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HDIFA
Pension Transfer Specialists

Lisa Jones
Marchants Barn
Marchants Close
Hurstpierpoint
West Sussex
BN6 9UZ

17th January 2017

Subject: Transfer of your Amex Pension Scheme Pension Benefits

Dear Lisa,

Please find enclosed the Suitability Report regarding the transfer of your Amex Pension Scheme benefits to Pension Practitioner, which David Knight will discuss with you on my behalf.

Please review the report in full and raise any questions that you may have with David Knight. Once you are happy with the contents, please sign and date this where indicated.

At this stage, we would normally include the necessary Transfer Paperwork. However, this is being arranged by David Knight so he will send you the relevant forms.

If you have any questions or require any assistance, please ask David Knight who is acting on our behalf in relation to this advice.

Yours sincerely

Owen Reid
Full Report Team Manager

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HDIFA Pension Transfer Specialists

SUITABILITY REPORT

PREPARED FOR

Lisa Jones

A CLIENT OF

David Knight

FROM

Knight Parker

RELATING TO BENEFITS IN THE

American Express UK Pension Plan

ON

10th January 2017

Executive Summary

This document, which is termed a Suitability Report, and the associated enclosures draw together the information gathered regarding you and your existing pension benefits. This Suitability Report provides a full and detailed explanation of the recommendation which is being made. This advice is subject to guidelines imposed by our regulator, the Financial Conduct Authority. This Executive Summary is an outline of the recommendation for your convenience.

Generally, it is accepted that transferring from a Defined Benefit scheme, which is a type of Safeguarded Benefit, is unlikely to be suitable as the member is giving up secured guaranteed benefits in return for those which are dependent on investment return and annuity rates.

This report reviews your benefits in the American Express UK Pension Plan, which we shall refer to as the Amex Pension Scheme.

The benefits available from your current scheme and any alternative plans are restricted by legislation, which is monitored by Her Majesty's Revenue and Customs (HMRC).

Although other pension provision and investments may be referred to, this report only considers the benefits detailed above.

This section is purely intended to summarise our recommendation for your ease

Recommended Action

We recommend that you transfer the funds relating to your benefits in the Amex Pension Scheme to your existing Small Self-Administered Scheme (SSAS) with Pension Practitioner. From here on in, we will mainly refer to the new plan as a Personal Pension.

A detailed explanation of this proposal is also included in this report. Adding the funds from the Amex Pension Scheme, to your existing Small Self-Administered Scheme (SSAS) with Pension Practitioner will enable you to further consolidate your retirement benefits and allow you to make certain investments, which cannot be made via other pension plans.

In relation to the underlying investment advice, we understand that you may have decided on your intended strategy, following your discussions with David Knight of Knight Parker. You have not sought any advice from HDIFA in relation to those investments and we have not provided any guidance in that respect. The Transfer Value will be placed into a Cash Fund. When you and David Knight meet to change over the agency of the new plan with Pension Practitioner, you will also discuss the long-term investments and servicing arrangements.

Reasons for this Recommendation

As explained in the Initial Report commissioned by Heather Dunne Consulting Limited (HDC), we understand that your main aims are to maximise the Tax Free Cash and Death Benefits payable. You also wish to consolidate your pension benefits and gain a higher level of flexibility and control. We believe that this transfer will achieve those objectives and is therefore suitable for your needs.

Our reasons for the recommendation detailed in this report are:

- **Increase the allowable Tax Free Cash**

  The estimated benefits detailed in the enclosed Transfer Analysis Report show an increase in the potential Tax Free Cash at age 65, which is the Amex Pension Scheme Normal Retirement Age.

  The Tax Free Cash projected at age 65 is £100,098 from the Amex Pension Scheme and £205,261 from the alternative Personal Pension. Similarly, at your Intended Retirement Age of 57, the lump sum available from the Amex Pension Scheme is estimated as £68,128, as against the Personal Pension alternative projection of £138,929.

  In relation to the Additional Voluntary Contribution fund (£67,126), the Tax Free Cash – irrespective of whether it is held within the Amex Pension Scheme or the alternative Personal Pension – is based on 25% of the fund.

  You appreciate that a higher Tax Free Cash lump sum would be tax efficient and confirmed that is important to you.

  You have specifically stated you wish to use your Tax Free Cash at retirement to repay your outstanding mortgage, which you expect to cost around £280,000.

  Please note that, under HMRC rules, the Tax Free Cash lump sum available from all sources is limited to 25% of the Lifetime Allowance. As the current Lifetime Allowance is £1 million, the maximum Tax Free Cash available is £250,000.

  As you hold further benefits in the SSAS with Pension Practitioner, you confirmed that you may apply for Fixed Protection 2016. If you do, your Lifetime Allowance would be £1.25 million, giving you a Tax Free Cash allowance of £312,500. This is an aspect David Knight will review when you reach retirement.

- **Control future investments and potentially improve the final retirement benefits**

  The investments within the Amex Pension Scheme are controlled by the Trustees. This is because the funds are used to provide the benefits promised, which are not directly affected by the underlying investments. You do not therefore have any involvement in investments or any method of affecting your final retirement benefits.

  Within the alternative SSAS with Pension Practitioner, you will have full control over investment choices. This gives you the ability to affect the final fund and therefore your resulting retirement benefits.

  David Knight of Knight Parker will, of course, be assisting and advising you in this respect. HDIFA have not offered you any advice in relation to any investment.

  This is appropriate for your High Attitude to Risk, despite the short term to retirement; especially as your funds will remain invested post retirement if you opt to use the Drawdown facility.

One particular facility a SSAS offers, which is not available from any of the alternatives, is a loan from the scheme to your company.

- **Increase the potential lump sum Death Benefits**

You have indicated that increasing the lump sum Death Benefits available is of paramount importance to you and outweighs your own retirement goals.

Please note, this could possibly be better arranged by obtaining life cover. As far as we are aware, you are in a good state of health and so there should be no difficulty underwriting such cover. Life cover could be placed in trust for the benefit of Geoffrey and your children, thereby providing them with a lump sum in the event of your death, without any potential impact on your pension.

Death Benefits before Retirement

In relation to the Amex Pension Scheme, the transfer increases the Death Benefits available as a lump sum and the capital value of the spouse's pension benefits immediately. This therefore meets your stated requirement in this respect.

The Additional Voluntary Contribution fund (£67,126) will be paid as a lump sum, regardless of whether it is retained in the Amex Pension Scheme or moved to a Personal Pension.

Death Benefits after Retirement

The situation post retirement differs. Within the Amex Pension Scheme, you would effectively be purchasing an annuity, though in practice, the benefits would be paid by the scheme.

In the alternative, you may defer or even avoid purchasing an annuity. If you draw the benefits using Flexible Access Drawdown, as we expect you to, it will significantly improve the lump sums available after drawing benefits in the SSAS with Pension Practitioner.

Where you leave the benefits directly to Geoffrey, this will sit in his estate for Inheritance Tax purposes. It will also be part of his estate should he remarry in the future, or be financially assessed for the cost of long term care. Using a Discretionary Trust enables Geoffrey to control and access the funds to support his during the remainder of his life, but protects the value from Inheritance Tax, care costs and from passing to any new spouse or partner on his death. Alternatively, the use of Nominee Accounts could achieve similar flexibility by passing funds to Geoffrey or your other chosen beneficiaries within a pensions wrapper. All of these options will give Geoffrey more choice and control. This is an aspect to discuss with David Knight.

Please note that, under HMRC rules, the maximum lump sum payable tax free on death from all sources is limited to the Lifetime Allowance, which is currently £1 million. However, if you did obtain Fixed Protection 2016, your Lifetime Allowance would be £1.25 million.

- **Draw benefits as and when you wish, depending on your future requirements**

Adding the funds to your existing SSAS with Pension Practitioner will also allow you to utilise Flexible Access Drawdown, which enables you to draw taxable income without any limitations. This means you can maximise the income initially, with the ability to vary the level being drawn if the need arises.

This will enable you to adjust the level of pension income being drawn to suit other sources of income. That flexibility is not available within the current scheme. This option will significantly improve your personal control over the choices you make as to when and how you do retire.

- **Security**

  You have indicated you are a little concerned about the level of security of the benefits within the Amex Pension Scheme. This reflects your awareness of the current deficit position. The transfer will move the funds from the Amex Pension Scheme, which is suffering financial difficulties into the SSAS with Pension Practitioner. Though you will be subject to investment risk, you feel less concerned about that than you are about the security within the scheme.

- **Consolidation**

  You have indicated that you wish to consolidate your Amex Pension Scheme benefits with those you already hold in your existing SSAS with Pension Practitioner.

  Combining all of your benefits gives you maximum control and flexibility in retirement.

These comments are all based on the Pension Review Questionnaire you completed in December 2016. The details included on that form will be set out at length in Section Two.

This is purely for reference & should not be accepted without a full perusal & understanding of this report, together with the attached documentation

Contents

1. Introduction

Further to your recent meetings with David Knight of Knight Parker, at which you discussed your preserved benefits in detail, we are writing to confirm the reasons for our recommendations.

This document, which is termed a Suitability Report, is designed to confirm those consultations and the reasons for our recommendations. This report and the enclosures consider your pension benefits in the Amex Pension Scheme in detail.

We appreciate that this Suitability Report is quite lengthy, but it does contain important information and explanations for you with regard to these pension benefits. Please take the time to review it thoroughly and raise any further questions with David Knight, before making your final decision.

At your initial meeting with David Knight, he explained the need to refer this case to us. David Knight would have also explained that we will all be remunerated for our advice by Adviser Remuneration received on the product we recommend.

When you met with David Knight again in December 2016, you reviewed the Initial Report in relation to the Amex Pension Scheme, provided by Heather Dunne Consulting Limited (HDC). You also completed the Pension Review Questionnaire, which is considered at length within this report, and signed our Terms of Business, confirming your desire to proceed with the review.

When we received the paperwork regarding your benefits, we sent you a detailed explanation of how the process would work. That letter included confirmation that we are regulated by the Financial Conduct Authority and was issued to you on 21st October 2016. That letter forms our Client Agreement, confirming how the Adviser Remuneration will be paid in your personal case. You have subsequently returned a signed copy (dated 9th December 2016) as requested – thank you for this.

We only work in association with authorised Financial Advisers like David Knight. We are purely organising this transfer to the plan with Pension Practitioner, in accordance with our arrangements with Knight Parker. Once that transfer has been finalised and the monies are within the new plan, David Knight will be in touch to discuss appropriate investments. We must point out to you that we at HDIFA are not in any way endorsing any particular investment or assessing whether an asset may or may not be suitable for your needs. When David Knight meets with you after the transfer has been completed, he will discuss with you, appropriate investments and arrange a suitable portfolio, which may or may not include any specific investment, which you have expressed a particular interest in.

