn't be needed. However, the administrator should ensure the key components of the acknowledgement letter are included with the quote to add value to the member.

### **STEP 3**

Deciding whether to transfer benefits can be extremely difficult for members and working with an appropriately qualified financial adviser can take a long time. It's therefore important members are given as much time as possible to explore their options.

If data issues are discovered or a quote isn't able to be calculated accurately, a holding letter should be issued to the member (and/or his/her financial adviser) explaining the delay and/or requesting additional information if appropriate.

The transfer value quotation and information should follow the Transfer Template. It includes the relevant detail at a member level, but should be supplemented by access to the scheme level detail either in hard or soft copy.

For a copy of the Transfer Template please see [Appendix 4](#); a copy of this can also be found on PASA's website.

**Consideration** – with the increased volume of requested transfer quotes since Freedom and Choice, schemes should take all reasonable steps to maximise automation in the calculation routine.

**Consideration** – where possible, transfer quotes for members over the scheme's minimum retirement age should be accompanied by an early retirement quote. Including an early retirement quote at this stage can reduce queries and help the member's adviser explore all options.

**Consideration** – explore whether it's feasible to offer members extended guarantee periods beyond the required three months. This easement wouldn't need to be communicated to members (as it could perversely lead to delays), but could be held in reserve by the scheme to apply in requests for extensions, or where the relevant application for a transfer isn't made within the three-month timeframe. This would reduce the need to recalculate and limit further delays. Even doing this on a case-by-case basis with referral to the scheme actuary for market movement commentary could be more efficient than a recalculation process. It should be noted the transfer wouldn't meet the requirements for a statutory discharge.

### **STEP 4**

All quotes should be checked via the scheme administrator's usual practices.

### **STEP 5**

To maximise time for the member to consider the transfer, where possible quotes should:

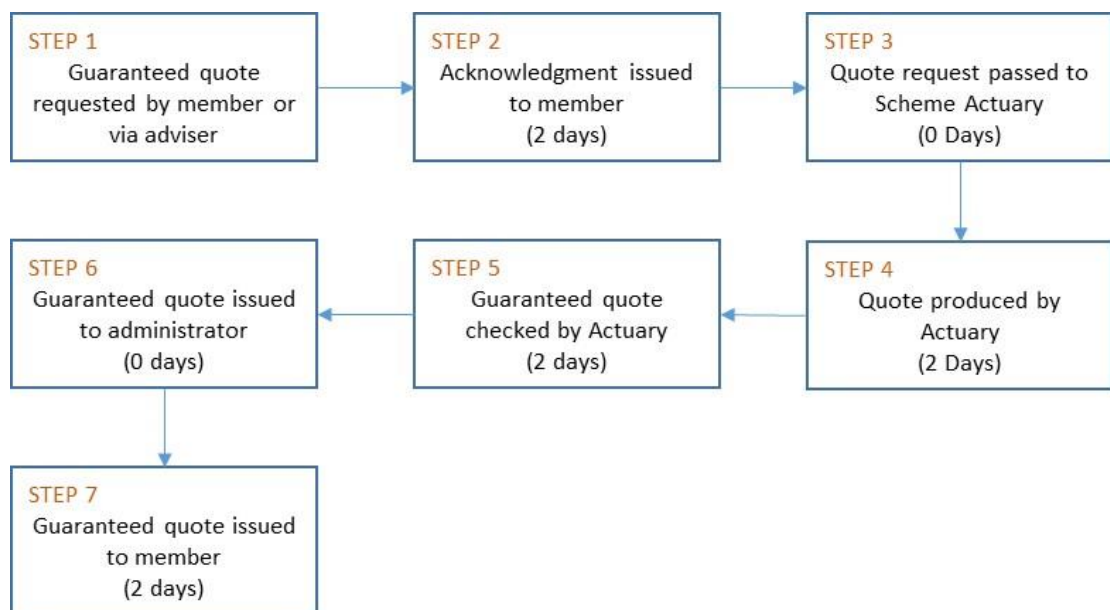
- Be issued by first class post or by secure electronic means
- Include all the necessary forms including the standard Section 48 of the Pension Schemes Act 2015 declaration which requires the financial adviser to confirm they have provided the member with appropriate financial advice – see [Appendix 2](#)
- Include a self-addressed return envelope where issued by post
- Include clear instructions on how to complete the forms – see [Appendix 3](#)
- Include clear instructions on the supplementary information a member is required to submit, such as ID

**Section 48 declaration** –the industry uses/supplies very different forms in discharge packs. It's worth noting under Section 48 of the Pension Schemes Act 2015 the member only needs to take advice if their safeguarded benefit exceeds £30,000<sup>1</sup>.

[Appendix 2](#) provides a copy of acceptable wording. PASA encourages standardisation across the industry. It reduces the risk of queries between advisers and administrators which can hold up processing.

It's not a requirement of Section 48 of the Pension Schemes Act 2015 for advisers/members to confirm the nature of the advice the member received to the scheme. The relevant section on the Pension Schemes Act 2015 is set out in Appendix 2a.

### Standard cases with a referral to the actuary



**Total maximum expected time: 8 working days**

### [STEP 1 & 2](#)

As per previous process set out on page 9.

<sup>1</sup> In particular, it should be noted that it is not the value of the benefits to be transferred that is considered in relation to the advice threshold – but the total value of safeguarded benefits under the scheme (regulation 5(1) SI2015/742)

### **STEP 3**

If a quote request needs to be passed onto the scheme actuary, this should be done promptly (i.e. no later than the day of acknowledgment).

**Consideration** – a common trigger for a quote to be referred to the scheme actuary is the size of transfer value. As market conditions move over time the size of transfer values can too. Transfer values have been high in recent years, which has caused more cases to exceed the scheme's referral criteria. Schemes should proactively review their referral criteria to reduce the number of transfer values which need to go to the actuary.

