Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td>Red List</td>
<td>3</td>
</tr>
<tr>
<td>Amber / Green list</td>
<td>3</td>
</tr>
<tr>
<td>Scenarios in detail</td>
<td>4</td>
</tr>
<tr>
<td>Additional points</td>
<td>7</td>
</tr>
<tr>
<td>Critical yields</td>
<td>7</td>
</tr>
<tr>
<td>Death Benefits</td>
<td>7</td>
</tr>
<tr>
<td>Typical Outcomes</td>
<td>7</td>
</tr>
<tr>
<td>Qualification</td>
<td>9</td>
</tr>
<tr>
<td>Non face-to-face referrals</td>
<td>9</td>
</tr>
<tr>
<td>Can I obtain an initial assessment?</td>
<td>9</td>
</tr>
<tr>
<td>Summary</td>
<td>10</td>
</tr>
</tbody>
</table>
Introduction

The Intrinsic stance on Final Salary Transfers has evolved during the period since the Taxation of Pension Act (TOPA) regulations came into force.

Prior to the Act, the FCA’s starting assumption on Final Salary Transfers was that they were all unsuitable unless you could prove otherwise. Since the TOPA regulations came into force, this stance remains the same for clients under the age of 55. However, the FCA have acknowledged that this is not necessarily the case for clients over 55.

The Intrinsic standards mirror this stance to some degree. To help you we have graded each Final Salary Transfer scenario using a Traffic Light system of Red, Amber or Green to help identify whether the transfer is something we are able to consider. This list is not exhaustive, but includes the main reasons for transfer that we see submitted.

Our experience so far has shown it is difficult to grade every similar scenario in the same way, as even two cases which look identical will have different background soft facts. This can mean two Amber cases that look very similar at the outset can result in one being declined (Red) and the other being accepted (Green) once all of the facts about the case are known.

Red List

We are unable to accept the following transfer scenarios:

- Transfers involving any sort of opt-out from the final salary scheme
- Transfers involving any overseas schemes (either to or from a UK plan)
- Transfers where the client is below age 55 and/or where there is no ‘need’ to use the funds after transfer and which is not an exceptional circumstance (see point 4 below)

Amber / Green list

In certain circumstances we may be able to consider a request to transfer. These can be broadly categorised as follows and are dealt with over the following pages. To assist we have numbered the following and provided additional comment in the sections that follow.

1. Client has a terminal illness with life expectancy of less than one year where death benefits are a priority and the benefits are greater by transferring (Green list).

2. Where a scheme is underfunded with no recovery plan and the company is heading for liquidation and the amount payable under the Pension Protection Fund (PPF) would be significantly lower (Green list).
3. Where a client is either close to or at the Scheme Normal retirement Date (NRD) or within the age at which benefits could be taken and has a need to access funds either as a lump sum or income (Amber list)

4. *Exceptional Circumstances* (Amber list)

As mentioned, these four scenarios are expanded upon in the following sections.

Scenarios in detail

1. **Client has a terminal illness with life expectancy of less than one year where death benefits are a priority and they are greater by transferring (Green List)**

   Where life expectancy is terminal (less than one year) we can usually accept these types of transfer and one concern is that the client may die before any recommendation is made. Even if the recommendation is made prior to death, if the scheme trustees need some time to liquidate assets and the client dies before they have had the chance to transfer, it’s uncertain they will honour the transfer.

   In these circumstances we would recommend that as soon as possible you investigate all of the death benefit options available with the scheme pension and alternative options then discuss these with the client. A client who is terminally ill should be treated as a vulnerable client and have a friend/relative present.

   Once you know the options within the scheme and what best fits the clients’ circumstances, please email the scenario and medical confirmation that death is expected within 12 months (eg Doctor’s report) to adviceprocesssupport@intrinsicfs.com. In these circumstances it’s likely we will be able to give permission to submit the application forms to the Trustees straight away.

   The file will still have to be submitted as per a normal full pre-approval check and there may still be some remedial work required on the file. However we wouldn’t normally expect the final recommendation to change and the time pressures involved all round should at least be mitigated by this process.

   We still need the same high standards to be taken with the ‘pre-approval’ request as with any other request and the file will still need to be fully checked. However this express process will help reduce the risk that the client may die before the pension is able to be transferred.
Life expectancy greater than 12 months
It may be that you find a client with a potentially curable illness, or one which is serious enough that it could cause death within a fairly short time period (often depending on how treatment goes) but not specifically within 12 months. This is also mentioned again later in this overview and for these cases we will need full pre-approval to be obtained prior to writing this type of business. However, if death benefits are a concern then it is something that you could also potentially build a case for.