In summary, the advice with regard to investments is a separate issue and will be undertaken by David Knight of Knight Parker in due course.

This document is intended to assist you in understanding and making an informed choice about which alternative is best for you. If there is any aspect which you do not comprehend, please ask David Knight for assistance. If you disagree with any of the contents of this report or the accompanying documents or wish to discuss any matter further, please let us know.

Investment advice will be undertaken separately with David Knight of Knight Parker once the transfer has been processed by HDIFA

This Suitability Report draws together the information gathered about you personally and the details regarding your existing benefits, which are examined further in the enclosed documents. Our recommendation is based on our understanding of the current HMRC rules and the associated pension legislation, including that in relation to Pension Credit. The exact effect on you personally will depend on the rules in place when you retire. Both tax rules and general legislation together with advice and pension's regulations are subject to constant change and so any future decisions will require a full review. This advice is subject to regulation by the Financial Conduct Authority.

Enclosures

There are various documents enclosed with this Suitability Report, each of which will be referred to specifically, these include:

- The first to consider, which is the most important, is the Transfer Analysis Report relating to your benefits in the Amex Pension Scheme.
- The second is the Validation Sheet, which sets out any assumptions made by the analysis system in relation to your benefits to complete that Transfer Analysis Report.
- The Key Features Document provides extra information about the SSAS with Pension Practitioner.

The tax benefits referred to within this report are those which apply currently and their value depends on the individual circumstances of the taxpayer. This report and the enclosed information are based on our understanding of the current legislation governing pensions. This legislation is subject to constant change and so any future decisions will require a full review.

Our advice is based on our understanding of your position, your needs and current legislation; changes to any of these will require a full review

2. Current Circumstances & Requirements

One aspect which is paramount in this decision process is your personal situation, needs and desires. You kindly completed our Pension Review Questionnaire, which provided us with information regarding your intentions in retirement and the role these funds are to play over the coming years.

Personal Circumstances

We have set out below your current situation and aims for the future as we understand them from the information entered on that form and your discussions with David Knight over recent months in this respect.

- You are Domiciled in the UK and UK Resident for HMRC i.e. tax purposes.
- You are 54 years old and your husband, Geoffrey, is a year younger than you.
- You consider your own and Geoffrey's state of health to be, and likely to remain, good.
- You and Geoffrey are both non-smokers.
- You have two children – Elliot (23) and Jessica (21) – who both live with you. We understand that Jessica is in full time education. Please note that, under HMRC rules, children are only deemed to be dependant until age 23, irrespective of the actual situation.
- You made a will in June 2003, which ensures your estate will pass to Geoffrey. As this will is now relatively old, we would recommend it is reviewed sooner rather than later, to ensure it still meets your requirements and allows for changes in legislation.
- In response to our question regarding prospective inheritances, you have stated none. We therefore understand you do not expect to receive inheritances at any time.
- You are presently employed with EasyJet UK Limited as a HR Director and earn a basic salary of £180,000 per annum. You do not expect to change employment in the near future nor to receive promotions or even make career moves to enhance your salary and or bonuses. You expect your earnings to increase in line with inflation.
- Geoffrey is employed by Broadgate Estates as a Client Services Director and earns £107,000 per annum.
- Neither you nor Geoffrey have any other sources of income.
- Your current joint net monthly income is £13,451 and expenditure is approximately £6,455, leaving a spare and disposable income of £6,996 per month. You do not expect these figures to change significantly in the near future.
- We understand that you have an Emergency Fund of £80,000. We would normally recommend that the fund is equivalent to at least three times (preferably six times) your essential monthly expenditure. Your fund therefore seems more than sufficient.

Retirement Planning

Within our Pension Review Questionnaire, we asked some questions about your intentions in relation to retirement. This section confirms our understanding in this respect. If there are any other factors you wish us to take into account, please let us know.

- You have advised us that you would like to retire at age 57. This is earlier than the Amex Pension Scheme Normal Retirement Age of 65. We have therefore provided a projection of available benefits at both ages for comparison purposes.
- You have indicated that you intend to use capital released from your pension at retirement to pay off your outstanding mortgage, which you expect to cost around £280,000.
- As you plan to apply for Fixed Protection 2016, you have opted out of the pension scheme offered by your current employer. This is because, if you accrue any further pension benefits or make any additional contributions, you would be unable to claim Fixed Protection.
- Geoffrey has significant benefits in your joint SSAS with Pension Practitioner (£67,500) and in the Marks & Spencer Pension Scheme (£1,005,304.02).
- The benefits in the Amex Pension Scheme, which are considered in this report, and in the SSAS with Pension Practitioner, where you are consolidating the funds, are your only current source of pension.
- You will, of course, be able to draw on your state pension, once you are eligible. However, that will not be until you are age 67.
- As explained in the previous Initial Report prepared by HDC, the benefits in the Amex Pension Scheme relate to your employment between 1st November 1992 and 30th September 2002 and the Final Pensionable Salary set by the Scheme Administrators. The benefits were examined in detail and tested in relation to those salary and service details when that initial review was undertaken.
- Within the Amex Pension Scheme, you also have an Additional Voluntary Contribution fund. This represents your personal contributions over and above those required by the scheme. The benefits available from that fund will depend on the investment return achieved and the annuity rates available at retirement. The benefits are in no way guaranteed. We have been advised the sum involved is £67,126.

  There was a time when the benefits from that fund had to be used to supplement those from the main scheme. However following Simplification in April 2006, those benefits are treated separately and are subject to the same rules as a Personal Pension i.e. the alternative plan we are considering. Any differential in benefits will therefore simply depend on the investment return achieved and the charges imposed.

Retirement Benefits

Again, within the Pension Review Questionnaire we asked for you to indicate what you require from your pension plans in retirement. This considered the benefits you currently have and how you wish them to be used both between now and retirement, as well as once you cease working.

- You believe that the pension benefits under review are a significant part of your overall retirement planning. However, you have other assets to be taken into account. The Amex Pension Scheme monies will therefore be supplemented when you retire.
- When considering a transfer from a Defined Benefit Scheme we also need to ascertain whether the individual has Capacity for Loss i.e. could manage financially, without recourse to the state, as it is unlikely that the benefits from the Personal Pension will match those which could have been drawn from the ceding scheme.

  Following a transfer, your potential benefits will be affected by market fluctuations and you could possibly lose the entirety. If you retain the Amex Pension Scheme benefits, you have a level of security not offered in the alternative, which means you will receive some form of pension irrespective of market fluctuations.

  In other words, it is important we ensure that you have other assets, including pension provision, because the benefits from the alternative Personal Pension may not be sufficient.

  When considering this aspect, we have taken into account the following points:

  - You plan to clear your mortgage using Tax Free Cash at retirement, which will reduce your monthly outgoings.
  - Geoffrey has significant pension provision of his own.
  - Though you intend to retire within three years, when you do so, you intend to use Flexible Access Drawdown which will extend the investment term.
  - The Critical Yields quoted are extremely low, which means the growth requirement would be minimal.
  - You have significant other assets and pension benefits which will support you in retirement.
  - You have a High Attitude to risk and so are less concerned about the loss of guarantees.

  All of these factors combined mean it is less of a concern if the benefits are lower from the Personal Pension.
- In the event of your death before retirement, you have indicated that you would prefer to provide lump sum Death Benefits for Geoffrey.
  - We confirm that as a general rule we recommend that provision is made as a lump sum, which is tax free and so preferable to the taxable income alternative, which may only be paid to dependants.
  - This option will give you more choice, as the benefits may be passed to those who are not deemed financially dependent upon you.

  - This is especially important as children are only deemed dependant until age 23 and so no dependants' pensions will be payable to them. Arranging for payment of a lump sum allows you to pass benefits to others within the family, whilst avoiding Inheritance Tax.
  - Furthermore, you can leave the benefits to Geoffrey either directly or via a Pension Death Benefits Trust. Where you leave the benefits directly to Geoffrey this will sit in his estate for Inheritance Tax purposes. It will also be part of his estate should he remarry in the future, or be financially assessed for the cost of long term care. Using a Pension Death Benefits Trust enables Geoffrey to control and access the funds to support him during the remainder of his life, but protects the value from Inheritance Tax, care costs and from passing to any new spouse or partner on his death. Either of these options will give Geoffrey more choice and control. More information can be provided on request.

  We have therefore based our recommendations on the fact that you would prefer to provide tax free lump sum Death Benefits rather than taxable pension.

- You have indicated that increasing Death Benefits is of paramount importance to you and so is more significant than providing for your own retirement.
- In relation to a spouse's and dependant children's pensions, you have confirmed that you would like the flexibility at retirement to control the way benefits are paid. This transfer will allow you to make that decision based on your circumstances at that time.
- You have confirmed that you appreciate that the cash lump sum available at retirement is tax free, whereas any pension income is taxable in the hands of the recipient. This aspect is important to you. The Tax-Free Cash can be invested to provide additional income and by utilising appropriate investments this can be tax efficient and secure.
- You anticipate early retirement at age 57 and you are happy to accept a lower pension.
- With regard to your income needs in retirement, you have confirmed that you would like the opportunity to vary your income from these funds if the need arises.
- You have indicated that you are a little concerned about the long-term security of your pension and retirement income within the Defined Benefit scheme under review (Amex Pension Scheme), and wish to take action to ensure that it is removed from the control of your previous employer.
- At this point, we asked how you view the security offered by the Pension Protection Fund in relation to your Defined Benefit scheme (Amex Pension Scheme). You have confirmed that having control over your benefits is more important to you than the Pension Protection Fund aspect.

Drawing Benefits

You have confirmed that you have no intention of taking any benefits from your pension plans within the next 12 months.

Transfer Motivation

With regard to your reasons for considering a transfer, you have indicated the following:

- You would like to improve your overall retirement and death benefits.

- You would like to consolidate your pension benefits.
- You would like to have your pension benefits under your personal control.
- You want more flexibility with regards to as and when you draw an income.
- You wish to avoid purchasing an annuity.

Attitude to Risk

Your Attitude to Risk is extremely important in considering the suitability of any changes to your existing pension planning. To that end, we asked you to consider various questions and identify the most suitable response to assess your overall attitude in this respect.