Other reasons for referrals to the scheme actuary are cases which are manually calculated due to limited automation or particularly complex benefit structures. Whilst it can be difficult to resolve this, administrators should continually seek to increase the level of automation across all benefit categories where the volume of transactions justifies it.

### **STEP 4**

The scheme actuary should, where at all possible, follow the service levels agreed with the scheme administrators for calculating transfer quotes. This could take the form of an individual service level agreement between the administrator and the scheme actuary.

The quote should be produced in line with the Transfer Template included in [Appendix 4](#).

### **STEP 5**

All quotes should be checked via the scheme actuary's usual practice.

### **STEP 6**

The scheme actuary and/or administrator should ensure quotes are in an agreed standard format.

### **STEP 7**

As per previous process set out on page 12.

## 6. The Transfer Template: working together to protect member interests

There's been significant industry concern around both delays in processing transfers and the quality of financial advice available. The industry has been working together to develop standards to help protect member interests and improve industry practices.

Improving and following standards helps protect schemes and providers against possible maladministration claims.

It's important to provide financial advisers with high quality information and data quickly to ensure the member is able to make a properly informed decision. Valuable time can be spent with questions and answers being exchanged, often with a lack of understanding as to why questions are asked or why particular data is needed. Sometimes advisers fail to appreciate the benefit structures and flexibilities, leading to frustrations on all sides.

The FCA and TPR brought industry representatives together to create a standard Transfer Template which contains all required scheme and member information. It includes examples of every type of calculation allowing advisers and the analysts supporting them to ensure the advice they give is robust. Transfer Template is attached in [Appendix 4](#).

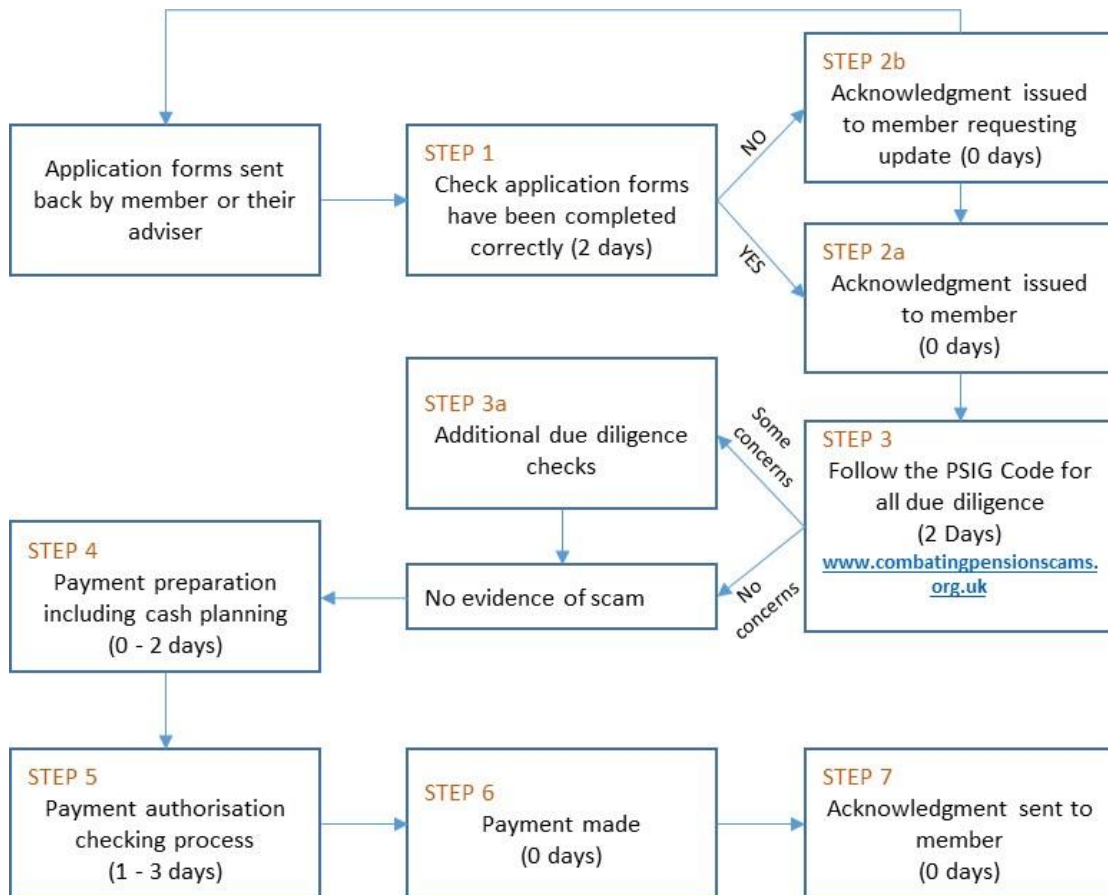
The Transfer Template has been designed to be used by both advisers and administrators.

Data requirements in the Transfer Template are simplified into scheme and member level data. Scheme level data should be set up once and provided thereafter whenever an adviser requests information about the scheme. Member information will be requested by the adviser only once per member. The overall objective of the Transfer Template is to maximise the probability members will get good quality advice, based on an accurate understanding of the benefits and options under the transferring scheme. Access to standard information in a consistent format has significant potential to reduce the cost of advice, helping to deliver better value for the member.

The Transfer Template can be completed manually or automated, depending on administrator preference. The scheme level data, for example, could be set up in a data room, to which the adviser is granted access. This could create long-term time and cost efficiency for administrators. There would be a need for early investment in creating this framework which could also simultaneously improve the analysis of scheme benefits on the adviser side of the process.

