

The Pensions Regulator

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NAME & ADDRESS

Sent by email:

XX February 2018

Dear [Trustees/Trustee],

[XYZ Pension Scheme]

We are writing to you because recent announcements about your scheme's sponsor(s). [insert reference/s to scheme specific announcement/s] and the associated press comment may have caused members to question how safe their pensions are. We are aware that in such circumstances, amid all the uncertainty and speculation, some members may request a cash equivalent transfer value (CETV) and transfer their benefits to a defined contribution (DC) arrangement. This ultimately may not be in their best interests and they may be vulnerable to poor advice.

We have also been working closely with the Financial Conduct Authority (FCA) and The Pensions Advisory Service (TPAS) to take targeted action and provide support to trustees, scheme administrators and scheme members.

If you believe that members of your scheme are requesting CETV quotes because of concerns relating to the scheme moving into the PPF, please signpost them to the following information: http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/What_is_the_ppf.pdf

Taking a CETV presents certain risks and we believe it is likely to be in the best financial interests of the majority of members to remain in their defined benefit (DB) scheme. This is set out in our guidance note: <http://www.thepensionsregulator.gov.uk/docs/db-dc-transfers-conversions-regulatory-guidance.pdf>. We would therefore expect you to identify the various risks associated with transfers in your communications with members.

Responding to CETV requests

We appreciate that you may already provide guidance to your members on transfers. However, in light of the risks associated with CETVs, we consider that it would be appropriate for you to review your communications to members who have requested a CETV quote. While we appreciate that you may have previously obtained advice about these communications, we would expect the communications to include:

- **An explanation of the risks of transferring out of the scheme.** In particular, we would expect trustees to explain that members would be giving up a guaranteed future pension income in return for income that is not guaranteed and will vary depending on how they manage it.
- **An explanation of the requirement to obtain financial advice and who is expected to pay for it.** In accordance with the regulatory requirements, you should explain to members

with a CETV of more than £30,000 that, if they wish to transfer to a DC arrangement, there is a legal requirement for them to obtain independent financial advice from an adviser who is authorised by the Financial Conduct Authority (FCA) to give advice on pensions transfers. If their CETV is equal to or less than £30,000, we would still expect you to recommend that they take financial advice from an FCA authorised adviser. Authorised advisers are listed on the FCA online register. The requirement for members to obtain the advice (and for you to check the advice is received before making the transfer) is explained further in our guidance on DB to DC transfers:

<http://www.thepensionsregulator.gov.uk/docs/db-dc-transfers-conversions-regulatory-guidance.pdf>

- **An explanation of the services offered by The Pensions Advisory Service (TPAS):** You should explain that TPAS is a government funded organisation, staffed by pension specialists, which members can contact for free impartial guidance and when members might seek its guidance: <https://www.pensionsadvisoryservice.org.uk/>
- **The risk of pension scams:** Please share the following leaflet with your members. www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf

You can also find a trustee checklist and additional information on pension scams on our website: <http://www.thepensionsregulator.gov.uk/pension-scams.aspx> and <http://www.thepensionsregulator.gov.uk/docs/pension-scams-action-pack.pdf>

Please also include the attached letter from TPR, TPAS and the FCA along with your own communications when a member has requested a CETV. This letter sets out some of the key issues they should consider and where to go for impartial information to help them make the right choice.

Transfer value amounts

In light of recent events concerning your scheme's sponsor(s), we would expect you to take advice from your scheme actuary about whether the basis on which CETVs are calculated remains appropriate. We would also expect you to consider whether a new insufficiency report should be commissioned from the actuary. This would allow you to judge whether a reduction or further reduction should be applied to CETVs in light of their assessment of covenant strength.

<http://www.thepensionsregulator.gov.uk/guidance/guidance-transfer-values.aspx>

Monitoring of transfer activity

We are aware that the level of transfer activity in the pensions industry has increased significantly in recent years. If you do not already maintain electronic records, we would recommend that you either modify your existing systems to this form or that you at least maintain an electronic record (database or spreadsheet) of members who opt to transfer. Information that might be helpful to include on that record for each member would include:

- the name of the regulated financial adviser who provided advice to the member
- the name of the regulated financial adviser's firm
- the name of the receiving scheme to which the transfer payment is made and its HMRC registration number
- the amount of the payment
- the date of the CETV calculation
- the date of payment
- basic member details, such as, name / age / status (company leaver / company employee but deferred member) and
- A general comment field to note any specific features.

We also encourage you to contact us if you have any concerns about transfers, or about the level of or trends in transfer activity (concentration of activity around funds or organisations).

DB transfers are a key area for the FCA and it has a programme of ongoing work which will consider the market and the provision of advice over the coming months. This is a complex subject and members are often faced with the number of decisions which will impact their future financial security. Given the options available to members and the choices they now have to make, it would help the FCA with its work to know which advisers are actively advising the members and recommending transfers. It would also like to know which product providers receive the transfer values.

Please could you therefore provide details on a monthly basis of the transfer activity in the scheme and the names of the firms providing the advice to transfer. Please could you also confirm the recipients of the transfer values, ie the SIPP or personal pension providers. This information should be sent to DBTransferSchemeInformation@fca.org.uk.

If you have specific concerns or become aware of specific issues in relation to regulated financial advice provided by an FCA-authorized adviser with respect to individual transfers, please raise your concerns with the FCA. Equally, if you believe someone is providing advice and they do not have the FCA's permission to do so, please inform the FCA as soon as possible.

If you have any questions or difficulties relating to your scheme, information can be found on our website (www.thepensionsregulator.gov.uk). If you would prefer to speak to someone, please contact our customer support phone number on 0845 600 0707.

Yours sincerely,

Case Manager