- We asked you to pick the most appropriate description of yourself in respect of your knowledge of investments and you indicated that you have a fair degree of understanding and knowledge.
- We asked which of a series of statements most closely reflected your current financial situation and you indicated the following was most appropriate: You have a mortgage, but no other debts which concern you.
- You have indicated that your main savings and investment goals are to aim for growth in the short term i.e. 5 to 7 years, with the intention of drawing income then.
- We then asked how you would compare yourself to others in relation to your willingness to take financial risks. You confirmed that in your view you considered yourself to be confident.
- You stated that you are willing to take a high degree of risk in your financial affairs.
- In relation to your *past* financial decisions, you believe you have taken a large amount of risk.
- With regards to your *future* financial decisions, you intend to take a large amount of risk with a large potential return.
- When asked which is more important to you – risk or potential return – you indicated that you usually focus on the potential return rather than the risk.
- We also asked what level of volatility you were willing to accept. We explained that by volatility we meant the variation in rises and falls in investment values. Furthermore, we indicated that it is generally accepted that higher volatility does offer the potential for higher returns in the longer term and vice versa. You confirmed that you are prepared to accept above average volatility in your quest for greater long term gains.
- When asked to consider the following statement you indicated that you agree: “I am more concerned that my investments grow faster than inflation, than I am about returns over any one year period”.
- We asked you to do the same for this statement: “I am prepared to forego potentially large gains if it means that the value of my investment is secure” You indicated that you strongly disagree.
- The final statement that we asked you to consider was: “I can tolerate the risk of large losses in my investments in order to increase the potential returns” Your response was that you agree.

- We then enquired what you would do if you were advised that your current fund and future savings were not sufficient to meet your retirement goals. You indicated that you would take more risk with half of the money and increase your savings.
- We asked what level of fall in value over one year would concern you, bearing in mind that investment in shares requires a longer-term view. You indicated that a fall of more than 15% would cause you concern.
- We then asked you to state how you'd feel if you invested £100,000 into a portfolio and, after a year, the value had dropped to £87,000. You believe that you'd be patient and sit tight, as you would expect the portfolio to recover.
- We asked you to consider the following statement and confirm your views: "I am not concerned about falls in value as I expect to recover any capital loss over the longer term" You indicated that you strongly agree with this.
- The next question asked you to consider a portfolio valued at £100,000 at the start of the investment year. We provided a graph setting out the possible parameters of investment return for four differing portfolios and asked which you felt would suit you best. You indicated that you preferred Portfolio C which could be worth between £77,000 and £137,000.
- Finally, we asked you to pick one of the statements which most accurately reflected your views in relation to investment risk. On our questionnaire, you have indicated the following definition most closely reflects your views:

  You are a reasonably adventurous investor. You have previous experience of equity markets and are happy to accept a high degree of risk in exchange for the possibility of a higher pension in retirement. You accept that you may experience some marked fluctuation in the value of your funds.

  We have reviewed your responses to the questions in Section 6 of our Pension Review Questionnaire to assess whether they tie-up with your overall Attitude to Risk, which you have confirmed as High Risk. We have also taken consideration your discussions with David Knight of Knight Parker throughout the process. Overall, we agree that High Risk appears a reasonable summary of your Attitude to Risk.

  Please note that the Pension Review Questionnaire and the comments above simply relate to your Attitude to Risk in relation to a pension transfer. David Knight of Knight Parker will undertake a separate risk assessment, which covers your long-term aims and investment strategy.

If this is not a fair reflection of your investment views, please let us know as soon as possible

Summary

To summarise all of this information with regard to your requirements and needs, we asked you to prioritise your desires and you indicated the following order:

1. To create larger lump sum Death Benefits before retirement
2. To increase the lump sum Death Benefits available after retirement
3. To maximise the Tax-Free Cash lump sum available at retirement
4. To improve the flexibility and control you have over your income in retirement
5. To increase the possibility you can afford to retire early
6. To obtain more investment control
7. To increase your pension
8. To enable you to draw Tax Free Cash once you are 55, without a pension income
9. To defer or even avoid purchasing an annuity
10. To improve the security of your pension fund

Please review these statements carefully and ensure that they accurately reflect your personal financial situation and desires for the future. If you feel any of the points noted, especially those in relation to your Attitude to Risk, are inaccurate or incomplete, or if there are any additional factors or matters which you feel should be taken into consideration, please let us know as soon as possible.

Our recommendation is based on these facts and the information obtained from the Scheme Administrators of the Amex Pension Scheme. The advice may need to be reviewed or adjusted, if these details do not accurately reflect your current circumstances and needs. Please therefore check the accuracy of this information and let us know immediately if there are any errors or inconsistencies.

If you feel any of the statements are inaccurate or incomplete, please let us know immediately

3. Your Options

As explained at the outset of this Suitability Report, the aim is to consider the options of transferring the benefits you have accrued to date. The intention is to assess which option will offer you the flexibility and investment control you require. This also involves ensuring the monies are in the correct plan to offer you reasonable charges and good fund performance with the aim of improving your final retirement benefits.

This Suitability Report and the enclosed information is based on our understanding of the current HMRC rules and the associated legislation governing pensions. This legislation is subject to constant change and so any future decisions will require a full review.

Having received full details of your deferred pension benefits within the Amex Pension Scheme, we have been able to assess your options, which are as follows:

1. Leave the benefits where they are, or
2. Transfer the benefits to your SSAS with Pension Practitioner

Within the enclosed Transfer Analysis Reports, we have considered numerous factors in respect of a possible transfer to a Personal Pension. This is because a Personal Pension is the most usual type of plan used to accept a transfer because they can be arranged simply to do that and do not require the member to have a business which can sponsor the plan. In practice, due to the changes in legislation effective in April 2006, which are generally referred to as Simplification, the limits on benefits are the same within a Personal Pension as for a SSAS, or indeed any other type of plan being arranged now. This means that the comparison to a Personal Pension in the Transfer Analysis Report is also suitable in terms of considering a transfer to a SSAS. The same differences in rules apply between the current Defined Benefit Scheme and the proposed SSAS as a Personal Pension, resulting in identical comparisons of structures of benefits. The differential is as always, the charges and potential investment return achievable in the new plan. Those reports detail the key facts relevant to your decision and the background to our recommendation, which is further expanded within this Suitability Report.

SSAS and Personal Pension

SSAS and Personal Pensions are both HMRC approved investment contracts where the funds accumulated to retirement from the investment of contributions are used to purchase Retirement Benefits. Both a SSAS and a Personal Pension must be used to provide Retirement Benefits and cannot be surrendered for cash prior to retirement, except in exceptional circumstances.

SSAS and Personal Pensions are highly tax efficient:

- In view of the tax relief granted on contributions, we would normally recommend that individuals contribute as much as they can afford. However, as you intend to apply for Fixed Protection 2016, you cannot make any personal contributions nor accrue any further benefits.
- Funds grow free of Capital Gains Tax and Income Tax.

- There is an overall limit of funds for retirement planning, which will be £1.25 million in your case, once you obtain Fixed Protection 2016.
- The Lifetime Allowance also carries an associated Tax Free Cash limit of £312,500.
- This limit will be retained, despite any subsequent reductions.

Types of Personal Pension
There are actually several variations of the generic Personal Pension, which we now have to consider. The main alternatives are a Personal Pension, Stakeholder Pension, Wrap Platform, SIPP and GPP.

The main differential between the Amex Pension Scheme and the various versions of the alternative Personal Pension have been considered in the Initial Report we commissioned previously.

- The generic Personal Pension is that reflected in the Transfer Analysis Report. The main differential between the Amex Pension Scheme and the various versions of the alternative Personal Pension have been set out in the previous Initial Report and are considered in more detail in this Suitability Report.
- A Stakeholder plan is very similar to a Personal Pension, except that the provider's charges are capped under legislation. When they were initially introduced, this limit was set at 1% per annum. With effect from April 2005, it was possible to increase the charge imposed in the first ten years of the policy to 1.5% per annum. The restriction on charges mean that these plans tend to have more limited investment options, or offer the facility to pay extra to access certain funds. Though a cheaper plan may reduce costs you may then need to move your funds again at retirement to access the facilities you require, which can incur further charges.
- The Wrap Platform is using the same Personal Pension wrapper and so gaining from the various tax efficiencies. The main benefit is the diversity of investment available. These therefore tend to impose marginally higher charges than a standard Personal Pension in view of this additional investment flexibility. It should be noted this does not generally offer access to direct investments and will generally invest in unit trusts and OEICs, which incur their own internal charges. One advantage of the Wrap Platform is that all investments can be held in one place, which simplifies administration and allows for a cross wrapper investment portfolio. Additionally, this means the charges are applied based on the full portfolio i.e. as the Annual Management Charges are dependent on funds under management placing all assets on the platform will result in a lower percentile cost.
- The term SIPP stands for Self-Invested Personal Pension. This is a similar contract with much the same format as a Personal Pension, except the options in respect of investments are wider. The differential is relevant when we consider the investment of the funds. These plans can be seen as expensive, in view of the fact that the charges are generally fixed amounts. This does mean that for small funds they are proportionately expensive. Our calculations based on the charges generally imposed by SIPP providers indicate that a fund in excess of £100,000 will result in a lower proportionate charge. However, the Financial Conduct Authority have raised concerns where funds are less than £250,000. In summary then the SIPP offers:
    - Flat rate fees, which may be a smaller proportion of larger funds than standard percentage based fees but also may be disproportionately high for small funds.

  - Extensive investment options allowing you to invest directly in the stock market, commercial property etc. These may be accessed at an extra cost, but can be seen as beneficial if you desire that level of investment control.
- A Group Personal Pension (GPP) is simply a series of Personal Pensions arranged in relation to one employment. Frequently the provider will offer better terms i.e. reduced costs on the basis the employer will collect contributions from staff salaries and so reduce their administrative burden. In all other ways, a GPP is identical to a Personal Pension and it is the terms of the individual contract which will determine its suitability for an individual.

The proposed SSAS is subject to the same benefits limits as a Personal Pension and so the comparisons in the Transfer Analysis Report in respect of the Amex Pension Scheme and in this Suitability Report apply equally to that plan.

Lifetime Allowance

The Lifetime Allowance is now £1 million, which means that the associated Tax Free Cash sum is restricted to £250,000. Once you have Fixed Protection 2016, this further reduction in the Lifetime Allowance will not affect you and you will retain the old £1.25 million limit.

Having outlined the options available to you, we will consider your existing benefits in more detail

4. Your Current Benefits

This chapter of the Suitability Report focuses on the benefits available from the existing plan.

The following sections are intended to summarise and supplement the details within the enclosed Transfer Analysis Report, regarding your benefits in the Amex Pension Scheme. We then go on to undertake a brief examination of the other options.

The Amex Pension Scheme Benefits

Your benefits in the Amex Pension Scheme relate to your service there between 1st November 1992 and 30th September 2002. These benefits are considered at length in the enclosed Transfer Analysis Report and previous Initial Report, which we have also discussed. That information has not been repeated in detail here.

Transfer Analysis Report

The enclosed Transfer Analysis Report carries out a comprehensive assessment of the Amex Pension Scheme benefits and the effect on those inherent in a transfer to a Personal Pension. One such report was incorporated in the previous Initial Report prepared by HDC. The version integrated in this review is based on the most recent assumptions and format, and so may differ. However, the underlying principles remain the same. We would therefore suggest that you refer back to that previous report, when reviewing this report, which will not examine the Transfer Analysis Report in anywhere near as much detail.