Through this Guidance, we recommend administrators adopt the industry developed Transfer Template and ensure both scheme and member level information sections are fully completed and sent to members' advisers on request.

## 7. Settlement Process



**Total maximum expected time: 9 working days**

### STEP 1

PASA recognises every administrator will have their own request handling processes. However, the aim is to get the forms checked as soon as possible. We must avoid waiting until the day before the standard service level runs out before checking the forms. Early handling ensures any errors in forms are spotted in good time within the timescales set out in this Guidance.

The standard forms should include:

- Trustee Discharge
- Section 48 declaration (where relevant)
- Relevant ID (where required and/or not previously supplied)
- Receiving Scheme Warranty

Schemes providing members with guaranteed CETV quotes in line with Part 4ZA of the Pension Schemes Act 1993 will obtain a statutory discharge.

By way of context, if schemes are providing a guaranteed CETV in line with the Part 4ZA of the Pension Schemes Act 1993, the quotation must be guaranteed for three months from the calculation date and be sent to the member within 10 working days of calculation. To accept the guaranteed CETV, the member must make a valid application in writing to the scheme trustees or manager within the guarantee period.



A member is deemed to make an application in writing on the date received by the scheme trustees or manager or on the date it is posted, if sent by registered or recorded delivery.

Receiving schemes must be willing to accept the transfer and members will also have to provide evidence they have obtained appropriate independent advice if the value of Safeguarded rights in the scheme exceed £30,000.

Schemes will commonly seek to verify the member's identity before making payment. Payment must be made within six months of the guarantee date shown in the statement of entitlement when all the legal conditions have been met. The Pensions Regulator has provided regulatory guidance\* on DB to DC transfers and conversions, and this includes guidance on the process and timescales.

\*The Regulatory Guidance is available at: <https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/db-dc-transfers-conversions-regulatory-guidance.ashx?>

**Consideration** – Look to embed online ID verification processes to reduce the need for members to provide paper-based ID. If paper-based ID is required, consider agreeing to accept appropriately certified copies rather than originals, unless originals are needed as a result of Crown Copyright rules.

See Joint Anti Money Laundering Steering Group Guidelines specifically Part 1, 5.3.72. <http://www.jmlsg.org.uk>

Guidelines on who would be an appropriate person for certifying can be found in the link. <https://www.gov.uk/certifying-a-document>

### **STEP 2a & 2b**

Once forms have been checked, an acknowledgment should be sent to the member on the same day. This should either confirm the transfer will be processed subject to due diligence checks or any additional information required.

If paper-based ID is required this should be returned to the member. Original documents should be returned via recorded delivery.

If the member fails an online ID verification, the acknowledgement letter should explain this and ask for alternative paper-based ID.

In order to avoid delay, the administrator may continue with the payment set up process pending provision of minor information missing from the forms, for example, missing ID.

Where members have Additional Voluntary Contributions (AVCs), the acknowledgement letter should inform the member of when the AVCs will be paid and if this presents an extension to the overall timeline.

As with the overall communication strategy set out in this paper, the acknowledgement letter should look to set expectations of the next steps and timeframes.

### STEP 3

Due diligence to combat scams is set out in the PSIG Code of Good Practice which can be found at [www.combatingpensionscams.org.uk](http://www.combatingpensionscams.org.uk). Please refer to the PSIG Code for recommended next steps should the case fail the due diligence checks and be suspected to be a scam.

### STEP 4

Once a case has passed due diligence checks it's ready for settlement. Different administrators use different processes, but the following two scenarios would be outside of the recommended timelines:

- Where AVCs exist and these need to be disinvested prior to settlement of the main scheme benefits;
- Where a case requires a recalculation of the transfer value – typically this would be where a valid application has not been made within the required statutory period.

Where a transfer value has dropped, good practice demands the adviser/member should be notified of this prior to processing. In some cases, the scheme may have a tolerance check, typically between 5%-10% of the transfer value, where it's processed without further referral and communicated retrospectively. As a principle this seems reasonable as long as this has been communicated clearly up front and as long as administrators are satisfied the member has an entitlement to another quote and the trustees still have a statutory discharge. We encourage schemes to act with prudence. For example, where cases have reduced towards the upper end of the accepted tolerance the administrator could call the member or member's adviser to inform them in advance of processing. Whilst this is an extra step in the process, we don't expect this should cause significant delays and serves to avoid queries later.

It's important to ensure there is sufficient money in the scheme bank account to be able to pay out the transfer value when the checking and due diligence processes are complete.

Guidance on good practice for managing the cash flow is set out below:

- It's not uncommon for schemes to hold approximately 1.5 times the amount estimated to pay regular outgoings to accommodate additional payments from the scheme
- If the transaction exceeds this threshold amount, disinvestment may be required
- Time needs to be factored in to allow for liaison with third party investment managers
- Disinvestment documentation should be sent promptly – this should help avoid delays, especially if all trustees need to be contacted
- Some schemes set up regular disinvestment to ensure transfer payments can be made without sign off from all trustees in each event
- All forms and checks should be completed correctly before disinvestment, to avoid the need to contact the member again prior to making the payment

### STEP 5

Before a transfer value is paid it will be checked. This process can often require different levels of authorisation and in some cases multiple authorisation depending on case size. Examples of this might be:

Cases under £250,000 – sign off by senior administrator

Cases between £250,000 and £750,000 – signed off by team leader

Cases over £750,000 – signed off by team leader and more senior colleague

Whilst the overall timeframe of this activity is three days, it's expected cases with lower authorisation levels should be handled more quickly.

#### **STEP 6**

Payment sent.

#### **STEP 7**

Acknowledgement should be sent to the member once payment has been submitted. The acknowledgement letter should confirm the date submitted and the expected date for the money to be received by the member's chosen receiving arrangement.

