

# Appendix 4

## Handling pension transfer redress calculations

### 4.1 Definitions

**App4.1.1** **R** The following definitions are used in this appendix:

- (1) 'additional compensation sum' is the redress sum calculated in accordance with [■ DISP App 4.3.29R\(3\)](#);
- (2) 'annual allowance' is the maximum amount that can be added to an *individual's* pension each tax year without the *individual* being liable for an annual allowance tax charge;
- (3) 'annual allowance tax charge' includes:
  - (a) the standard annual allowance limit of £40,000 saved into a pension in the current tax year; and
  - (b) the money purchase annual allowance which is triggered when a *consumer* has flexibly accessed their pension, which reduces their annual allowance to £4,000; and
  - (c) the tapered annual allowance which reduces the annual allowance for those earning above £200,000;
- (4) 'assumptions' are the economic, demographic and other assumptions to be used in the redress calculation set out at [■ DISP App 4 Annex 1](#);
- (5) 'augmentation' is the payment of redress into the *consumer's* chosen defined contribution pension scheme;
- (6) 'calculation date' is the date on which the *firm* completes the calculation at Step 3 at [■ DISP App 4.3.19R](#);
- (7) 'commencement date' is 1 April 2023;
- (8) 'compliant pension transfer advice' is *advice to a consumer on the conversion or transfer of pension benefits from a defined benefit*

*occupational pension scheme* to a DC pension arrangement, which complies with the following:

- (a) (as applicable) the suitability requirements in ■ COBS 9 and ■ COBS 19.1; and
- (b) the common law duty in contract or tort to exercise reasonable skill and care in advising the *consumer*; and
- (c) (where the advice is to remain in the *defined benefit occupational pension scheme* and the *firm* arranges the *pension transfer* or *pension conversion*) a *firm's* obligations when dealing with insistent clients (from 1 January 2018, see ■ COBS 9.5A);

- (9) 'DC pension arrangement' means any pension arrangement holding the value of the *consumer's* pension benefits which originated from the non-compliant pension transfer advice, including where the arrangement has been subsequently changed to a new arrangement;
- (10) 'defined contribution pension scheme' means an occupational or non-occupational pension scheme with a right or entitlement to *flexible benefits*;
- (11) 'non-compliant pension transfer advice' is *advice to a consumer on the conversion or transfer of pension benefits from a defined benefit occupational pension scheme* to a DC pension arrangement, which does not comply with one or more of the following:
  - (a) (as applicable) the suitability requirements in ■ COBS 9 and ■ COBS 19.1;
  - (b) the common law duty in contract or tort to exercise reasonable skill and care in advising a *consumer*; or
  - (c) (where the advice is to remain in the *defined benefit occupational pension scheme* and the *firm* arranges the *pension transfer* or *pension conversion*) a *firm's* obligations when dealing with insistent clients (from 1 January 2018, see ■ COBS 9.5A);
- (12) 'non-joiner' is a *consumer* who declined or failed to join an *occupational pension scheme* for which they were or are eligible, while continuing in the relevant employment;
- (13) 'normal retirement age' is the earliest age at which the *consumer* could have retired from the *defined benefit occupational pension scheme* without both their employer's consent and actuarial reduction;
- (14) 'payment date' is the date that the redress is paid to the *consumer*;
- (15) 'pension tranche' is an element of pension benefit which typically has a unique combination of revaluation increases before coming into payment and pension increases during payment, but may also have a unique payment starting age or payment end age;
- (16) 'primary compensation sum' is the redress sum calculated in accordance with ■ DISP App 4.3.20R;
- (17) 'quarter' is the period of 3 *months* commencing 1 January, 1 April, 1 July and 1 October in each year;

- (18) 'redress offer' is an offer of redress made to a *consumer* after a *firm* has determined that the *consumer* suffered loss as a result of non-compliant pension transfer advice;
- (19) 'retirement date' is the *consumer's* presumed or alternative retirement date determined in accordance with ■ DISP App 4.3.15R to ■ 4.3.18R;
- (20) 'secondary compensation sum' is the redress sum comprising the components in ■ DISP App 4.3.29R(2);
- (21) 'SERPS' is the state earnings related pension scheme;
- (22) 'settlement date' is the date on which the *firm's* redress offer is accepted by the *consumer*;
- (23) 'unauthorised payment' is defined in section 160 of the Finance Act 2004;
- (24) 'unauthorised payment charges' include any tax charges levied pursuant to chapter 5, part 4 of the Finance Act 2004; and
- (25) 'valuation date' is the date at which the benefits in the *defined benefit occupational pension scheme* and benefits in the DC pension arrangement must be valued for the calculation at Step 3 at ■ DISP App 4.3.19R.