The Transfer Analysis Report is very detailed and undertakes numerous comparisons at differing growth rates. We have highlighted the main details within this Suitability Report. The sections which best summarise the results are:

- Page 4, which sets out the various Critical Yields – the growth rates required to match benefits via annuity purchase in various circumstances.
- Page 5, which compares the current scheme and alternative Personal Pension estimates at the Normal Retirement Age of 65.
- Page 6, which is headed Drawing Income Only Cash Flow Modelling and considers the growth rate required to provide the same level of income as projected from the Amex Pension Scheme on two differing bases. The first looks at drawing tranches of the fund out of which 25% is tax free and the remainder taxable, whereas the second looks at the alternative extreme of drawing 25% of the fund as Tax Free Cash, and then once that is exhausted taking the remainder is taxable income. These are intended to give some indication of the cost of matching the benefits via Flexible Access Drawdown.
- Page 7, headed Drawing Cash Sum and Income Cash Flow Modelling examines the same two options, but with the intention of matching the Tax Free Cash available from the Amex Pension Scheme and the subsequent residual income.
- Page 8-10, which provides similar comparisons at your Intended Retirement Age of 57.

- Page 15, which draws together the potential lump sum Death Benefits and the associated capital costs of that lump sum and any dependants' pensions.
- Page 17, which sets out details of the actual benefits available under the Pension Protection Fund.

Along with the Transfer Analysis Report, we have enclosed a Validation Sheet. This lists information that we have been unable to ascertain from the Amex Pension Scheme, which we have therefore allowed the analysis system to assume. In the previous Initial Report, HDC outlined the assumptions made both by them and the Analysis System. In the intervening period, HDC have requested clarification from the Scheme Administrators in relation to those aspects. This has ensured the scheme data is as accurate as possible.

Potential Benefits at Retirement

We have ascertained that the Amex Pension Scheme is offering you a pension which was valued at £13,076.65 gross per annum at the date you left service (30th September 2002). This will be revalued until it is due to be drawn at the scheme Normal Retirement Age of 65.

The Transfer Analysis Report indicates that, if you decided to draw benefits from the Amex Pension Scheme at the Normal Retirement Age (65), you may exchange or commute part of that potential pension of £24,084 gross per annum for a Tax Free Cash lump sum. The potential Tax Free Cash from the Amex Pension Scheme at the Normal Retirement Age of 65 is £100,098. Taking that benefit would reduce the estimated prospective pension to £14,826 gross per annum.

If you decided to retire at age 57, as you have indicated you would prefer, the Transfer Analysis Report estimates that the potential pension available from the Amex Pension Scheme is £15,143 gross per annum. If you choose to take the Tax Free Cash from the Scheme of £68,128, the Transfer Analysis Report indicates that the Amex Pension Scheme would reduce the prospective pension available to £10,110 gross per annum.

The estimated pension from the Amex Pension Scheme at both age 65 and 57 includes a Supplementary Pension, which is payable from actual retirement age until age 67. This results in what appears to be a much higher pension from the scheme, as compared with the alternative Personal Pension.

If you review the graphs on pages 5 and 8 of the Transfer Analysis Report, you can see the step down at age 67. This is because, at that age your State Pension should commence, replacing this Supplementary Pension from the scheme. In both cases, the subsequent pension from the Amex Pension Scheme is actually lower than that available from the alternative Personal Pension.

Additional Voluntary Contributions

In addition to the main scheme benefits, you have a fund relating to Additional Voluntary Contributions i.e. your extra personal contributions. We have been advised that the value involved is £67,126. If the main scheme benefits are transferred, this fund has to follow.

As noted in the Initial Report, the Transfer Analysis Report virtually ignores the Additional Voluntary Contribution fund. This is because that fund is subject to similar rules within the Amex Pension Scheme and the alternative Personal Pension.

Irrespective of whether the fund is retained or moved to a Personal Pension, the benefits available are restricted to 25% of the fund as a Tax Free Cash lump sum and the pension which can be purchased with the remainder. Within the Amex Pension Scheme, the fund can be used to provide the Tax Free Cash, reducing the need to commute valuable pension benefits.

The fund involved is relatively small and the long-term benefits are determined by growth less charges and Annuity Rates when benefits are taken. This is identical to the alternative Personal Pension. In practice, that plan will almost certainly have higher costs, but will offer significantly more flexibility in retirement.

Contracting Out

The Amex Pension Scheme is Contracted Out of the State Earnings Related Pension Scheme (SERPS) and its replacement the State Second Pension (S2P). These are the second-tier pensions paid in respect of employed earnings in addition to the Basic State Pension.

- The Contracted-Out benefits accrued before April 1997 are separately stated and are called Guaranteed Minimum Pension.
  - In your personal case, the Guaranteed Minimum Pension liability at the date you left service (30th September 2002) was £461.76 per annum.
  - The Amex Pension Scheme is required to revalue these benefits at a fixed rate of 4.5% per annum from the date you left until the date you decide to draw benefits. If this rate exceeds the Revaluation applied to the remaining benefits in the interim period, the Guaranteed Minimum Pension may become a larger proportion of your promised pension.
  - These benefits must be provided at age 60, but if you wish to draw sums from the scheme before then, the Guaranteed Minimum Pension liability may be such that it prevents the Amex Pension Scheme Administrators from allowing you to take benefits. They have to assess whether the current benefit is sufficient to cover the level of Guaranteed Minimum Pension due at age 60. This is unlikely to be the case if the Guaranteed Minimum Pension is a large proportion of the overall benefit. In practice, it is virtually impossible to assess whether or not this will be the case prior to the event.
- With respect to the benefits earned after April 1997, there is no separate pension. The Amex Pension Scheme Contracted Out on the Reference Scheme basis after that date. This means that the scheme as a whole had to provide sufficient benefits to match the Reference Scheme. The Reference Scheme is an artificial scheme, but roughly approximates to the SERPS and S2P which the scheme replaces by Contracting Out.

It is important to appreciate that the Guaranteed Minimum Pension provided by the scheme benefits from an additional top up paid with your State Old Age Pension. That will ensure the benefit increases in line with CPI in payment. That State Scheme top up is lost on transfer. Additionally, because it is not paid for by the scheme, there is no allowance in the Transfer Value for the cost of that benefit. It is our understanding that, following the changes in April 2016 to a flat rate state benefit, this top up is no longer provided.

The fact that the Amex Pension Scheme is Contracted Out does impose certain restrictions on the Amex Pension Scheme, but is of little relevance in the alternative Personal Pension plan.

Funding Position & Security of Benefits

One other aspect we need to mention is the underlying guarantee within the Amex Pension Scheme. The ability of the scheme to actually pay the benefits promised depends on the funding position of the scheme. The Scheme Actuary undertakes an assessment of the Technical Provisions, which is basically the money required to provide all members with their promised benefits, every three years. At that stage, the Scheme Actuary will inform the Scheme Trustees whether or not the monies held combined with expected investment returns, contributions and the like will be sufficient to meet those liabilities.

If, when undertaking this Triennial Actuarial Report, the Scheme Actuary calculates there is a deficit or shortfall in funding, The Scheme Trustees have to create a Recovery Plan. This generally means agreeing with the company to increase future contributions to cover the deficit. It can also result in changes in the scheme benefits and or availability to new members. Finally, the Trustees can consider whether to undertake more aggressive investments. This Recovery Plan is usually designed to aim to resolve the deficit within ten years. As a further Actuarial Report is undertaken after three years, the Recovery Plan will then be adjusted to suit the results of that investigation and the ten-year period restarts.

The Amex Pension Scheme Funding

We have ascertained the following information regarding the current and past funding position of the scheme.

We understand that the American Express pension scheme is in deficit and was 79.2% funded as at 31st December 2014. That information was disclosed in a summary funding statement which was published in February 2016.

To help put these figures into perspective we have set out below a summary of the situation in previous reviews:

Date	Assets	Liabilities	Shortfall	Funding Level
31st December 2013	£859m	£982.5m	£123.5m	87.4%
31st December 2014	£920.1m	£1,161.3m	£241.2m	79.2%

You will notice from this that the scheme funding position has deteriorated. The deterioration is mainly due to lower Gilt Yields, which have increased the liabilities beyond expectations to all schemes.

If a scheme is in deficit, it is required to agree a Recovery Plan with the employer. The standard term is ten years, if the Recovery Plan is set to last for longer, it will have been specifically agreed with The Pensions Regulator (TPR). A longer term for the Recovery Plan indicates the scheme is in severe difficulties.

The Trustees and the Company have agreed a formal Recovery Plan with the aim of eliminating the deficit by the end of 2023. This Recovery Plan is set for 10 years, which indicates that the deficit position is an aspect of slight rather than major concern. As the Recovery Plan is set for less than 10 years, this suggests the company is in a position to resolve the situation and the scheme is therefore relatively secure. The plan is to eliminate this deficit is through a combination of contributions and investment returns.

The scheme was closed to new members and existing members, which should help to reduce the future increase in liabilities.

The scheme has been closed to new members, which should help to reduce the future increase in liabilities.

The next formal triennial review is due to take place on 31st December 2017. The Scheme Actuary has 12 months to prepare the report and the Trustees have a further three months (i.e. 15 months in total) before they are required to publish it.

Pension Protection Fund

The current deficit and the associated Recovery Plan or the current economic climate or indeed many other factors may affect the ability of the company to continue trading profitably. It is possible that the company could be placed in liquidation. If the company suffers such an Insolvency Event, the assets and liabilities of the scheme may be passed to the Pension Protection Fund.

Though it is generally assumed that schemes will only pass to the Pension Protection Fund in the event the company suffers an insolvency event, there have been several schemes which have taken this action whilst the employer has continued to trade. Two relatively high profile companies are Monarch Airlines and Pickford's the removal firm, both of which are trading but have passed their schemes to the Pension Protection Fund. It has to be appreciated, that from a political point of view, maintaining the company and employees is of a higher priority than preserving their pension rights.

The Pension Protection Fund is a self-funding organisation which uses the monies from schemes it accepts and levies imposed on other Defined Benefit schemes to provide the benefits due to members. Clearly, as the Pension Protection Fund only receives such schemes where there are difficulties they have to restrict benefits to ensure all members receive something. The Pension Protection Fund therefore only pays benefits in accordance with various statutory maximums. This basically means that most members will see a reduction in their promised benefits in this event.

The Pension Protection Fund undertakes an assessment to decide whether to accept such schemes which is intended to be completed within one year, but generally expected to take up to two years. In this interim period benefits are adjusted in line with the Pension Protection Fund. This does mean that for those who are close to retirement at the time of the referral to the Pension Protection Fund, there may be a delay in obtaining their benefits.

