

PROCESS UPDATES FOR IFA'S



1. NEW

We have received your clients submission pack and will be adding your case onto our system. If you have provided us with all the details required at outset, cases are not normally at this stage for very long.

It is imperative that you understand dealing with Defined Benefit pension transfers is a very slow process and it can take up to around **three months** to gather all the information required and provide a full recommendation, and up to **a further three months** to complete a transfer after all the application forms have been returned – please manage both yours and your clients' expectations accordingly.

2. INFORMATION GATHERING

This is one of the longest periods within our process and whilst it may appear a case is 'stuck' here for a long time, in reality a lot of work is carrying on in the background. Even if some pension information has been provided at outset, there is almost always additional requirements we need from the scheme administrators. Unfortunately, many schemes take a long time to respond to our requests - even when the information we are asking for is relatively limited at this stage - as they have very high volumes of enquires / backlogs.

The information they provide must be checked by us to ensure it is complete, accurate and consistent; if not, further clarification will be required from the scheme. Usually, after some going back and forth, we can pass on the file to our compliance department to ensure we have all the right information. The case will be assigned to one of the team and added to their workflow.

Once checked, and so long as we have the core essential pieces of information about the client's pension scheme (broadly speaking the transfer value and deferred benefits values), we can then produce the preliminary 'abridged' transfer value report (TVAS). This report is a prescribed technical analysis of the pension scheme and provides information about how much the pension is worth now, which is key for the abridged advice. This is also checked by compliance before being used.

We will *also* contact the client to arrange a telephone-based fact-find call with one of our specialist factfinders. They will utilise the information you've already provided us on our fact-find, but generally probe a little further on certain points, so we can be sure we have all pertinent information and a comprehensive understanding of what the client wants to achieve.

Of course, occasionally this call may be completed before we have all the information from the scheme and prior to completing the abridged TVAS, so there may still be some delay from completing a fact-find and being able to move forward to 'abridged advice' (see next section).

As you will be aware, in some circumstances, the FCA allow individuals to be *carved-out*, which means they can proceed to full advice without committing to paying the fee unless a transfer is completed. There are very few circumstances where this is possible, and only in those cases where the client is in severe ill health or financial distress. Our factfinders will also gather the relevant information required to establish if this option might be viable, we will notify you and the client where this is the case.



Eventually, usually after a couple of months or so, we can proceed from the information gathering to abridged advice.

3. ABRIDGED ADVICE

We have received enough information to allow us to proceed with abridged advice and we have established the client does not qualify for *carve-out*.

An adviser will undertake the abridged analysis and come to a conclusion, which will be put in writing in the abridged report and sent to both the client and you.

A form will be sent with the abridged report, which **must** be completed and returned to us, indicating whether the client wishes to proceed to full advice, with the associated fees clearly detailed. The form also tells them the current value of their pension as a monthly income figure, for comparison purposes. Clients can return the form immediately if they are sure that they wish to proceed to full advice, but equally they can speak to us if they wish to discuss this further.

At this point and in conjunction with the FCA's guidance on best practice, we will confirm to the client that we do have an 'insistent' process – which may be relevant later if our full advice is 'negative'. However, it is very important that you understand this isn't a right and that if we feel a transfer is *particularly* unsuitable or detrimental to the clients circumstances, we will refuse to carry out their request. Put simply, even if they 'insist' there is no guarantee we will proceed with their transfer.

The FCA rules are very clear about what we can and cannot do regarding abridged advice and will only allow us to analyse a client's personal circumstances and the current value of the pension in their existing scheme. We are not allowed to consider the advantages of transferring or even where the pension might be transferred to.

In other words, **we are not allowed** to obtain illustrations for the proposed transfer or carry out other comparisons like the Critical Yield / TVC. As such, there is no way to predict the likely outcome of *full* advice at this stage.

The reason they are so strict and prescriptive is because this level of advice may be given free of charge, whereas full advice must result in a fee, whether a transfer goes ahead or not.

Also, in line with strict FCA rules, the abridged report can only come to one of two conclusions:

1. Transferring the pension is not advisable or,
2. We have 'insufficient information' to ascertain suitability and can only do so by proceeding to full advice.

'Insufficient information' really means that we'll need to obtain the illustrations described above, so we can then carry out a *full* transfer value analysis system report (TVAS), which considers the associated costs of the transfer destination along with details about the scheme early retirement options.