2. Where a scheme is underfunded with no recovery plan (company heading for liquidation) and amount under PPF would be significantly lower (Green List).

These types of cases may also be considered however care needs to be taken to investigate the possible outcomes as it’s not always clear cut. Generally when entering the PPF the ability to transfer a Final Salary scheme is lost however the PPF provide a guarantee of up to 90% of the income in most cases (subject to limits).

Also, when a scheme enters the PPF, this does not necessarily mean it will remain in the PPF – if a company can be sold as a going concern, part of that deal will involve fully funding the pension fund.

Therefore whilst it does help to build the rationale for a Transfer, danger of entering the PPF does not automatically mean a Transfer should be recommended.

You will need to provide some information and evidence on the employer to highlight the risk of them entering administration. You should also ensure you get as full a picture as possible of the client including hard and soft facts to help build a case and document the clients concerns.

3. Where a client is either close to or at NRD or within the age at which benefits could be taken and has a need to access funds either as a lump sum or income (Amber List)

Where a client is either close to or at NRD or age 55+ and has a need to access funds either as a lump sum or income, this is something that we may be able to consider.

The need will be either to generate an income or access a lump sum and usually there will be options to access funds via an early scheme pension which will also need to be taken into consideration.

For example, a client may want to cut down their hours of work or retire completely and the options could be to either take the income from a deferred Final Salary Scheme or instead to transfer the fund and use Drawdown or an OMO Annuity instead.
In this sort of scenario, as long as the need for income can be documented then it should be possible to consider a transfer providing all alternative options have been considered.

One word of caution on this - rather than just stating the client has a need for income, it is important to be able to provide enough soft facts to help support this and explain how the need arose.

This might be simple enough if for example the client is retiring and so will be losing employment income but in some circumstances you may need to supply more explanation and analysis to document the need.

As a very general rule, the further the client is away from the Scheme Retirement Date and/or the smaller the size of the clients Pension funds and overall assets, the stronger the need to access the Final Salary Scheme has to be. So, where a client has say just turned 55 and has a low level of pension funds and assets then we would want the need to be particularly strong (e.g. a strong income need).

However, where a client was very close or at the Scheme Retirement Date and/or has substantial pension funds and/or other assets, there is the potential to be more flexible and potentially consider a weaker ‘need’. This would be subject to the TVAS Report and/or Annuity comparisons also supporting the request.

4. Exceptional Circumstances

We do on occasion see requests to transfer a Final Salary Pension where there is no actual immediate need to access benefits and/or the client is under 55.

These types of case are more of a Pension Transfer as opposed to a Transfer to crystallise benefits (ie Annuity or Flexi-Access Drawdown). Generally these types of case are NOT something that we currently consider as standard however it MAY be that where there are exceptional circumstances it could be that we do consider the request. Typically the scenarios that we have had in recent months that fitted these criteria have been as follows:

- Clients with extremely poor health and an illness that whilst not terminal, does result in a much reduced life expectancy which can be defined with research.
- Clients who either work in the industry or are themselves financial advisers and on the FCA Register performing a Controlled Function.
- A client who has substantial wealth and/or an extremely large pension fund together with evidence that they have the capacity to understand the complexities of a Transfer if explained to them. Generally this might be some demonstration that the client does or has
held a senior employment position, where understanding complex arrangements was part of the role. These cases are usually accompanied by critical yields that are not too excessive (single digits).

- A client who may be running a business but wants to consider using his existing Pension Funds to purchase the commercial property from which he is running the business.
- Depending on the client circumstances, very low critical yields may also be an exceptional circumstance (e.g. less than 2%).

Additional points

**Critical yields**
Where a client is over 55 and has a strong need to access benefits from the Final salary scheme, critical yields are usually a secondary consideration. Where the need is strong enough, it’s not unusual for us to be able to accept cases where the critical yields are into double digits.

**Death Benefits**
Death benefits are often cited as a reason as to why clients wish to transfer and for these cases where it is the sole rationale, the first consideration should be life cover.

However, where there are health issues which means it’s not possible to obtain life cover, or it is prohibitively expensive and the return on death would be a return of contributions and a reduced dependant’s pension, this may potentially help justify a transfer.

In these circumstances, if life cover isn’t available and we have evidence of this then that should be enough to support the file. However, if life cover is available but it would be prohibitively expensive, we would hope and expect that the critical yields and/or a comparison of whether the Transfer Value could buy a comparable omo underwritten annuity would also be favourable.

**Typical Outcomes**
The above notes are in some way carefully worded because it is not always clear cut as to whether we can accept a Transfer or not. In some instances we have seen cases which on the face of it have appeared to fall into the red or amber category but once the soft facts are known it has been enough to move it through the categories to amber or green.