As noted previously, the Guaranteed Minimum Pension accrued in relation to Contracting Out may not be reduced in the Amex Pension Scheme in relation to deficits. Strangely, on transfer to the Pension Protection Fund, the same restrictions do not apply and the benefits can be reduced as detailed in the Transfer Analysis Report.

It is important to appreciate, that the benefits provided by the Pension Protection Fund, though based on those promised at date of leaving are not revalued in the same way and so will probably be significantly lower. It is therefore important to review the figures within the Transfer Analysis Report, which estimate what would be provided as compensation.

In summary, the guaranteed benefits available from the Amex Pension Scheme are only as secure as the scheme and the sponsoring employer. The Pension Protection Fund is a last resort and is not underpinned by any statutory guarantee.

Summary

Please note the benefits from the Amex Pension Scheme ignore the associated Additional Voluntary Contribution fund. Those monies will provide benefits dependent upon the fund value and Annuity Rates available when you decide to draw them.

Please note all of these figures are estimates and are not guaranteed. They are simply drawn together for your ease and this information should be read in conjunction with the remainder of this Suitability Report.

We hope this brief summary is helpful, but if you require any further information or clarification please let us know

5. Transfer Value

In the last section, we considered the benefits available from the Amex Pension Scheme. We will now go on to examine the Transfer Value being offered in place of those benefits.

The Amex Pension Scheme Transfer Value

In your case, the Transfer Value available from the Amex Pension Scheme is £483,966.77. This figure was guaranteed until 31st October 2016.

As the paperwork will be submitted after that date, the Amex Pension Scheme have the right to recalculate the Transfer Value on receipt of the discharge forms and the result may be lower (or higher) than the current figure.

Here are some additional notes regarding this aspect:

- Schemes are only obliged to provide one free figure every twelve months.
- They are allowed to charge a fee for an additional recalculation in the interim. These charges cover the Actuarial Fee incurred for the calculation and will vary from scheme to scheme.
  - If a fee is chargeable, schemes usually require payment prior to the calculation.
  - This Actuarial Fee cannot be met out of the Transfer Value.
  - If a further fee is incurred, we will be advised of the sum required and who the monies are to be paid to and then we will contact you to arrange payment.
- Even if the deadline has been missed, some schemes will not charge for the Transfer Value recalculation if they have already received the discharge forms.
- If the Transfer Value is recalculated, it could be higher or lower:
  - If it is higher than that previously quoted, most schemes will simply proceed with the transfer.
  - If the Transfer Value is lower than the original, but differs by less than 10%, many schemes will also proceed with the transfer.
  - If the difference is more than 10%, the scheme will almost certainly issue new discharge forms, which you will have to complete before the transfer can proceed.
- Some schemes will always issue a revised Transfer Pack and require new discharges, irrespective of whether the new Transfer Value is higher or lower than the old one.
- If a revised figure is provided and you are asked to confirm whether you still wish to proceed, you may wish to seek further advice.
  - If the value is higher, clearly proceeding makes sense, but if it is reduced you may wish to review the position again.
  - If you require, on request, we will provide you with a revised Transfer Analysis Report to enable you to reconsider your decision to transfer.

In summary, as the guarantee period has expired, you may suffer a fee to calculate a new Transfer Value. This could be higher or lower and you may be required to complete further documents.

Though the deadline has already expired, a transfer is deemed suitable based on the figures to hand; we recommend the discharge forms are still submitted. On occasions, this may enable us to avoid a fee.

Additional Voluntary Contributions

In addition to the main scheme benefits, you have Additional Voluntary Contributions which relate to your personal contributions.

That fund can provide extra lump sum death benefits, determined by the value of the fund. Furthermore, the fund can be used to provide Tax Free Cash and thereby reduce the amount of pension you need to commute at retirement. Alternatively, you may take a further 25% of the fund as Tax Free Cash when you retire. The current value of the fund was £67,126.00 as at 31st July 2016.

The Amex Pension Scheme Administrators have advised that you have the option of investing into a total of 14 alternative funds with Prudential.

We understand you have chosen to invest in With Profits and Discretionary funds and we have summarised the information we have obtained about them below:

Fund Name	Launch Date	Fund Size	Performance	Benchmark	AMC
With Profits	Not Disclosed	£63.5m	Not Disclosed	Not Disclosed	Not Disclosed
Discretionary Fund	6th April 2001	£526.72m	7.1% p.a.	6.9% p.a.	0.5% p.a.

The details above have been extracted from the factsheets for each fund.

- The launch date is relevant as it indicates how long the fund has been running and therefore the potential history of returns.
- The fund size gives us a clue as to the funds ability to diversify investments or manoeuvrability in the market.
- The performance figures shown are the annualised figures over the last five years to September 2016.
- The performance exceeds the benchmark for the Discretionary Fund.

With Profits

As you are invested in the With Profits Fund, the value that you would receive at retirement from your existing policy contains an element of guaranteed bonuses that cannot be removed once granted.

Funds invested in a Unit Linked policy are valued based on the market value of the underlying investments. Therefore, policy values go up and down in line with changes to the share prices of the underlying investments from time to time.

In contrast, a With Profit policy tends to "smooth" the returns achieved by the underlying investments. This is done by the Company Actuary declaring annual bonuses, taking into account the returns received. In the good year, bonuses declared tend to be less than the underlying increase in the value of the investments. This allows the Company Actuary to reserve some or all of those additional undeclared gains for use in bad years. When the value of the underlying investments falls, the provider can still pay a bonus. This avoids large swings in bonus levels from year to year if possible.

The main advantage of With Profit policies is that the smoothing process means that the value of the policy tends to be less volatile than unit linked policies, particularly in times of stock market volatility.

Evaluation of the Transfer Value

The Cash Equivalent Transfer Value quoted by the scheme is intended to reflect the cost to the scheme of providing the benefits due at Normal Retirement Age. This calculation involves various steps and numerous assumptions. The current methodology for this is a scheme specific basis. This means the Scheme Actuary may set his own assumptions based on the membership and investments held by the scheme, within certain parameters set out by the Guidance Notes provided by the Actuarial bodies.

To assess the Transfer Value being offered a Critical Yield is calculated. This Critical Yield measures the growth rate required within an alternative plan to match the prospective benefits from the current scheme, and is the main purpose of the Transfer Analysis Report. When undertaking the Transfer Analysis Report, the basis to be used and the assumptions required are defined by the Financial Conduct Authority. That means each prospective Transfer Value is tested against the same yardstick.

As explained in some detail in the previous Initial Report produced by HDC, the Trustees base the Transfer Value on the expected cost of providing the benefits in the Amex Pension Scheme using assumptions set by the Scheme Actuary. Those assumptions are significantly different from the parameters set by the Financial Conduct Authority for use in the Transfer Analysis Report.

The assumptions for inflation in relation to revaluation and indexation in both calculations will differ. Thus, the estimated pension calculated in the Transfer Analysis Report will differ from that calculated by the Scheme Actuary. More significantly, the cost to provide £1 of pension under the Transfer Analysis basis is invariably much higher than under the Trustees' basis. This means the Transfer Analysis Report will be based on a higher expected cost to provide the benefits than is generally calculated by the Scheme Actuary. This considerably higher cost creates a differential in the growth requirement calculated in the Transfer Analysis Report i.e. the Critical Yield and the Discount Rate the Scheme Actuary uses to assess the Transfer Value.

Critical Yield

As explained in the Initial Report prepared by HDC, the differential in the assumptions within the Transfer Value calculation and the Transfer Analysis Report will alter the Critical Yield calculated. Thus, the high yields assessed within the Transfer Analysis Report reflect differences in the basis as a whole.

It is essential that you are satisfied you have an understanding of the report to enable you to make an informed decision as required by the regulator. If you do not feel totally comfortable, with the recommendation to make a transfer, please ask further questions before signing this letter.

Within the Transfer Analysis Report on page 4, there are a whole series of Critical Yields, which are based on the premise that the benefits within the Amex Pension Scheme will be matched via annuity purchase. As noted previously, it is generally accepted that purchasing an annuity will be more expensive than providing the pension out of the fund, which is the option the Amex Pension Scheme will take.

In our view, the standard Critical Yield is not therefore an accurate assessment of the growth rate required to match the benefits available from the Amex Pension Scheme. The figure generated will be higher than the growth rate actually required.

The table on page 4 summarises the situation based on the full pension, and then breaks it down into level pension and a separate costing for the indexation and guarantee period. This enables us to assess how much of the cost relates to you, Geoffrey and how much is in respect of increases in payment. This allows us to consider the standard Critical Yield in the light of your personal circumstances, and so consider the evaluation of the Transfer Value as part of the suitability of a transfer for you personally.

The Critical Yield required to match benefits at the Amex Pension Scheme Normal Retirement Age of 65 is 4% per annum and at your Intended Retirement Age of 57 increases to 7.9%. This second figure is higher due to the shorter term involved.

As commented above, the full Critical Yield (4%) is accompanied by two further figures, one based on the level pension (1.1%) and one on the effect of pension increases and guarantee period (2.9%). The two combined equate to the cost calculated for the full pension including all the "frills".

The comparisons have been undertaken based on a nil charged plan, so the figure only needs to be considered against the background of the differential in the assumptions used by the Scheme Actuary and those prescribed by our regulator the Financial Conduct Authority in relation to the Transfer Analysis Report.

Allowing for this, the Critical Yield figure of 4% per annum calculated within the Transfer Analysis Report is extremely low and as such suggests the Amex Pension Scheme have granted a very generous Transfer Value.

In the recommendation section of this report, we consider the charges imposed within your existing SSAS with Pension Practitioner. It is important to appreciate that the charges incurred in the new plan will increase the various Critical Yields.

We don't expect the investments within the alternative plan to achieve a growth rate to match this Critical Yield. That would only be relevant if you were intending to purchase an annuity which provided exactly the same benefits as the Transfer Analysis estimates will be provided by the Amex Pension Scheme. In view of that, the Critical Yield is a useful tool in assessing the value of the benefits being foregone, but it is not a suitable investment aim. In practice, those projections are based on numerous assumptions and so it is unlikely that the actual benefits would be those illustrated.

When comparing the potential benefits, we have focused on the intermediate growth rate assumption i.e. 5% per annum net of charges, which is potentially achievable over the long term. You will appreciate that investment returns fluctuate and so any fixed assumed growth rate will be inaccurate. These illustrations are only intended as a guideline to assist you in making an informed decision.

Furthermore, we do not expect you to purchase an annuity when you retire, it is much more likely that you will draw the benefits directly from the fund, which will enable you to have control and flexibility which is not available from the current plans.

