transact
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User Guide

Pension Transfers Out

For Adviser Use Only

Integrated Financial Arrangements Ltd

A firm authorised and regulated by the Financial Conduct Authority

This user guide is designed to provide you with an overview of our process for transferring a client's Transact Pension to another pension provider.

1. General guidance

1.1 Transfer due diligence

Pension scams continue to be a problem for the pensions industry. To help deal with this problem, regulations were passed on 30 November 2021, requiring trustees and scheme managers to perform specific checks before complying with a client's request to transfer their pension. These regulations give providers powers to refuse a transfer, or ask the client to seek guidance, if specific risks are identified. For most transfers, we will contact the client to establish whether there are any specific red flags that would prevent a transfer from proceeding. If there are no red flags and the scheme is on our 'clean list', the transfer will proceed.

If the scheme is not on our clean list, we may need to contact the administrator or the client to establish whether there are any amber flags, such as the availability of high risk or unregulated investments. If any amber flags are identified, the client will be referred to MoneyHelper for pension 'safe-guarding' guidance and the transfer will not proceed until the client has confirmed their attendance and provided us with the reference number for the session. Where a MoneyHelper referral is required, it may be several weeks before an appointment is available.

1.2 Cash transfer v in-specie transfers

If you instruct a cash transfer for your client, we will sell the client's pension assets on receipt of your instruction. Most sales will settle within 5 working days, but it could be up to 10 days for us to receive the proceeds from any sale. Please note that the transfer cannot take place until all of our due diligence requirements have been met.

In-specie transfers usually involve more counterparty communications and can take much longer.

Re-registering individual funds involves a three-way interaction between the:

- fund manager
- ceding provider and
- new provider.

The fund manager must update their records first, referencing the change of nominee, and then both ceding and new providers have to follow suit. This process is repeated for each fund or investment being transferred, and while some fund managers can do this electronically, others require paper stock transfer forms, so it can be a complex and slow process.

If the new provider cannot accept one of the funds or share classes to be transferred, a conversion or sale may also need to take place.

Although in-specie transfers can be time consuming, you should consider this option if you are concerned about your client being 'out of the market' whilst the transfer takes place.

1.3 Electronic transfers v manual transfers

Electronic transfers are typically faster than manual transfers because the 'to' and 'fro' between providers is in real time and automated as much as possible. Also, every stage of the electronic transfers' process can be quicker e.g., initiating the transfer, dealing with rejections, asset and cash proceeds being settled and sent to the receiving scheme.

Electronic and manual transfers are both subject to our due diligence requirements.

2. Your questions answered

2.1 Are manual (paper) and electronic transfers processed differently?

Yes, electronic transfers are managed between us and the receiving provider via electronic messaging; the transfer request is sent to us by the receiving provider and if the details match, we will accept the transfer instruction and begin the process of transferring the assets and/or cash.

Manual transfer requests are currently posted. For transfers from Transact, we require the client to complete our transfer discharge form. Transfers are classed as 'manual' when every stage of the process requires human intervention.

Regardless of whether the request is manual or electronic, we will usually contact the client to ask some basic questions about the transfer, such as whether they are being advised, the adviser's details and questions relating to the marketing of the scheme. These questions are sent by e-mail and if the client has not replied within 3 days, and we have the client's phone number, we usually follow up with a phone call. Whilst we start the transfers process when we receive the instruction, the transfer of assets and or cash will not happen until we have completed our due diligence process.

2.2 What is the process for transferring a pension?

If the client is transferring to a public service scheme, an 'authorised master trust' or a 'collective define contribution' scheme, we will process the request once we have satisfied ourselves that the scheme meets the relevant criteria. We can usually do this without contacting the client.

For all other types of pension scheme we will contact the client to collect additional information about the transfer request.