However from the experience we have had with final salary transfers in the last 12 months, the following is an outline of where the above scenarios have typically fallen once we have had sufficient soft facts.

**NOTE:** The following does not mean that every case of each type will fall into these categories, only that the majority of cases to date tend to have fallen into these categories. Any in the amber category mean we have had a similar number of each type which were eventually accepted and declined.
Red List

- Transfers involving any sort of Opt-out from the Final Salary Scheme
- Any transfers which also advise the client to reduce their employer’s contributions from any scheme as a result of Lifetime Allowance issues. We can’t advise on this as there are too many uncertainties. We can only inform these clients of the issues and leave them to make these decisions themselves.
- Transfers involving any Overseas Transfers (either to or from the UK)
- Transfers where the client is below age 55 and where there is no ‘need’ or ability to use the funds after transfer and there are no other exceptional circumstances.
- Clients just reaching or very close to 55 and wanting to access a lump sum for a weak ‘need’ e.g. home improvements, holiday, new car
- Retail clients below age 55 with no ability or need to access funds and no other exceptional circumstances that support the transfer.

Amber List

- Where a client is within the age at which benefits could be taken (55+) and has a need or want to access funds as a lump sum.
- Client works in the financial services industry (as opposed to also holding a Controlled function which is on the list below).

Green List

- Client retiring aged over 55 and needing to start generating an income.
- Client has a terminal illness with life expectancy less than 1 Year and where death benefits are a priority and they are greater by transferring.
- Where a scheme is underfunded with no recovery plan (company heading for liquidation) and amount under PPF would be significantly lower.
- Purchasing commercial property within a SIPP that the client is running a business from.
- Client holding a Controlled Function within the Financial services industry.
- Clients with health issues that whilst not terminal within one year, we can be confident that because of their ailment they have limited time (e.g. Motor Neurone Disease is a maximum life expectancy of 5 years).
- Clients with serious health issues that whilst not terminal, mean that life cover is impossible to obtain and the death benefits would be materially lower and are a priority to the client.
• Clients with serious health issues that whilst not terminal, mean that life cover would be prohibitively expensive. These types of cases usually require other factors to be going in their favour also e.g. the comparable annuity test proving positive either due to it being underwritten or the client being single/divorced with no dependents.

Qualification

In order to recommend a Transfer out of a Final salary scheme, you need to hold an appropriate qualification eg G60, AF3, IFS AwPETR. If you do not hold the appropriate qualification, Intrinsic have a number of advisers who are qualified Pension Transfer Specialists who are willing and able to accept referrals.

Restricted Map can be found by clicking here.

IFA Map can be found by clicking here.

The adviser holding the recommendation will be fully responsible for the advice to transfer.

Non face-to-face referrals

If a referral of a client is made from an existing Intrinsic adviser to another Intrinsic adviser then it is possible for the Pension Transfer Specialist to transact the business on a non face-to-face basis. The referring adviser is able to present the PTS’ Suitability Report providing it is made clear that it is the PTS who is fully responsible for the advice.

Is there any form of initial assessment I could obtain?

There is a dedicated support for Final Salary Transfers and if you have a potential Final Salary Transfer and after reading the above you are unclear on whether it might be accepted, you can contact the dedicated support. Compliance will still be responsible for making the decision on the case once the full case is submitted for pre-approval but this should help reduce unnecessary work.

We would recommend you use this service for your first Final Salary Transfer request whether you are going to have to refer the case to a qualified adviser or whether you yourself will be writing the business.

You can either call Chris Mather on 0191-2410700 Ext 2255 or alternatively email chris.mather@intrinsicfs.com with a summary of the client’s circumstances and soft facts and the reason for transfer.
Summary

- Broadly speaking the Intrinsic stance is that in order to recommend a Transfer the client has to be 55 or above and with a need to access funds.
- The younger the client is (closer to age 55) and/or the less wealthy the client is, the stronger that need has to be.
- The opposite is also true in that the closer the client is to the Scheme NRD and/or the wealthier the client, we may be able to consider a less urgent ‘need’.
- We may consider cases outside of this remit but generally it has to be a very exceptional circumstance e.g. the client has vastly substantial wealth and/or pension funds, works in the industry/is on the FCA register, has a need to use the funds within a SIPP.
- Initial guidance can be obtained if necessary via 0191 2410700 Ext 2255 or chris.mather@intrinsicfs.com
- The adviser who is providing and is responsible for the advice needs to be appropriately qualified and we have a number of qualified advisers who are willing and have the capacity to accept referrals.