Single Life Level Rate

In addition to the standard Critical Yield based on the full benefits, the Transfer Analysis Report includes a Single Life Level Rate, which is the growth rate required to provide the same annual amount of pension (£24,084) at the Normal Retirement Age of 65 as that being offered by the Amex Pension Scheme, but on a Single Life Level basis. Though this is subject to some of the same concerns regarding the overstated cost of pensions in the Transfer Analysis Report, this is a useful assessment of the growth rate required to provide a similar level of sustainable pension via the Flexible Access Drawdown option available at retirement from the Personal Pension. Thus, this a more accurate assessment of what you actually may draw at retirement.

If you decided to draw benefits using the Drawdown option, you would not purchase an annuity but would draw benefits directly from the pot. That enables you to retain the fund, which will remain invested and so provide a lump sum on death which would be payable to Geoffrey or your Nominated Beneficiaries. That fund could be paid tax free (up to the Lifetime Allowance) in the event that you died before age 75 irrespective of whether you've taken any benefits. Additionally, the payment can be diverted to any of your Nominated Beneficiaries without suffering Inheritance Tax.

Following the introduction of Flexible Access Drawdown, there is no limit as to the level of income an individual may draw from their fund. The only concern is sustainability i.e. whether the fund will continue to provide an income at that level throughout retirement i.e. until death. This will of course be determined by a combination of the size of the original fund, the level of income drawn, the investment return achieved and the longevity of the individual. Though the original fund size will be known, all the other aspects can only be estimated. We therefore need to consider a sensible source of those estimates. We are going to use Annuity Rates, which are used by insurance companies to determine the level of income they will provide in return for a capital sum.

Annuity Rates are calculated by Insurance Company Actuaries based on Mortality Tables derived from statistics, which will improve the accuracy of the longevity aspect of those estimates. Additionally, the annuity provider will be guaranteeing to maintain that income rate and so will have based their calculations on a certain level of underlying investment return plus an override for administration charges, profits and the like. This does mean that a Single Life Level Annuity Rate will be a cautious estimate of the income which can be derived from the fund. This then builds in a margin for error, which may offset loss of the savings made by the pooling of risk that the individual in question may live for longer than statistically predicted.

The Single Life Level Rate of 0.3% per annum stated is very low, which suggests the Transfer Value quoted is sufficient to provide the projected pension of £24,084 gross per annum available from the Amex Pension Scheme at age 65 from the Personal Pension using the Drawdown option.

As you have indicated that you intend to retire at age 57, it is worth considering the Single Life Level Rate at that age too. The Single Life Level Rate is the growth rate required to match the cost of an annuity producing an income of £15,143 at age 57 without indexation or an ongoing spouse's or dependants' pension. As explained above, this should give you a reasonable idea of what you could provide from the pot via drawdown.

The Single Life Level Rate at your Intended Retirement Age of 57 is -8.1% per annum. This is negative, which indicates that the Transfer Value being offered is very generous, as no growth will be required to provide the pension due at 57 via sustainable Drawdown.

The figures on page 4 include various contributory figures. The differential between the normal Critical Yield (4%) and the Single Life Level Rate (0.3%) reflects the cost of spouse's benefits and indexation.

- The cost of a spouse's pension depends more on the differential in ages. Providing a pension for Geoffrey, because he is a year younger than you, would be more expensive than the norm. That is confirmed by the underlying cost of providing the level pension. In that respect, the difference between the joint life and single life level pension Critical Yields of 1.1% and 0.3% respectively i.e. 0.8%, is the extra cost incurred to provide that spouse's pension.
- Indexation (increases to pensions in payment) is always expensive and the extra cost is also identified. The Single Life indexation cost quoted is 2.6% and the indexation cost included in the total Critical Yield is 2.9%. This means the effect of including pension increases on that spouse's pension is the differential in the additional cost in relation to the full pension (2.9%) and in respect of the single life rate (2.6%). The differential is 0.3%.
- In short, providing:
  - The single life level pension for you costs 0.3% per annum.
  - Adding indexation for you costs 2.6% per annum.
  - The contingent pension for Geoffrey costs 0.8% per annum and the associated indexation is a further 0.3% per annum, making the total cost 1.1% per annum.

It is important to appreciate that one of the reasons it would be virtually impossible to purchase an annuity to provide the same level of benefits as is available from the Amex Pension Scheme is the cost of that indexation. This is because an insurance company would need to set aside funds to meet the long-term liability via an annuity, whereas the scheme will pay the increases as and when necessary out of income received on the underlying investments.

Pension Protection Fund

We mentioned the Pension Protection Fund in the previous section and explained that if the company suffers an insolvency event, including ceasing to trade or being placed into liquidation, the scheme may fall into the Pension Protection Fund. In that event, the benefits will almost certainly be reduced. Within the Transfer Analysis Report, there is a Critical Yield based on the benefits available from the Pension Protection Fund. This quotes a Critical Yield of 1.7% at the Amex Pension Scheme Normal Retirement Age of 65.

This Critical Yield i.e. the investment return required to match the benefits from the Pension Protection Fund (1.7%) is lower than those based on the full benefits (4%) due from the Amex Pension Scheme. This reflects the fact that the Pension Protection Fund will reduce the actual benefits which would be due to you at retirement as compared with those currently promised from the Amex Pension Scheme.

The Transfer Analysis indicates that, in the event you draw benefits at age 57, the Critical Yield to match the Pension Protection Fund benefits due on retirement then would be 4.9% per annum. This is lower than the Critical Yield required to match the benefits from the Amex Pension Scheme at that age (57) which is 7.9%. The Critical Yield is lower because the benefits available from the Pension Protection Fund will be less than those expected from the Amex Pension Scheme.

If the worst happens and the Amex Pension Scheme is accepted by the Pension Protection Fund, the compensation is as follows:

- If you have reached the Normal Retirement Age (65) or, irrespective of age, are either already in receipt of a survivors' pension or a pension on the grounds of ill health, the Pension Protection Fund will generally pay a level of 100% compensation.

  This normally means a starting level of compensation equal to 100% of the pension in payment immediately before the assessment date. The part of this compensation that comes from pensionable service before 5th April 1997 will be level in payment, whereas that accrued on or after 6th April 1997 will be increased each year in line with inflation capped at 2.5%. This could, potentially, result in a lower rate of increase than the Amex Pension Scheme would have provided.

- For the majority of people i.e. Deferred members like yourself who have not reached the Amex Pension Scheme Normal Retirement Age (65) the Pension Protection Fund will generally pay a 90% level of compensation.

  This generally means 90% of the pension accrued (including revaluation) immediately before the assessment date and revaluation in line with the increase in the inflation rate between the assessment date and the start of the compensation payments. Please note that, though Statutory Revaluation is capped at 5% compound per annum for compensation relating to pensionable service prior to 6th April 2009 and capped at 2.5% compound per annum for compensation relating to pensionable service on or after 6th April 2009, the Pension Protection Fund benefit will be based on a maximum of 2.5% per annum revaluation. This means that the Pension Protection Fund benefit is actually lower than the minimum the scheme would be required to provide.

  This compensation is subject to an overall annual cap, which, for the year commencing 1st April 2016, equates to £33,678.38 at age 65 after the 90% has been applied. The cap is actuarially adjusted according to the age at which compensation is due to come into payment.

Once compensation is in payment, the part that relates to pensionable service before 5th April 1997 will be level in payment and that accrued on or after 6th April 1997 will be increased each year in line with inflation, capped at 2.5%. Again, this will almost certainly result in a lower rate of increase than the Amex Pension Scheme would have provided.

- In addition, there will also be compensation for certain survivors.
- It should be noted that there is no right to transfer out of the Pension Protection Fund and so if the Amex Pension Scheme is accepted by the Pension Protection Fund, you will not have the option to consider the alternatives discussed within this Suitability Report.

The potential pension figures available to you personally in relation to the Pension Protection Fund are quoted on page 17 of the Transfer Analysis Report. That details the current value of the pension which the Pension Protection Fund would provide, compared with that available from the Amex Pension Scheme. It also provides estimates of the benefits available at the Normal Retirement Age of 65 and your Intended Retirement Age of 57, as well as the resulting Critical Yield.

If you proceed with the recommended transfer out of the Amex Pension Scheme, your benefits will no longer be protected by the Pension Protection Fund. Instead you will be potentially covered by the Financial Services Compensation Scheme (FSCS) should the pension provider become insolvent. The maximum level of compensation for claims against firms declared in default is 100% of the claim with no upper limit.

Please note that if the Amex Pension Scheme is transferred to the Pension Protection Fund, it is not possible to extract your monies i.e. you will not have the transfer option, which we are currently reviewing. In simple terms if you do not decide to proceed with the transfer now, and subsequently the company is placed into administration, do please contact us immediately to undertake another review because it may be possible to undertake the transfer then. Otherwise, the Pension Protection Fund will almost certainly make a significant reduction in your personal retirement benefits and you will have little power to prevent it.

Summary

You have confirmed during your discussions with David Knight of Knight Parker that you wish to proceed with a transfer of your benefits from the Amex Pension Scheme, to your existing SSAS with Pension Practitioner.

These comments about the Transfer Value should be read in conjunction with the enclosed Transfer Analysis Report and associated documents

If you require any further explanations, please let us know

6. Comparative Benefits

We will now consider the comparative benefits from the Amex Pension Scheme, and the potential benefits following the proposed transfer to a SSAS with Pension Practitioner in more detail. Once we have completed that detailed examination of your current plan, as compared with the alternative, we will then move on to set out our recommendation in the next section of this Suitability Report.

The Amex Pension Scheme Benefits

The Transfer Analysis Report undertakes various comparisons of benefits allowing for different retirement ages and also alternative investment growth rates. The following information is a synopsis of the details included therein, considering specific aspects of the potential benefits and should be read in conjunction with the full report.

As noted earlier, the Critical Yield estimated within the report is 4% per annum at the scheme Normal Retirement Age (65) and 7.9% per annum at your Intended Retirement Age of 57. The important fact for you personally, is that the higher the Critical Yield, the more investment return is required to match the scheme benefits. This may affect your inclination to transfer, but there are other aspects which can be more accurately assessed and may be of more importance to you.

Please note that the estimates in relation to the Amex Pension Scheme ignore the Additional Voluntary Contribution benefits which will provide additional Tax Free Cash and pension at retirement. This is because the level of benefits provided is determined by the size of the fund and the Annuity Rates available. This is the same basis as the alternative and so there is little differential to compare.

Tax Free Cash

You have said that you wish to draw the maximum Tax Free Cash available.

The Tax Free Cash rules remain different in Defined Benefit schemes like the Amex Pension Scheme to those applicable to all other plans. We shall therefore consider the effect of transfer on those benefits in detail.

Before Simplification, the benefits arising from Additional Voluntary Contribution fund had to be taken into account within the overall scheme benefits in schemes like the Amex Pension Scheme. Nowadays those funds can provide Tax Free Cash separately in addition to the main scheme. The Tax Free Cash available from the Additional Voluntary Contribution pot is simply 25% of the fund value at retirement, which is identical to the rule applicable to the alternative Personal pension. In view of this, the Additional Voluntary Contribution monies are ignored in this comparison.