If the transfer value has changed due to a recalculation (typically for the reason the application wasn't received within three months) and additional authority to proceed was not sought as it was within scheme tolerance levels, confirmation of the new amount, after payment, should be included in this letter.

## Appendix 1 - Example Quote Acknowledgement Letter

### Private & Confidential

[Insert member name and address]

Date: [insert date]

Our ref: [insert reference number]

Dear [insert member name]

### [Insert Scheme Name] Request for a Cash Equivalent Transfer Value (CETV)

I refer to your recent request for a CETV.

A guaranteed CETV statement will be issued to you within five working days unless we do not have all the information we require.

If we are unable to provide the information within five working days we will let you know as soon as possible.

The CETV will be guaranteed for a period of three months from the date of calculation (known as the 'Guarantee Date'). We will enclose the forms to be completed, should you ultimately decide to transfer your \* **Safeguarded** rights.

Details of the CETV will also be sent to your new pension scheme who may correspond with you directly if they require your authorisation to proceed with the transfer.

### Pension scams

SCHEME NAME will look for signs of a pension scam when any transfer is requested. These may include schemes offering payment of benefits earlier than age 55 or tax-free cash payments greater than HMRC allows.

Such information can be very misleading and, in some cases, may also be fraudulent and entirely illegal. Falling foul of a scam could mean you lose some or all of your pension savings. Please see [www.pension-scams.com](http://www.pension-scams.com) or [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) for more information.

To help prevent you from becoming the victim of a pension scam, we will carry out due diligence checks to ensure, as far as possible, the scheme you are transferring to is a registered and reputable scheme. If we have any concerns regarding this we will contact you directly.

### Financial advice

From 6 April 2015, there are some important conditions which must be met before we can pay a CETV to a pension scheme that offers what are known as 'flexible benefits'. These are explained below.

1. Where the total transfer value of your pension rights within the scheme is greater than £30,000 you must obtain financial advice from an appropriate independent financial adviser registered with the Financial Conduct Authority (FCA).

If you have any other pension rights elsewhere within the scheme you will have to obtain a CETV quote in respect of those other rights to determine whether the total value is over £30,000.

2. Before the transfer value can be paid to your new scheme you will have to provide us with a signed statement from the independent adviser confirming you have taken appropriate financial advice and the adviser was authorised to give you advice.

Taking advice, whilst important in being able to assess all your options, can be very daunting and can often be very expensive. In recognition of this a Guide to Good Practice for financial advisers has been created by the Personal Finance Society. We strongly suggest you read this to help you better understand what good advice looks like. You can find this by visiting their website: (<https://www.thepfs.org/about-us/initiatives/the-pension-transfer-gold-standard/understanding-the-pension-transfer-gold-standard/>). **[OR]** A copy of their Consumer Guide is enclosed for your information.

Some questions members often ask before they chose a financial adviser are:

- Do you have permissions from the Financial Conduct Authority (FCA) to give me advice on whether I should transfer my safeguarded pension?
- Are you only going to be able to recommend a restricted selection of alternative choices or can you recommend any suitable product?
- Do you or your business have your own products or funds which you may recommend to me? If you do, how much money do I pay if you recommend those funds and products, in addition to the fees I might pay for advice or for your services?
- What are you going to charge me for the advice you will provide?
- If you are not going to charge me, unless you recommend a transfer, how can you prove this will not influence your advice?

You can find authorised independent financial advisers by searching the FCA register (<https://register.fca.org.uk>) or contacting the Citizens Advice Bureau. Also check to see whether the adviser carries the Gold Standard mark. Please note you are expected to meet any costs associated with obtaining financial advice.

## **[SCHEME-SPECIFIC INFORMATION CAN BE ADDED HERE]**

### **Definitions**

**\*Safeguarded** is the term in law which describes a defined benefit which has an attaching guarantee. If you have a 'Safeguarded' income this means the risk of not getting your money is reduced, even if the employer of the scheme suffers an insolvency event, due to the existence of numerous protections and the Pension Protection Fund. **\*The Pension Protection Fund** is in place to pay compensation to members of pension schemes should the employer of that scheme become insolvent, if the scheme is eligible.

### **Next Steps**

Exploring a transfer can be a lengthy process so, to give you a guide on timescales we have set out the usual steps below:

- Obtain a quote – the scheme should send this to you within 7-10 working days following receipt, allowing for postage;
- Receive financial advice on all your options –you should typically allow 6-8 weeks;
- If you wish to proceed you will need to return the relevant forms to the scheme. You should allow 10 working days for the transfer to be processed, assuming there are no queries;
- Receiving arrangement writes to confirm the transfer has been received. This is typically 5-10 working days after the monies have been received;

If you have any questions regarding this letter or require any further information please contact us on **PHONE** or **EMAIL**. Please quote **REFERENCE** when you call.

## Appendix 2 – Section 48 Declaration

We recognise many scheme administrators have built a Section 48 Pension Schemes Act 2015 declaration into their own discharge paperwork, however it is the responsibility of the adviser to provide this and therefore schemes should be willing to accept a separate letter covering the information below.

### Private & Confidential

Trustees of the [insert scheme name]

Dear Sirs

**Re: Transfer Advice: Section 48 Certificate (Pension Schemes Act 2015)**

**Scheme Name: [insert scheme name]**

**Member Name: [insert member name]**

**Member Reference: [insert member scheme reference number]**

**Financial Adviser Company: [insert company name]**

**Financial Adviser FCA Number: [insert firms FCA Number]**

I confirm I have provided appropriate independent advice to the above-named member which is specific to the type of transaction proposed by the member or survivor, being a transfer of their subsisting rights in respect of safeguarded benefits within the above name scheme.

