2 February 2018

Dear Mr Field,

Further questions on pension transfer advice

Thank you for your letter dated 29th January 2018.

I will deal with each of the questions you have asked in turn.

1) **To how many clients did you provide a personal recommendation to transfer?**

Active Wealth advised approximately 300 BSPS clients, of which 64 proceeded to transfer out of the BSPS into an alternative pension arrangement. In all cases, clients were advised that if their primary aim was to maximise a guaranteed income in retirement, then their interests would be best served by remaining in a final salary pension scheme, such as the BSPS.

However, if the client considered other factors to be a priority, then they should consider transferring out into an alternative pension scheme. Factors that typically influenced the clients decision making included:

- Being able to withdraw tax free cash from their pension prior to the normal retirement age under the BSPS
- Improving the benefits payable on the death of the scheme member, particularly to a surviving spouse or partner
- Having greater control over the way in which retirement benefits can be taken
- As I mentioned in my previous letter, a high proportion of BSPS clients wanted to take their retirement benefits before the scheme NRA of 65, particularly given the nature of the industry in which they worked. The early exit discounts applied by the BSPS resulted in many scheme members wishing to source an alternative pension arrangement whereby they could access the full cash equivalent transfer value (CETV) and access part of it from age 55

The final course of action taken by a client was the product of a detailed discussion with each individual taking account of their specific circumstances.
2) **How many of your BSPS clients are signed up to receive an ongoing advisory service incurring ongoing adviser charges from two years after the date on which the initial advice was provided?**

None of the BSPS clients have signed up to receive an ongoing advisory service and they have not therefore committed to paying any ongoing adviser charges. As I explained in my previous letter, Active Wealth’s practice has been to get in touch with its clients two years after they initially became a client of the company and, at that stage, to determine whether they wished to engage Active to provide an ongoing advisory service. They would, of course, be provided with details of the cost of the service at that stage as part of the facts they needed in order to make a properly informed decision.

3) **What is the basis on which these ongoing adviser charges will be calculated?**

The ongoing adviser charge would be agreed on an individual basis with each client. As I have explained previously, each client was offered a range of ways in which the initial adviser charge could be calculated, one of which was based on the amount of work involved in preparing the case and the grades of staff involved. The ongoing adviser charge would have been calculated on the same basis. This was considered to be the most equitable way of calculating the charges as it avoided a situation where one client might be subsidising the ongoing adviser charges of another.

In most cases, the amount of work involved in providing an ongoing advisory service would amount to 5 to 6 hours per annum, based on an hourly rate of £100. This would result in annual charge of £500-£600 pa. While the fees would not have been calculated as a percentage of the pension fund, if we assume an average pension pot of £300,000, then a £600 ongoing adviser charge would equate to 0.2% of the initial pension pot, prior to the addition of any investment growth.

4) **Will these ongoing adviser charges be calculated as a percentage of funds invested? If so, what is the percentage?**

The adviser charges are not calculated as a percentage of funds invested – please see my answer to question 3 above.

Yours sincerely

Darren Reynolds  
Active Wealth UK Limited