Tax Free Cash from the Amex Pension Scheme

In a Defined Benefit Scheme like the Amex Pension Scheme, to protect the maximum Tax Free Cash allowable under the old rules i.e. prior to 5th April 2006, which is generally termed A Day, the Scheme Administrators had to calculate the benefit and record it at the time. We have therefore asked them to confirm the position and been advised you do not have a right to higher Tax Free cash on the old rules. This is the normal situation.

This means that we can only consider the new calculation basis for Tax Free Cash which was available to Defined Benefit schemes such as the Amex Pension Scheme from 6th April 2006. That basis calculates the maximum Tax Free Cash based on 25% of the cost of the pension.

We shall now consider the potential value in more detail both immediately after transfer and at retirement.

Position Immediately after Transfer

The Tax Free Cash available from a Personal Pension is limited to 25% of the fund. Based on the Transfer Value of £483,966.77 available from the Amex Pension Scheme, this equates to £120,991.69.

As part of our investigations, we asked the Amex Pension Scheme to provide an illustration of immediate retirement benefits. That indicated that, if you retired on 1st October 2016, you could draw a pension of £15,218.58 gross per annum. Alternatively, you could take a Tax Free Cash sum of £25,680.24 and a residual pension of £13,712.17 gross per annum.

Comparing that immediate retirement illustration with the amount available from the Personal Pension based on 25% of the fund confirms the transfer would create an increase in the Tax Free Cash accessible immediately. The Amex Pension Scheme would provide £25,680.24 and the Personal Pension would offer £120,991.69, representing an increase of £95,311.45.

Position at Retirement

The current basis for calculating Tax Free Cash is 25% of the cost of providing the pension, which is determined by the Commutation Factors.

The Commutation Factors are simply the exchange rate between cash and pension applicable at retirement. As the Commutation Factors depend on the scheme benefit basis i.e. level of dependants' pension and Indexation, they are assessed by the Scheme Actuary. They are therefore generally set out in a table, which is specific to each scheme. Additionally, they can be altered at any time, which means it is very difficult to estimate an actual figure.

In summary, it is the Commutation Factor which affects the value of the fund required to produce the pension on which the 25% cash is based. The simple rule of thumb is that the higher the commutation factor, i.e. the proportion of pension forgone for each £ of cash, the higher the cost of the pension and so the higher the Tax Free Cash sum available from the scheme.

We have been advised that the Commutation Factors currently in force at the scheme Normal Retirement Age of 65 are 9.46 and 12.61. The situation is marginally better at your Intended Retirement Age of 57, when the Commutation Factors are higher at 11.86 and 15.81 reflecting the higher cost of drawing pensions earlier. It is possible that these factors might be increased between now and when you retire, improving the cash figure, but also they may be reduced.

In the absence of a factor the analysis system assumes 15. If the factor disclosed is higher than 15, the calculation basis used by the Amex Pension Scheme is currently more generous than the norm. If it is lower, then vice versa.

Overall

Our investigations have confirmed that, after transfer, you would be able to draw a higher Tax Free Cash sum from the Personal Pension than you could if you decided to take benefits from the Amex Pension Scheme.

The comparisons within the Transfer Analysis Report, at the Mid-Rate of Return, show that you could achieve a higher Tax Free Cash sum both at Normal Retirement Age (65) and at your Intended Retirement Age (57) within a Personal Pension than would be available if you remained within the Amex Pension Scheme.

For your ease of reference, the actual figures are summarised below:

Age	The Amex Pension Scheme	Personal Pension
Immediately	£25,680	£120,992
Normal Retirement Age (65)	£100,098	£205,261
Intended Retirement Age (57)	£68,128	£138,929

It is important to note that, if you draw a Tax Free Cash sum:

- The pension from the Amex Pension Scheme at Normal Retirement Age (65) would reduce from £24,084 to £14,826 gross per annum if you took the Tax Free Cash of £100,098.
- Similarly, the pension at your Intended Retirement Age (57) would reduce from £15,143 to £10,110 gross per annum, if you drew the Tax Free Cash of £68,128.
- In a Personal Pension, the fund available to provide income via Drawdown or to purchase an annuity would be reduced by the value of the lump sum taken.

In addition to the cash quoted above, you will have benefits from the Additional Voluntary Contribution fund of £67,126. In the current scheme the maximum cash will be 25% of this fund, which would be the same in a Personal Pension. This is in addition to the main benefits and the calculation basis is unaffected by the transfer.

Death Benefits

We confirmed earlier in this letter that you favoured the provision of lump sum Death Benefits for your beneficiaries, albeit with a reduced pension.

Background

Under HMRC rules, pension schemes are allowed to make payments on death both before and after retirement in two forms:

- A lump sum Death Benefit, payable to Nominated Beneficiaries who need not prove financial dependence. That is tax free up to the Lifetime Allowance prevailing at the time of death.

- A taxable pension to anyone deemed financially dependent. This automatically includes spouses, civil partners and children under 23, as well as children with long term mental or physical impairment. Others will have to prove their dependence to claim those benefits.

Schemes will interpret these rules and impose their own additional conditions. This means they generally limit the lump sum benefits and make the majority of provision via pension for dependents. If an individual has no dependents on their death, no benefits will fall due, making a saving to the scheme.

The scheme can opt to provide pensions for anyone deemed financially dependent. As noted above, the HMRC definition is quite generous, but the scheme can interpret that and restrict their liability. This may mean the scheme restricts the people that can receive the benefit and the level or proportion of dependent's pension they pay.

The way in which schemes provide for children varies significantly. They may make specific additional provision in the form of children's pensions over and above dependents or spouse's pensions or they may allow for the dependents pension to be diverted to the children in the absence of such a person or on death of a spouse alternative dependent. The situation both pre-and post-retirement can also vary and is determined by the scheme rules.

Pre-Retirement

The Amex Pension Scheme does not provide any lump sum Death Benefits for deferred members, in the event of death before retirement, which is usual practice.

The Additional Voluntary Contribution fund of £67,126 will be returned as a lump sum tax free to your beneficiaries in the event of your death before retirement. This is therefore unaffected by the transfer because the same rules apply in a Personal Pension. This fund is ignored in the following comparisons simply because it is treated identically both before and after transfer.

The comparison on page 15 of the Transfer Analysis Report shows the potential lump sum available to Geoffrey or your Nominated Beneficiaries in the event of your death before retirement. This indicates that the Personal Pension would provide a lump sum of £483,967, which is higher than that offered by the Amex Pension Scheme (nil).

The potential lump sum Death Benefit available from the Personal Pension increases between now and retirement in line with investment return. The estimated sum available on death under the Personal Pension immediately before Normal Retirement Age (65) is £821,044, which is higher than that available from the Amex Pension Scheme (nil). At age 57, the increase is £555,715.

The detailed graphs, also included on page 15 of the Transfer Analysis Report, assess the capital value of the Death Benefits. It should be recalled when considering these that any pension is taxable in the hands of the recipient and can only be paid directly to an individual who is financially dependent on you. Geoffrey is automatically deemed financially dependent, but any other family member may fail this test. As your children are under 23 it is possible for the scheme to divert the dependents pension to them. The lump sum benefit can be paid to anyone of your Nominated Beneficiaries and they need not prove financial dependence.

As noted previously, the maximum lump sum payable tax free in the event of death is the prevailing Lifetime Allowance, taking into account any protection. Any excess benefits can either be paid via a taxable pension to a dependant or, if you have no dependants as a lump sum net of the Lifetime Allowance Charge. This has no implications with regard to the Amex Pension Scheme, which pays a significantly lower lump sum. However, it is possible the maybe some impact following a transfer, as the fund in the Personal Pension may exceed the Lifetime Allowance.

Post-Retirement

The Amex Pension Scheme includes a five-year guarantee, which means the pension payable to you will continue for the first five years after retirement, even if you die in the period. HMRC have confirmed that the ongoing instalments relating to the guarantee can be commuted, which means they are paid as a lump sum.

The lump sum would represent the remaining instalments under the five-year guarantee, which would generally be discounted for early payment and would be tax free if you die before age 75. Theoretically, in the event you are over 75 when you die, that benefit would be subject to a tax deduction (currently at the recipient's highest marginal rate). In practice this is highly unlikely to actually be relevant.

That payment will not be tested against the Lifetime Allowance and is not subject to Inheritance Tax. It may be paid to your Nominated Beneficiaries who need not prove financial dependence.

The scheme can also pay a spouse's or dependant's pension, which can only be paid to an individual who is deemed financially dependent and will be taxable as income in the hands of the recipient.

The Amex Pension Scheme pays a spouse's pension on death in retirement, amounting to 50% of the indexed pension due to you, assuming you had not taken any Tax Free Cash. That will be paid to Geoffrey automatically and is allowed for in the Transfer Analysis Report.

Once an individual reaches the Normal Retirement Age of a Defined Benefit scheme like the Amex Pension Scheme, even if they do not draw benefits, the Death Benefit situation changes. In the event of their death, the scheme will treat the member as having retired the day before they die. The benefits will then be the five-year guarantee and the ongoing spouse's pension, which is taxable in payment.

If you decided to transfer and purchase an annuity at retirement, that annuity could include a guarantee, which would match that available under the Amex Pension Scheme. Again, that commuted lump sum may be paid to any individual – not just one which was financially dependent on the annuitant – tax free on death before age 75. Payments to dependents under joint life annuities are not subject to Income Tax. In practice, the intended beneficiary of the guarantee and the dependant's pension will be named on the annuity application. Financial Dependency will be tested at the time of application.

However, the Drawdown option available in the Personal Pension allows the fund (less Income Tax in the event of death after age 75) to be paid to Nominated Beneficiaries. This will be a much larger fund than the value of the commuted remaining guarantee available from the Amex Pension Scheme or the annuity. That is because it will be the entire fund, and none will be retained to provide an ongoing dependant's pension. Again, those individuals who benefit from these lump sums need not be dependants. This allows you to pass benefits to other family members and mitigate Inheritance Tax.

You could potentially divert the funds to a separate Discretionary Trust, like a Spousal Bypass Trust or Pension Death Benefit Trust. This would mean on your death, the benefits would not pass directly to your Nominated Beneficiaries, but would be held in trust, keeping them outside the estate for Inheritance Tax purposes and allowing them to draw on them as and when needed. That would allow Geoffrey to draw benefits from the new trust as a loan. That loan and any associated interest would be due for repayment on her death. That would reduce her estate for Inheritance Tax purposes, but ensure the trust retained the value of your death benefits, plus interest accrued. That trust could also make provision for your children or grandchildren. If this is an aspect of interest to you, please let me know so that we can discuss it further.