I confirm I have the appropriate permission under Part 4A of the Financial Services and Markets Act 2000 or otherwise resulting from any other provision of that Act to carry on the regulated activity (advising on conversion or transfer of pension benefits) in article 53E of the FCA regulated Activities Order (the Financial Services and Markets Act 2000 (Regulated Activities) Order (2001)).

### Signed

[Insert Signature]

**[Financial Advisor Name]**

[Advisor Title]

**Date: [insert date]**

## Appendix 2a – Pension Schemes Act 2015

### Section 48 (8) of the Pension Schemes Act 2015 states:

(8) In this section—

- “appropriate independent advice” means advice that—
  - (a) is given by an authorised independent adviser, and
  - (b) meets any other requirements specified in regulations made by the Secretary of State;
- “authorised independent adviser” means a person who—
  - (a) has permission under Part 4A of the Financial Services and Markets Act 2000, or resulting from any other provision of that Act, to carry on a regulated activity specified in regulations made by the Secretary of State, or is acting as an appointed representative (within the meaning given by section 39(2) of that Act) in relation to a regulated activity so specified, and
  - (b) meets such other requirements as may be specified in regulations made by the Secretary of State for the purpose of ensuring that the person is independent;

### Regulation 7 of the Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 requires:

#### **Form of confirmation of appropriate independent advice**

**7.** Confirmation from the member or survivor that appropriate independent advice has been received must be in the form of a statement in writing from the authorised independent adviser providing the advice confirming—

(a) that advice has been provided which is specific to the type of transaction proposed by the member or survivor;

(b) that the adviser has permission under Part 4A of the Financial Services and Markets Act 2000(12), or resulting from any other provision of that Act, to carry on the regulated activity in article 53E of the Regulated Activities Order;

(c) the firm reference number of the company or business in which the adviser works for the purposes of authorisation from the FCA to carry on the regulated activity in article 53E of the Regulated Activities Order; and

(d) the member’s or survivor’s name, and the name of the scheme in which the member or survivor has subsisting rights in respect of safeguarded benefits to which the advice given applies.

## Appendix 3 – Example settlement forms checklist

This is an example of how a checklist could look and it will depend on the particular forms and the process each administrator goes through in order to determine how this may work in practise.

A move to online ID verification can significantly reduce the requirements on members when at this stage and is strongly encouraged.

### Transfer Forms Checklist

Please ensure you complete the checklist below before returning your Application forms.

To ensure the transfer of your benefits can be made as soon as possible, please take some time now to check you've enclosed all the necessary documentation for the transfer of your pension benefits to proceed. If these documents are received outside of the Guarantee date of [insert date] we are likely to have to recalculate your value and this could either go up or down.

Please use the following tick list as a guide.

	Who would provide this	Please tick box
A <b>certified copy</b> of birth certificate, valid passport or driving licence	You will need to arrange for this	
A <b>certified copy</b> of marriage or civil partnership certificate (only where you have changed name and not provided evidence to the scheme already)	You will need to arrange for this	
Transfer Out Authority Form – Part 1 of the form needs to be completed and signed by you Part 2 of the form needs to be completed and signed by your new provider	You should complete part 1 and you or your adviser will need to arrange for Part 2 to be issued to your receiving provider to complete their section	
A copy of the receiving scheme's HMRC registration letter showing the Pension Scheme Tax Reference (PSTR) number	Your receiving provider should provide this along with Part 2 above	
A print out of the HMRC website confirming the receiving scheme's HMRC tax reference number (this must be dated within the last two weeks)	Your receiving provider should provide this along with Part 2 above	
Pension Transfer Request – Member Questionnaire (please ensure contact details are completed and it is signed and dated)	You should complete this	
Where necessary (your transfer value is over £30,000), Completion of the enclosed 'Confirmation of Appropriate Financial Advice Form' signed by both the IFA and the member. If the adviser is providing their own confirmation, you should still sign any elements you are supposed to as the member and attach the adviser's own confirmation letter	You and your financial adviser should complete this	

Where your transfer value is over £30,000 you are required to take appropriate financial advice from qualified financial adviser. Your adviser should help you with these forms to make sure you've captured everything correctly.



**Failure to provide the appropriate information above may cause a delay in the transfer of your pension benefits to the receiving provider.**

**If certified copies are acceptable:**

### **How to Certify an Original Document**

**A certified copy is a copy (often a photocopy) of a primary, original document has on it a statement confirming it is a true copy of the primary document.**

The reason we ask for certified copies is to protect you and your original documents. We don't want you to have to put your original documents in the post where there is a risk of these being delayed, lost or even stolen.

To be valid you need to have a copy of your actual ORIGINAL document certified by someone on this list:

- Solicitor
- General Practitioner (GP)
- Commissioner for Oaths/Notary Public
- Post Office (through the post office's certification service) – *service not available for birth certificates*
- Qualified Accountant
- Bank Official (alongside Branch Stamp)

The person you ask should **not** be:

- related to you
- living at the same address
- in a relationship with you

### **How Do I Obtain a Certified Copy of an Original Document?**

The basic process for copy certification is described below.

#### **1. You, the document's custodian, request a certified copy.**

You should ask someone on the list above to certify a copy of your each of your original documents. We will not accept anyone else as a certifier.

#### **2. The Certifier compares the original document and the copy**

You must provide the original documents to the certifier. Some certifiers make the photocopies themselves, others will require you to provide the photocopies to be certified along with the original documents. The certifier will compare the original document with the copy to confirm the copy is identical to the original. Some certifiers may charge for providing this service.

#### **3. The Certifier certifies the copy is accurate**

Once the certifier has confirmed the copy matches the original, you should ask the certifier to certify the copy using the wording below to state the copy is true, accurate and complete.

