



Defined Benefits Pension Transfers

A Guide to Defined Benefits Transfers & Pension Transfer Specialist Advice

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Defined Benefits (DB) vs Personal Pensions (PP)

Broadly speaking, a pension scheme is either Defined Benefits (DB) or Defined Contribution (DC):

Defined Benefits (DB) - The characteristics and income benefits of a DB scheme are based on years of service and level of salary.

Personal Pension (PP) - is a defined contribution (DC) scheme, where the level of retirement income is decided by the level of contributions, investment growth over the investment term, and by the term over which the income is needed or expected to be paid.

The aim of this document is to provide you with an overview of the features of a Defined Benefits (DB) Scheme and how they compare with a Personal Pension (PP).

The Financial Conduct Authority (FCA) and The Pension Regulator (TPR) believe that it will be in most people's interest to keep their DB pension.

	DB Scheme	Benefits Transferred to PP
When can I access retirement benefits?	Normally from age 55. (This is granted at the scheme trustee's discretion and will depend on individual scheme rules).	From age 55. (This will change to age 57 from 2028 and rise thereafter in line with the state retirement age).
How much income will I get in retirement?	The amount of income from a DB pension scheme will be a known amount once it is in payment. This is payable for life. The income will normally increase throughout a member's lifetime by a predetermined rate or in line with a measure of inflation.	The amount of income that can be taken from transferred funds is determined by the ongoing value of the investments held within the pension. If invested in Flexi-Access Drawdown and the value of the fund reduces, the income that is taken may need to be reduced. If the value of the fund reduces to nothing, the income will stop. If funds are used to purchase an Annuity, then the income is normally payable for life. Annuities can provide fixed or increasing income and can include dependents benefits.
How much tax-free cash is available at retirement?	Most DB pension schemes allow the option to exchange part of the annual pension for a tax-free lump sum and a reduced annual pension (subject to a lifetime cap).	25% of a personal pension fund is available as tax-free cash (subject to a lifetime cap).
What happens if I have health issues before I retire?	A DB scheme may allow access to benefits before the age of 55 in the event of ill health. This will depend on the nature of the medical condition and the impact it has on life expectancy. (This is granted at the scheme trustee's discretion and will depend on individual scheme rules).	A PP scheme may allow access to benefits before the age of 55 in the event of ill health. This will depend on the nature of the medical condition and the impact it has on life expectancy. (Serious ill-health resulting in a medically diagnosed life expectancy of less than a year [before age 75] means that the full fund is available tax-free [subject to a lifetime cap]).
What will happen to my pension if I die?	A DB scheme will normally provide a proportion of a member's pension to their spouse or civil partner, and sometimes to a dependent unmarried partner. They normally provide an income for children who are financially dependent. Some DB pensions schemes also pay a lump sum benefit following the death of a member. (The level of these benefits will depend on individual scheme rules).	The full value of a personal pension fund (at the date of death) will be distributed in accordance with the member's wishes, but if these wishes are not known then the full value can be paid to the member's estate.



Who is responsible for making investment decisions?	The trustees of a DB pension scheme are responsible for all investment decisions, members are not involved in this process.	The responsibility and costs associated with ongoing investment decisions will fall to the member. There is a need for member involvement in this process.
How much does it cost to invest?	All administration and investment costs are paid within the DB scheme.	All administration and investment management charges will be paid by the member. (These are normally deducted directly from the pension fund).
How much does it cost for advice?	Advice is not required when taking the benefits from a DB scheme, so there is no advice charge. If a member elects to take advice about either taking benefits from their DB scheme or transferring to a PP, then the fee will be payable by the member.	If a member elects to take advice about transferring their DB scheme to a PP, then a fee will be payable by the member. It is likely that ongoing advice will be needed when considering investment decisions and/or taking benefits after a transfer. Advice charges are paid by the member.
How secure is my pension?	A DB scheme will normally be protected by The Pension Protection Fund (PPF). The PPF takes over the payment of scheme benefits for Defined Benefits schemes where the employer fails and has insufficient funds to pay the promised benefits. Members under their scheme's normal retirement age (NRA) will receive 90% of their pension (subject to a cap); those who are over NRA or in receipt of an ill-health pension or survivor's pension at the assessment date will receive 100%. If a member transfers out of a DB pension scheme, their benefits are no longer protected by the PPF.	A PP is normally covered by the Financial Services Compensation Scheme (FSCS). The FSCS is the UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS will pay compensation if a pension provider fails. For further information see: https://www.fscs.org.uk/what-we-cover/pensions/

In short, before you consider seeking our advice about moving a DB scheme to a personal scheme there are several things to think about. Crucially, an adviser will start from the assumption that a DB transfer is unsuitable - this is because a transfer means that you will face:

- ⚠ uncertainty** - a DB scheme provides you with a guarantee of pension income
- ⚠ loss of inflation protection** - a DB scheme income has a measure of protection against inflation
- ⚠ investment risk** - the trustees of a DB scheme take 100% of the investment risk
- ⚠ longevity risk** - a DB scheme bears the risk of a member living longer than expected
- ⚠ loss of survivor benefits** - a DB scheme normally provides benefits for dependents
- ⚠ tax consequences** - where a transfer value is particularly large then there could be a tax charge that would not have been triggered within a DB scheme

For further information about transferring Defined Benefits please visit:

<https://www.fca.org.uk/consumers/pension-transfer/advice-what-expect>

PENSION TRANSFER SPECIALIST ADVICE



Step 1

You have asked for advice about transferring **Defined Benefits**; reading this document is the first step, it will help you decide whether you need expert advice. **If you do, your adviser will talk to you about our process and about our fees**



Step 3

We will need to contact your existing scheme(s) to get scheme specific information – we will also need your state pension forecast. You will need to grant us the authority to liaise with scheme administrators on your behalf



Step 5

Your **Pension Transfer Specialist** will perform an in-depth analysis of the scheme that will consider the trade-offs between your objectives and your needs. Starting with the principle that: **YOU SHOULD NOT TRANSFER**



Step 7

The next point on the journey concerns itself with bringing each assessment, analysis and model together for consideration. Your **Pension Transfer Specialist** will then formulate their advice to either “Do Nothing” or “Transfer”



Step 9

Your **Pension Transfer Specialist** will then present their recommendation to you.

If their advice is to transfer, you will complete any paperwork that is necessary to transfer your scheme



Step 2

Your adviser will gather personal data and talk about your goals and risk tolerance. You will then complete an **Attitude to Pension Transfer Risk Questionnaire** that will summarise your thoughts and your motives for seeking advice



Step 4

You can then progress to full **Pension Transfer Specialist** advice, or for a **fixed fee** you can ask us to check if it's clear that a transfer is unsuitable first. **Our Pension Transfer Specialist advice fees will be agreed and verified at this stage***



Step 6

Your **Pension Transfer Specialist** will perform a cashflow analysis to examine how your choices might affect your future. **Cashflow Modelling** considers possible pathways, weighs them up and then stress-tests the results



Step 8

Your **Pension Transfer Specialist** then articulates their advice in a personalised report. Then, to make sure you are getting sound advice, the report, analysis and documentation is scrutinised by our compliance team



Step 10

At the final stage of this journey our compliance team will call you to ensure you understand and accept our advice.

You will settle our fees at this point and, where appropriate, our administration team will oversee your transfer

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* Pension Transfer Specialist advice fees will be discounted by any fixed Abridged Advice fees