2.3 What is the process for a transfer to another personal pension plan or SIPP?

When we receive the transfer request (manual or electronic) we will contact the member to check for any red flags. If there are any red flags, we will halt the transfer. Otherwise, if the scheme is on our clean list (see question 2.6 below) the transfer can proceed. If the scheme is not on our clean list, we will perform checks on the scheme and if any amber flags of concern emerge, the member will be referred to MoneyHelper. If we do not find any amber flags, the transfer can proceed.

2.4 What is the process for a transfer to a workplace pension scheme?

Transfers to occupational pension schemes will usually require the client to supply evidence of their employment, including a letter from their employer and evidence of the client's contributions. Depending on the range of investments available in occupational pension schemes, we may also refer the client to MoneyHelper for pension safeguarding guidance, before the transfer can proceed.

2.5 What is the process for a transfer to an overseas pension scheme?

If the client is transferring to an overseas pension scheme, it must be a Qualifying Recognised Overseas Pension Scheme (QROPS). If it is a workplace scheme, we will ask for evidence of your client's employment and the client's employer's association with the scheme. If it is not a workplace scheme, we will perform checks on the client's residency status to ensure they are resident in the same jurisdiction as the QROPS. Given that the investments are all likely to be based overseas, we will refer them to MoneyHelper for a pension safeguarding consultation, in accordance with the transfer regulations.

2.6 Does Transact operate a 'clean list' of pension schemes?

To help prevent unnecessary delays, we maintain a list of pension schemes that have passed our due diligence checks. If the client is transferring to a scheme on this list, the transfer will proceed once we know that no red flags are present. If the scheme is not on our clean list, then we may ask the client or the scheme administrator for more information about the scheme. If we are happy that there are no amber flags of concern, we will proceed with the transfer. Otherwise, the client may be referred to MoneyHelper for pension safeguarding guidance.

For the avoidance of doubt, due to the range of investments available in a small, self-administered pension scheme (SSAS) and the jurisdiction of the investments available in a QROPS, these types of scheme will not be included on Transact's clean list. Assuming that there are no red flags with the transfer, clients requesting transfers to these schemes will be referred to MoneyHelper.

2.7 How long will my transfer take?

Our median time for pension transfers is 11 working days, but this can vary significantly depending on the type of transfer.

Cash transfers

If the transferring scheme is on our clean list, the transfer can take place once we have completed the red flag checks. Delays may occur if the client does not reply to our e-mails or telephone calls.

If the receiving scheme is not on our clean list and the client is referred to MoneyHelper, the time to complete the transfer will depend on how quickly the client can arrange their appointment. As at May 2023, clients would need to wait three weeks for the earliest available appointment. However, it is sometimes possible to contact MoneyHelper to ask for a cancellation timeslot.

In-specie transfers

Due to the additional administration and correspondence between the various counterparties our median time to complete in-specie transfers is 26 working days (although it can take much longer).

These transfers are also subject to due diligence checks, which may also give rise to referrals to MoneyHelper.

2.8 What can advisers do to prevent unnecessary delays?

As most pension transfers will be subject to due diligence procedures which require contact with the client, it is important to ensure that the client's contact details (e-mail address and telephone number) are kept up to date. If these details are not up to date, they can be updated online by the client or by completing form T036 - Portfolio Detail Change. If we cannot contact the client by either e-mail or telephone we will need to write to the client by post, risking further delays.

When discussing a pension transfer out with a client, it would be helpful to make them aware that we will be contacting them as part of our due diligence process and that they should respond as soon as they are able to.

2.9 What happens if the client does not want to attend a MoneyHelper pension safeguarding consultation?

If we refer the client to MoneyHelper, they must attend the session and provide us with the MoneyHelper reference number. Otherwise, the transfer will not proceed.

2.10 Do all pension providers follow the same due diligence process?

Pension providers will be following the same regulations, but each provider will have their own processes, which may vary depending on how much risk they are prepared to accept.

This document is for use by financial advisers only. It is intended as general guidance only and should not be viewed as a recommendation to use or rely on any of the features mentioned. Information contained in this document is not advice, nor is it a substitute for advice.

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