The certifier should state:

***'I certify this is a true copy of the original document seen by me.'***

Where a photograph is being certified, e.g. your passport, the certifier should state:

***'I certify this is a true copy of the original document seen by me and it is a true likeness of the individual.'***

We must be able to verify the person providing professional certification of your document. Therefore, beneath the certification statement the person certifying your document is required to write the following on the copy document:

1. their signature and the date of signing;
2. their full name in block capitals;
3. their occupation, the name of the company for which they work, address and telephone number;
4. the official stamp if signed on behalf of an institution (e.g. firm of chartered accountants, medical practice, bank, building society);
5. their reference number for individuals signing e.g. FCA reference number, or their official employment ID number for a relevant occupation.

## Appendix 4 – Transfer Template

This is broken down into two separate documents. The first document is the ‘Scheme Template’. This document should be completed per section of scheme. The typical specifics which would define a section between groups of members are:

- Different retirement ages or members with split retirement ages
- Different factors
- Different tranches of benefit with various revaluation applied including Barber benefits
- Members with Transferred in benefits

This template should be set up at scheme level as it can be reused for all future requests. The template should be maintained and kept up to date. Ideally a scheme would set up a secure data room environment with these documents stored for all sections. On request, a member or their adviser could be provided with access details. An alternative would be for this to be issued alongside the transfer quote.

The second document is aimed at the member level detail. Along with the transfer value, this should provide a full breakdown of a member’s benefits at date of deferment in order for the adviser to obtain a full understanding of the member benefits.

### What is this trying to achieve?

If a member wants to transfer and has a pot of more than £30,000, they are required by law to take appropriate financial advice. The advisers who advise on these transactions have an obligation to demonstrate they understand the benefits and structures of the existing arrangement. This is a key element of the advice process. The adviser is only able to do this with any degree of accuracy if they have access to the above information, supplied by the scheme administrator. Historically, the level of detail an adviser has been able to obtain has been far below the level required. When this happens, the adviser has a choice to either confirm they can’t advise or make assumptions about the scheme. Both are potentially detrimental to members in terms of risk.

As an industry, we want to genuinely act in the best interests of members, so the provision of this information at the outset should be seen as integral to this. Not doing so only increases the risk of poor member outcomes.

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## Introduction – Scheme Template

Whether the information below is provided on a scheme-level or member-level basis is to be decided by the scheme based on the scheme structure. However, if the same approach applies to all members in a category or section, it would be most efficient if this is provided once upfront. If differing approaches apply to differing sections of membership, the scheme should take a view as to how best to provide the relevant information. Where there is significant and frequent variation in benefit structure, it is likely to be more appropriate to provide information at an individual member level. The below set of questions should give a guide to level of detail required.

Where additional questions are asked by advisers the scheme should look at whether any additional clarification should form part of an update to this document.

This is intended to be a living document and we will be pleased to receive feedback on how it works in practice and will adapt the template as necessary to ensure improved effectiveness in future versions.

### Scheme level detail

Ceding Scheme Name	
Pension Scheme Tax Reference Number	
Scheme section the below related to	
Date last updated	

*It would be extremely useful to include a calculation of a member's pension at NRD for each section of benefits. This would bring to life the methodology used. Alternatively, a blank copy of any relevant proforma used would also be very helpful.*

### Scheme documents and factors

Please provide the following either by inserting the detail directly or providing it as an attachment;

1. Current early/late retirement factors and when last reviewed  
Please provide the retirement factors at earliest retirement age, 55, 60, 65, 70, 75 and maximum age for late retirement factors to apply.

It is key we know how these factors are applied in practice, please provide details below. This should include applicable ages benefits are revalued to, before factors are applied. If late retirement factors are applied, do they allow for increases in payment for example? If they haven't done so already, schemes should consider taking legal advice on the entitlements to early and late retirement and revaluation, in light of historic changes to pension ages and preservation requirements.

Comments

2. Current commutation factors and when last reviewed

Comments

*Example – last reviewed Q1 2019*

These documents can be provided as appendix to this template but unless appropriate to do so, do not need to be provided for each section of the scheme

3. Current CETV Basis and when last reviewed

Comments

4. Latest report and accounts

Comments

5. Recovery Plan/Summary Funding Statement if appropriate

Comments

6. Covenant Assessment if appropriate  
(we note this may well be withheld on the grounds of confidentiality)

Comments

## Cash options and transfers

As an alternative to completing this section, schemes can provide the information in their own format, and as a statement of the generic scheme provisions, as long as they cover all the areas listed.

Is early/late retirement permitted under scheme rules? If so, is trustee and/or employer consent needed?	
Normal Retirement Age	
Earliest retirement age without reduction	
Where the earliest age is different from the Normal Retirement Age please provide details around application of early and late retirement factors	
Details of any current additional pension options e.g. Pension Increase Exchange at retirement, options around different levels of spouse's benefits, partial transfers	
Anything else relevant/not covered For example: <ul style="list-style-type: none"><li>• are partial transfers available;</li><li>• is the scheme currently paying reduced or full transfer values?</li></ul>	
How often are CETVs available and how much do subsequent CETVs cost?	
Are transfers available within 12 months of normal retirement age?	
Are transfers available after normal retirement age?	

## Scheme equalisation basis

From what date were benefits equalised for existing members?	
From what date were benefits equalised for new joiners?	

## Scheme benefit tranches and revaluation

If it is easier, please set this information out in a table as shown in the example below.

<p>Please set out the revaluation basis applied to the individual tranches of benefits (excluding GMP) together with the earliest unreduced retirement age for each tranche.</p> <p><i>Please note, each benefit tranche applicable at date of leaving needs to be split out and presented as part of the member data.</i></p>	<i>Example table</i>		
	<b>Service Period</b>	<b>Revaluation</b>	<b>Projected to</b>
	Post 85 – Pre 6/4/1997	CPI max 5%	62
	Post 5/4/1997 – Pre 6/4/2005	CRI max 5%	65
	Post 5/4/2005	CPI max 2.5%	65
Where the earliest age is different from the Normal Retirement Age please provide details around application of early and late retirement factors			

Please ensure member data reflects any relevant splits in NRA or other adjustments.

