Pension transfers

AF7: 2018–19 edition

Web update 4: 3 January 2019

In light of further clarification from the FCA, the following changes are to be made to your 2018-19 **AF7** study text.

Chapter 1, section A1A, page 1/3

Please remove final paragraph.

Chapter 2, section B3A, page 2/8

The final paragraph of the page should read as follows (amendment in **bold**):

Since CP17/16 was published, the FCA have gone on to modify their rules and guidance on inducements for non- MiFID business in order to align these with the MiFID II inducement rules. This means that non-monetary benefits which were previously not included in the inducement rules are now included. This new stricter definition of inducements means that providing or accepting free **analysis** software should no longer be done. As a result, from 1 April 2018, many providers have withdrawn this service for now.

Chapter 2, section E2, page 2/24

The third paragraph should read as follows (amendment in **bold**):

Taking this into consideration, it was the FCA's view that the existing TVA rules no longer led to the best outcomes for consumers. It therefore proposed **instead that firms should undertake an 'appropriate pension transfer analysis (APTA)' which will include a mandatory transfer value comparator (TVC)'**.

The final paragraph of the page should read as follows (amendment in **bold**):

In PS18/6: Advising on Pension Transfers – feedback on CP17/16 and final rules and guidance published in late March 2018, the FCA confirmed that **a mandatory transfer value comparator (TVC) should be included within the APTA. These will replace the existing transfer value analysis (TVA) from 1 October 2018**. The FCA also stated with regards to the APTA framework and content that:

Chapter 2, section E2A, page 2/25

Please remove second paragraph.

Chapter 2, summary, page 2/28

The final bullet point should read as follows:

- The FCA introduced appropriate pension transfer analysis (APTA), which includes a prescribed transfer value comparator (TVC).

Chapter 4, introduction, page 4/2

The first paragraph should read as follows (amendment in **bold**):

There are a wide variety of implications which need to be considered when deciding whether to transfer out of a defined benefit scheme in to a money purchase scheme. The primary output from a **transfer value analysis system (TVAS)** that has historically influenced the decision was the critical yield, however the implementation of the pension freedom and flexibility reforms in April 2015 has made the advice considerations more complicated and, after much consideration, **the FCA confirmed that a mandatory transfer value comparator (TVC) should be included within the appropriate pension transfer analysis (APTA). These will replace the existing transfer value analysis (TVA) from 1 October 2018**. Whereas before 6 April 2015 the considerations were primarily driven by quantitative issues, albeit projected, the new regime requires more consideration of the implications of changes in qualitative issues, such as the relationship of guarantees to flexible incomes, and the trade-off involved when focussing on one rather than the other.

In addition, please note the following change to the study text.

Chapter 5, section A2, example 5.5, page 5/7

The first sentence should read as follows (amendment in **bold**):

Let us now assume that Roger also has a personal pension scheme that has a value of **£150,000**.