4. PRE-ANALYSIS



Once the client has decided to proceed to full advice, or they have qualified for carve-out, we now compile all the information necessary to carry out a full analysis. This includes obtaining any additional scheme information that might still be required (for example immediate retirement figures, confirmation of death benefits etc), obtaining illustrations for the proposed transfer destination, and running a full transfer value analysis report (TVAS).

This stage can also be quite lengthy – particularly as we may still need to go back and forth to the scheme for further information and clarification, with the inevitable delays this often entails. In addition, all this information is individually checked by our internal compliance team.

5. ANALYSIS

One of our advisers will carry out the Appropriate Pension Transfer Analysis (APTA). This is a very detailed and technical analysis of all the information provided. That means they look at the client's personal circumstances and objectives, including their attitude to investment risk, what their retirement plans are and how transferring this pension could affect their future. A basic 'cash-flow' analysis is also completed.

Of course, the purpose of this is to be able to demonstrate that transferring a Defined Benefit pension is suitable compared with leaving their pension where it is. We also need to investigate whether the client's most recent Workplace Pension could be a suitable destination, especially when considering charges. Understandable there is a lot of information to be included within our analysis as we must make sure we can justify our recommendation.

6. RECOMMENDATION CALL

Having completed the analysis, the adviser is then able to discuss their recommendation with the client. This is normally a pre-arranged telephone appointment which may span more than one conversation. As well as explaining our advice, this is an opportunity for the client to ask any questions they have and seek clarification about whatever they wish.

It is imperative that the client can demonstrate they fully understand the advice they are being given, the general risks and implications of transferring and are making their decision from an informed position. We must be sure of this for us to move forward.

7. SUIT REPORT

Once the recommendation call is complete, the adviser will prepare the suitability report. The compliance team will again undertake a final comprehensive check before this is sent, so there is often a delay from the recommendation call being completed and the report being sent, particularly if the client asks for clarification on any points or require further information.

The report details our recommendation and the reasons for this; either *positive* to transfer the pension or *negative*, which means our advice is to leave the pension where it is. A copy of the report is sent direct to the client and e-mailed to you. As such, you will always receive this when the client does, if not before.



Where our advice is *negative*, but a client is considering going against our advice, they will initially need to call us to discuss this option and the process. There is more detail about our insistent client process at the end of the Introducers Resources section of our website.

We will proceed with a transfer precisely based on what is written in the suitability report, **if a client wishes to make any alteration they must tell us before sending back their completed forms** and we will normally ask for this to be confirmed in writing by them as well.

8. IN TRANSFER

Once the client has returned all the required transfer forms, including evidence of identity etc, we can then request their old pension scheme transfers the pension to the new arrangement.

This is another very lengthy stage of the process and can take **up to 3 months** to complete, principally due to the volume of transfer requests scheme are receiving.

One of our dedicated Transfer Administrators will be allocated the case to deal with this from start to finish. You and the client will be sent regular updates whilst we regularly chase up both ceding and receiving schemes, but it is worth emphasising that we are obviously reliant on the old scheme to transfer the funds. As such, it can seem there are periods of time where not much is going on, however, this is not the case.

We have also found, over the course of thousands of transfers, that very frequent chasing is almost always counterproductive and will usually delay a transfer. If a client is in extreme financial distress or terminally ill and is prepared to evidence this to the scheme, some administrators may be prepared to allow them to 'queue jump'. Otherwise, under normal circumstances, it is *vital* that the client is aware that a transfer is likely to take a considerable amount of time.

Should the client wish to make any last-minute changes to what was confirmed in the suitability report, they must put these in writing. However, at this late point in the process we cannot guarantee their request is implemented. For example, if they wish to change the investment funds recommended, their pension may still be invested as originally stipulated in the suitability report, particularly as the original adviser will need to consider whether this change of investment has affected our advice.

9. TRANSFERRED

The transfer has now completed and our administrator on the case will send you and the client written confirmation. Once all the fees have been settled the agency will be switched to you for on-going advice. This can mean, in some circumstances, there is a delay in the pension fund being invested – for example, if we were unable to access the particular investment required. Where this is the case, it is very important to emphasise to the client that it is generally impossible for a scheme to issue a transfer payment and for the funds to be invested the very same or even next day – some period of time 'out of the market' is therefore inevitable. Most pensions are a lifetime investment so there is no point in focussing on a relatively brief period of non-investment.



If we have been able to invest the pension on the clients behalf, you should check at this stage to ensure funds have been invested correctly.