## GMP Equalisation

Has the scheme equalised GMP benefits?	<i>If so what method is used and is this reflected in the member data</i>
Are CETVs calculated on an equalised basis?	
Will the scheme make top-up transfer payments if needed once GMP equalisation resolved?	

## GMP benefits

This section should set out all the relevant details about the member's entitlement to GMP and how the scheme calculates this. Where different GMP elements apply to a member, schemes should ensure each element is clearly set out. The format of this provision will depend on individual schemes, but will need to cover the following areas if they are relevant to the member. Schemes also should make sure any unusual features of the scheme are covered, and/or include the scheme rules. **Schemes should also make sure the scheme's anti-franking provisions are explained where relevant.**

What is the GMP revaluation method?	
What are the increases in payment?	
If member takes benefits BEFORE GMP Age, how are notional GMP benefits increased in deferment and in payment if before GMP age?	
How do increases interact with non-GMP benefits? If member takes benefits BEFORE GMP Age, how are benefits redistributed at GMP Age	
Is any permitted franking done?	

## Paying out benefits – on retirement or death of member

Schemes should provide details of how benefits can be paid when a member retires or dies. As each scheme will have different rules about this, the layout of this section is non-prescriptive. Schemes should cover the following areas, broken down by benefit tranche if relevant.

### Benefits payable on retirement

- Pension commencement lump sum – how is this calculated, are there any scheme-specific protections and if so how much? Can DC AVCs be used to 'fund' the PCLS or does it have to be taken by commutation? If PCLS is calculated with reference to the final pensionable salary, please also provide this on any member communications. Are all benefit tranches commuted proportionately or in a specific order?

- How do pensions increase in payment?

- Is the pension guaranteed to be paid for a minimum time after retirement? If so, what are the options?

- What are the rules for ill health pension (for active/deferred members as relevant)?

- What choices does the member have about benefits payable (e.g. frequency of payment, commutation of own benefit for increased spouse pension, bridging pension to state pension age)?



## Benefits payable on or after death of a member

Schemes should make it clear where there is a difference between death before retirement and death in retirement.

Current value of any lump sums payable on death before retirement and the interest rate applied up to death, or any five year guarantee on death in retirement (and whether discounted and/or including future increases).

It is helpful if schemes could list all (potential) classes of beneficiaries.

For each potential beneficiary, the following information should be provided where relevant:

- the scheme's definition of each potential beneficiary (e.g. spouse on leaving/any spouse) whether a dependants pension is payable on a discretionary basis or as of right and only if there is no surviving spouse
- circumstances under which the benefit would/could be paid (e.g. 50% children's benefit only if there is no spouse)
- Basis of calculation (and based on pre or post-communication of member pension)
- Whether there is a reduction depending on age of dependant, and what the potential reduction would be
- Whether the benefit ceases on remarriage (in terms of spouse/civil partner)
- What the minimum benefit is and whether this is shared between children or per child, whether this is paid in addition to other benefits (e.g. spouse's pension), when does it stop being paid (e.g. maximum age/duration/child ceases full-time education/last child ceases to qualify) (In terms of children's pension)
- Any provision not captured above

## Other scheme features

This checklist is not intended to be exhaustive, and schemes may well have other features useful for an adviser to know. If schemes have features not mentioned above, please provide details in this section. This should include details of any pension sharing or earmarking orders and if or how they have been accounted for in the details provided elsewhere.

## Transfer Template – Member Quote

This is less prescribed in format because we recognise many scheme administrators will have already agreed templates for their quotes, however these templates should be revised to make sure the relevant level of detail is being provided.

We are seeing more examples of trustees providing members, who are over the minimum age at which they can access their benefits from the scheme, with both a transfer value and retirement quote as standard. This is more prevalent when there is an appointed IFA, but should be considered more widely as it is often very helpful for the member and adviser to see all their options laid out.

Whilst we expect the quality of any financial analysis to be significantly improved when the Scheme Template is filled out, having a retirement figure calculated by the scheme can serve as a good benchmark to ensure analysis is accurate, based on the data provided at date of leaving. If there are material differences in the scheme's pension quote and the numbers generated by the adviser, the adviser can query these with the scheme.

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## Transfer Template – Member Information

### Member Level Detail

For multiple periods of service, please provide one set of data per period of service.

### Scheme details

- Scheme Section - which should tie in with the corresponding Scheme Template

### Member details

- Member number/scheme reference
- Member status (active, deferred, etc.)
- Date pensionable service commenced
- Date pensionable service ended (if applicable)
- Pensionable salary at date of leaving
- Member's normal retirement age
- Earliest retirement age without reduction
- Does the member have a protected retirement age for any part of the scheme/period of service?

### Transfer Value

- CETV offered
- Calculation date
- Guaranteed until
- Has CETV been enhanced, if so why and how?
- Reduced for underfunding if so by what amount?
- Partial transfers offered
- Transfer Value club available?

## DC benefits

- Are benefits AVCs or another form of DC benefit?
- AVC/DC provider
- AVC/DC fund value
- AVC/DC transfer value if different
- Additional non-guaranteed transfer value in respect of AVC benefits
- Do GARs or other guarantees apply to the member's AVCs? If yes, what are they?
- What death benefits apply? Are any DC benefits single life?

## Retirement benefits

Schemes should list all benefits within the scheme, split by tranche and type of benefits. As this will differ for each scheme, we are not intending to be prescriptive in terms of the format, but these guidance notes set out the areas of information to be provided to members.

