

SCOTTISH WIDOWS

official pensions and investment provider



Managing pension reviews

Adviser Checklist



For professional adviser use only,
not to be relied on by any other person.

Managing Pension Reviews – adviser checklist

Client name

Policy number

Reference number

Date of review

This checklist is designed for you to use with steps 3–6 of the six step guide to helping you manage pension reviews outlined in the Six Step Guide to pension switching (reference 48894).

Step 3: Initial assessment checklist (see page 6 of the Six Step Guide)

Once you've prioritised your clients, you need to determine which cases require a detailed product and charge review. This is not an exhaustive list, there may be other factors to consider specific to your client's individual circumstances.

The following quick checklist can help to identify key considerations that may prompt a full review.

	Yes	No
Does your client have existing policies that may be, or have been, impacted by legislation and tax regime changes?		
When your client comes to take benefits, will the value of their fund be above their available lifetime allowance?		
Will the benefits provided by the projected fund leave your client with an expected shortfall of income in retirement?		
Could your client contribute more to their pension?		
Is your client paying for product features they don't use? Is there a cheaper and simpler alternative?		
Could your client benefit from starting to take income?		
Has your client received all the necessary information about their plan?		
Has the product been explained in a way that has been understood by your client?		
Does the product still meet your client's needs and objectives?		
Does the investment strategy/asset allocation still meet your client's attitude to risk?		
Are the investments still performing in line with expectations?		
Has more than 12 months elapsed since the last investment review?		
Is the client likely to be impacted by the measures to limit tax relief for very high earners announced in the 2009 Budget?		

If you have ticked any of the above shaded boxes, a more detailed product review is required.

Step 4: Product suitability review (See page 7 of the Six Step Guide)

Product suitability consideration	Adviser guide section	Issue reviewed?
Tax-free cash	4.1	
OPS including EPP, SSAS & S32	4.1.1	
AVC, FSAVC, PP	4.1.2	
RAC	4.1.3	
Low retirement age	4.2	
Guaranteed minimum pension (GMP)	4.3	
Protected rights/safeguarded rights	4.4	
Death benefits	4.5	
Pension term assurance	4.6	
Waiver of contribution benefit	4.7	
Guaranteed annuity rates (GARs)	4.8	
Guaranteed growth rate	4.9	
Investment options	4.10	
Contractual retirement date/Early exit penalties	4.11	
Other contractual features/options	4.12	
Demutualisation or orphaned assets windfall	4.13	
Divorce earmarking order	4.14	
Administrative duties (A-Day/Pensions Act 2004)	4.15	
Refund of contributions	4.16	
Loans/borrowing	4.17	
Consolidation of funds	4.18	
Transfer to current employer's pension scheme	4.19	
Closed life office	4.20	

Step 5: Product charge review (See page 12 of the Six Step Guide)

5.1 Initial assessment of charges

Refer to key features documents and illustrations, paying particular attention to the reduction in yield (RIY) and transfer value figures.

Also refer to fund charge information and with profits guides.

Consider obtaining alternative illustrations:

From alternative providers

And/or using different charging designs (charges which are paid up front, or in the early years, can result in improved maturity values over mid to long terms)

Third party illustration portals can provide comparison quotes against multiple providers and products in one go

Ask the existing provider for existing business illustrations, and full details of the any exit penalties or Market Value Reductions.

5.2 Detailed product charge analysis (See page 12 of the Six Step Guide)

Is the software configured to show your own business terms with the provider?

For with-profit investments:

Analyse independent fund ratings, and financial strength of the provider.

What is the provider's bonus rate track record?

Analyse asset mix of fund – does it still meet client's requirements, does the AMC represent good value for that asset mix?

Product projections:

Compare charges on a like for like basis; either remove all remuneration costs to demonstrate value of base product price, or compare products using a defined commission rate (as not all products defer to the same basis).

Compare against whole of market or just chosen providers. The software will be able to rank products by maturity value.

Compare against stakeholder to help demonstrate RU64 compliance (how a non-stakeholder plan can be at least as suitable as, or favourable to, a stakeholder).

Consider the different charging shapes available – compare the RIY of plans that take charges in the early years versus those that spread cost throughout plan term.

Ensure investment allocation is on a like for like basis (as not all products defer to the same basis).

Product transfer analysis:

Input details of the current plan (including transfer value), and compare projected values against new plans.

Ensure investment allocation is on a like for like basis (as not all products defer to the same basis).

Remove commission bias from analysis.

Consider consolidation of existing plans into one new plan – this may reduce charges in the new plan (by way of increased bonuses or large fund discounts).

Step 6: Investment review

(See page 14 of the Six Step Guide)

Risk Profiling

Have you used a risk profiling tool to establish your client's attitude to risk?

How recently did you establish your client's attitude to risk?

Are their current investments / asset allocation still in line with their attitude to risk?

Asset Allocation

How have you established the asset allocation for your client? Have you used a stochastic modelling tool?

Has the tool taken into consideration: Term; investment objectives; investment yield required; income needed if client is utilising drawdown?

Are the investments suitable for the client taking into consideration their existing financial/investments knowledge and experience?

Client Understanding

Have you provided the client with a clear report to ensure that they understand: your assessment of their attitude to risk; the asset allocation you've recommended; how this differs from their previous asset allocation and what impact this may have on their expected returns?

Have you got a clear report to retain on your client file to evidence the advice given?

Have you put in place ongoing investment reviews for the client, and explained the importance and need for ongoing investment advice?

Other Client – Specific Factors

Are there any other additional factors not covered above which you believe, from discussions with the customer, need to be taken into account?

Important notes

As best practice from the FSA's thematic review on the quality of advice on pension switching identified, these tools shouldn't be used as a definitive solution for all clients. There may be additional client specific factors which advisers need to take into account and this checklist does not, therefore, purport to be comprehensive. You should consider whether you need a process to allow you to adapt from the norm if individual client circumstances merit more flexibility.

While this checklist aims to assist advisers in undertaking pension reviews, it should not be viewed as comprehensive or relied upon when advising clients or making investment decisions.

This checklist and the accompanying guide are based on Scottish Widows understanding of current legislation, and FSA and HM Revenue & Customs rules all of which are subject to change in the future.



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