Schemes should state whether each tranche of benefit is Pure DB, DB with DC underpin or Pure DC (including DC AVCs). Schemes should also provide details of any tranches with special arrangements due to sex equalisation changes (Barber windows etc). Where members have benefits which can be taken unreduced from different ages, it is important the splits of benefit are set out, and whether the late retirement uplifts start from the same age, eg reductions before 60 but increases not until after 65. It is expected these figures will be based on Date of Leaving scheme – please state if other date provided. In particular, specify if any figures are projected to normal retirement date and so inclusive of revaluation.

Examples of tranches might include:

- Pre-1978
- 1978 – 1985 (ex GMP)
- 1985 – 1997 (ex GMP)
- 1997 – 2009 (ex GMP)
- Post 2009
- GMP pre-1988
- GMP post 1988
- Scheme Pays debits
- Pension Sharing credits
- Membership in different sections of the scheme
- AVC benefits
- Bridging/temporary pension

For each tranche, please include the following information where relevant and not provided on scheme-level basis:

- Amount p.a. (£)
- Earliest age at which payable as of right and without reduction
- Revaluation in deferment
- Rate of increase in payment
- Whether this tranche is subject to a DC underpin
- Negative debit amounts

Please also provide details of:

- any discretionary increases that have been granted and the basis for any such increases
- any bridging pension / state pension deduction.

## **GMP**

If fixed method is used, state amount of GMP at GMP payment age and reference date

## **Transferred-in Benefits**

Please provide details of any transferred in benefits if not included within main data i.e. they are treated differently than the main scheme benefit. Please include details where GMP revaluation basis and reference dates differ from the main scheme benefits set out above.

## Appendix 5 – Transfer Gold Standard

<https://www.thepfs.org/about-us/initiatives/the-pension-transfer-gold-standard/>

## Appendix 6 – Consumer Guide

<https://www.thepfs.org/media/10121181/c-users-apfsbens-downloads-ptgs-pension-transfer-gold-standard-logo-consumer-guide-a5.pdf>

### Do I need to take financial advice when considering whether to transfer my pension?

Pension transfers can be complicated and there are lots of things to think about before going ahead. Seeking professional financial advice will help to ensure you are better able to make a fully informed decision that is in your best interests.

It is for that reason that the Government has made it a legal requirement to seek financial advice before you can transfer, if you have what's called 'safeguarded benefits' - in particular if you are in a defined benefit pension scheme or have a guaranteed annuity rate - and your benefits are worth £30,000 or more.

This rule is there for your protection to make sure you are aware of all the pros and cons of transferring. The Pension Transfer Gold Standard is designed to help you recognise and find firms that will give advice that adheres to high professional standards.



### How do I find a firm adopting the Gold Standard?



Adopters will display the Pension Transfer Gold Standard 'badge' and can be found by searching the Money Advice Service directory [directory.moneyadviceservice.org.uk](http://directory.moneyadviceservice.org.uk)

### How to find out more about the Pension Transfer Gold Standard

Further information is available via [thepfs.org/ptgsconsumer](http://thepfs.org/ptgsconsumer)

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## Helping you recognise good practice, ethical and professional standards when seeking financial advice on pension transfers

What you should expect from financial advisers who have adopted the Pension Transfer Gold Standard

### What is the Pensions Transfer Gold Standard?

The Pensions Advice Taskforce, a representative industry body set up by the Personal Finance Society\*, has established a voluntary code of good conduct for Safeguarded and Defined Benefit Pension Transfers advice - the 'Gold Standard'.



Financial advice firms who adopt and promote this standard adhere to a set of principles. As a result you can be confident that you are dealing with an ethical adviser and professional advice firm that has your best interests at heart when receiving financial advice in relation to whether or not you should transfer your pension.

\*The Personal Finance Society is the professional body for the financial advisory profession in the UK, whose role is to promote ethical behaviour, high standards of professionalism for technical knowledge and client service for the ultimate benefit of the profession and consumer alike. It is part of the Chartered Insurance Institute, the world's largest professional body dedicated to insurance and personal finance that seeks to 'secure and justify the confidence of the public'.

### Going the extra mile so you know you are in good hands

Financial advice is regulated in the UK by the Financial Conduct Authority (FCA) that already requires firms to adhere to some 'core principles', two of which are especially significant when it comes to complex pensions advice like pension transfers.

1. A firm must pay due regard to the interests of its customers and treat them fairly.
2. A firm must pay due regard to the information needs of its clients and communicate information to them in a way which is clear, fair and not misleading.

If you are dealing with a financial advice firm adopting the Pension Transfer Gold Standard, you can expect they will exceed these requirements in their dealings with you. Specifically, they will...

- Help you understand the implications of a transfer, so you can decide whether taking advice is appropriate, before you take it and incur any costs in doing so.
- Ensure that the advice supports your overall wellbeing in the context of your stated objectives, needs and wants.
- Use appropriately qualified technical skills to advise on whether to transfer, and what to transfer into in order that you have the best chance of meeting your objectives.
- Only recommend mainstream investments from regulated investment companies (unless you are an expert investor).
- Be fully transparent and take necessary steps to ensure that you understand all the costs involved.
- Draw your attention to any Conflicts of Interest in giving pension transfer advice and how these are managed in your best interests.
- Share with you their experience and the outcomes of advising people on transfers.

You should be aware of guidance from the FCA that when giving advice in this area a financial adviser should start with the assumption that a transfer will be unsuitable due to the value of guaranteed benefits to be given up in the event of a transfer. As such, the advice you receive may be to do nothing and leave your benefits where they are.





THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

Get in touch:  
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[www.pasa-uk.com](http://www.pasa-uk.com)