We should also mention the potential to leave the entire fund to a Nominated Beneficiary using a Nominee Account. This basically means the funds are held within a pension plan for that individual. The fund passes free of Inheritance Tax, because it's retained within pension scheme rules. The Nominated Beneficiary can then draw benefits at any time. In the event that you had died before age 75, that Nominated Beneficiary would not be subject to tax on those drawings. If you died after age 75 the Income Tax due would be charged based on their taxation position i.e. at their highest marginal rate. This option is something you and David Knight will discuss in due course.

Benefits of a Transfer

In your personal case, the Capitalised Value of Death Benefits before retirement is higher from the Personal Pension immediately after transfer and the differential only increases. In other words, not only does the Personal Pension offer a higher lump sum Death Benefit in the event you die before draw benefits, but also the value of that lump sum benefit exceeds the calculated cost of any dependant's pension payable by the Amex Pension Scheme.

We do need to mention the potential impact on Inheritance Tax. In the event a member undertakes a pension transfer and dies within two years, their executor is required to report details of the transfer when applying for probate on form IHT409. HMRC reserve the right to charge Inheritance Tax where the deceased transferred pension benefits, made a nomination, appointment or assignment, or made any changes to the pension benefits in the two years before they died. This right is more likely to be acted upon if the individual were knowingly in poor health at the time. There is no specific legislation or case law which confirms exactly how HMRC interpret this.

Summary

Having examined your benefits in the Amex Pension Scheme at length we have drawn together the results in the following table for your ease of reference. This summarises both the Tax Free Cash position and the Death Benefit Lump Sum situation.

Benefit	The Amex Pension Scheme	Personal Pension
Tax Free Cash Immediately	£25,680	£120,992
Tax Free Cash at age 57	£68,128	£138,929

Tax Free Cash at age 65	£100,098	£205,261
Death Benefit Lump Sum Immediately	Nil	£483,967
Death Benefit Lump Sum at age 57	Nil	£555,715
Death Benefit Lump Sum at age 65	Nil	£821,044

Please note that, in practice:

- The Tax Free Cash available from all sources is restricted to £250,000, and
- The lump sum on death is restricted to the Lifetime Allowance (£1 million).
    - In the Amex Pension Scheme, any excess could be used to provide a dependants' pension for Geoffrey, which is not restricted, but would be taxed as income.
    - Alternatively, the excess can be paid as a lump sum subject to the Lifetime Allowance Charge.
- Once you hold Fixed Protection 2016, the maximum Tax Free Cash allowable would increase to £312,500 and the lump sum on death would be limited to £1.25 million.

The figures ignore the Additional Voluntary Contribution fund. As explained previously the Additional Voluntary Contribution fund is subject to identical rules within the current scheme and in a Personal Pension and so is relatively unaffected by the transfer. It is not therefore examined within the Transfer Analysis Report, from which these figures are extracted.

Please note these are all estimates and are in no way guaranteed. It is important to review the remainder of this Suitability Report and the enclosed Transfer Analysis Report to understand the detail which results in these projections.

This Comparative Benefits section has considered many aspects most especially, Tax Free Cash and Death Benefits. These are two key aspects to consider in the Amex Pension Scheme, as against the proposed SSAS with Pension Practitioner. Our investigations have confirmed both of these portions of the benefits would be improved on transfer.

Illustrations

We have been unable to provide you with an illustration, as this is not available from the SSAS with Pension Practitioner. However, we have enclosed a Key Features Document, which will provide you with information regarding the plan. Each year, the scheme administrator should provide you with a statement. This will include details of annual transactions, investment details and an estimate of your income at your selected retirement date, expressed in today's money.

If you require any further details regarding comparative benefits or wish to discuss this further, please let us know

7. Recommendation

In the Executive Summary, which forms the first section of this Suitability Report, we set out our recommendation that you transfer the benefits from the Amex Pension Scheme, to your existing SSAS with Pension Practitioner. We also stated that the recommendation would be explained in more detail.

The intervening sections of this report consider your personal situation and your intentions in retirement, together with your Attitude to Risk. That has been supplemented by a detailed review of the Amex Pension Scheme, plus the alternative benefits available in the SSAS with Pension Practitioner after transfer.

We have used information from the Scheme Administrators, plan providers and our computations; together with the details you have provided to David Knight about your personal circumstances, needs and wishes to formulate our recommendation. You will have discussed the suggested action at length with David Knight; this Suitability Report merely draws together the information and substantiates our recommendation. If you have any concerns or require any clarification, please speak with David Knight or contact us.

We now reach the point where we are able to combine all that information and set out our recommendations. Our recommendation is in two parts:

- The most suitable option, which sets out the reasons for transferring away from the Amex Pension Scheme.
- The second part considers the possible alternatives of a Personal Pension and a SSAS and sets out why we feel adding the funds to your existing SSAS is most suitable for you.

Our overall recommendation is based on our investigations of your personal situation, the benefits available from the various alternatives and consideration of the most suitable option to meet your needs.

The Most Suitable Option

We recommend that you transfer the benefits from the Amex Pension Scheme, to a SSAS with Pension Practitioner. This will enable you to:

Increase the allowable Tax Free Cash:

- **The Amex Pension Scheme Benefits**
  - Increase the Tax Free Cash available immediately after transfer from a current figure of £25,680.24 to £120,991.69, as explained in more detail earlier.
  - The comparative figures, as indicated within the Transfer Analysis Report, as at the Normal Retirement Age (65) under the Amex Pension Scheme and the SSAS are £100,098 and £205,261 respectively. This indicates the SSAS would offer £105,163 more in Tax Free Cash at age 65.

- Additionally, at your Intended Retirement Age of 57, the estimated figures are £68,128 from the Amex Pension Scheme and £138,929 from a SSAS. This equates to an increase in potential Tax Free Cash at age 57 of £70,801 from the SSAS.
- These estimated increases in differential between now and when you draw benefits, reflect the fact that the first figure is based on the pension the Amex Pension Scheme will provide, which increases in accordance with Statutory Requirements (the lower of RPI/CPI from January 2011 and 5% per annum), whereas the second is proportionate to investment return achieved in the SSAS.
- These figures ignore the Additional Voluntary Contribution fund which will provide a Tax Free cash sum of 25% of the pot at retirement both within the current scheme and in the alternative Personal Pension.
- It should be borne in mind that in all cases these are only estimates. In other words, it is possible that retaining the existing scheme benefits may offer you higher benefits. This could happen if investment return is poor and so the SSAS offers a lower final fund or if the Annuity Rates are poor and RPI or CPI is higher than the cap of 5% per annum increasing the benefits promised by the Amex Pension Scheme.

- **Overall**
  - This meets your stated requirement for the maximum possible Tax Free Cash.
  - Additionally, the Lifetime Allowance affects the benefits. This restricts the sum which can be paid as Tax Free Cash to £250,000 from all sources, irrespective of whether benefits are taken before or after transfer or at any retirement age that is the same fixed monetary limit. If you claim Fixed Protection 2016, this increases to £312,500.

Control future investments and potentially improve the final retirement benefits:

- The various types of Personal Pension each have strengths in relation to investments:
  - Personal Pensions offer numerous funds and indeed most providers now offer access to funds managed by other investment houses.
  - The Stakeholder option will probably restrict the investment options, but this is theoretically offset by reduced charges. In practice this is not always the case.
  - The Self Invested Personal Pension option allows you to potentially look at investing in commercial property and other direct investments with your pension monies.
  - The Wrap Platform offers simple administration and access to numerous funds. It also allows you to hold all investments i.e. pensions and other assets in one place allowing for a co-ordinated investment approach.
- Irrespective of the type of Personal Pension, David Knight will work closely with you to monitor future investment returns. This advice is not currently available in relation to your existing benefits in the Amex Pension Scheme.
- We are proposing that the funds are added to your existing Pension Practitioner SSAS, which we feel is the format best suited for your needs. That aspect is considered in more detail in the next portion of this Recommendation Section.

- Again, please remember that it is always possible that investment returns could be poor meaning the eventual benefits from the Personal Pension in terms of the fund value available at retirement are lower than that promised in the Amex Pension Scheme. In this respect, you are comparing the potential investment return in the Personal Pension with the revaluation being offered in the scheme. These are two very different formats and there is no guarantee in either the current scheme or the new plan that benefits will be of a certain level at retirement. The charges imposed within the new plan are also relevant and so form part of our assessment of which plan is most suitable for you. Annuity Rates, which are generally affected by Gilt yields could also worsen reducing the pension income which that fund could provide.
- You have indicated that you wish to obtain more investment control, though you have not set out any specific requirements in this respect. Whilst the benefits remain in the Amex Pension Scheme, you have no involvement in this aspect. The transfer to the SSAS with Pension Practitioner will enable you to make your own investment choices within the parameters set by the product and HMRC. This therefore meets your stated investment requirements.

Increase the potential lump sum Death Benefits:

- **The Amex Pension Scheme Benefits – Pre-Retirement**
  - There is an immediate increase in lump sum Death Benefits after transfer of £483,966.77.
    - This reflects the fact that the Amex Pension Scheme pays no lump sum in the event of your death before retirement.
    - If Geoffrey predeceases you, the Amex Pension Scheme may pay some children's pensions as detailed in the previous Initial Report prepared by HDC.
    - These comparisons ignore the Additional Voluntary Contribution fund within the Amex Pension Scheme, the value of which would be paid as a lump sum either before or after transfer. The actual value will depend on investment return and charges.
  - The illustrations at Normal Retirement Age (65) suggest that the Personal Pension route will allow your Nominated Beneficiaries to draw £821,044 more as a lump sum, as against the taxable pension which is available from the Amex Pension Scheme in the event of your death before retirement.
  - At your Intended Retirement Age of 57, the increase is £555,715.
  - Again, this ignores the Additional Voluntary Contribution fund.
- **The Amex Pension Scheme Benefits – Post Retirement**
  - The overall lump sum Death Benefit in the event of your death after retirement increases significantly.
  - Within both the Amex Pension Scheme and an annuity, the lump sum is restricted to the remainder of the five-year guarantee.
  - The transfer to the SSAS with Pension Practitioner will allow you to take benefits via Drawdown i.e. by drawing income directly from the fund, leaving the remainder invested. This then facilitates the provision of lump sum Death Benefits in retirement.

- In the alternative SSAS with Pension Practitioner, the lump sum relates to the fund which has not been drawn as Tax Free Cash or income – the sum which remains invested.

- **Overall**
  - These illustrations assume a certain rate of return. If a lower rate is achieved, the differential may not be so marked.
    - When considering Death Benefits, please also take into account the ongoing pension the scheme will provide.
    - The comparison charts on page 15 of the Transfer Analysis Report considers not only the lump sum Death Benefits but also the capital cost of the pension the scheme will provide. That is a more accurate assessment of the differential in value in simple cash terms i.e. excluding the subjective benefits of the tax free lump sum as against a taxed pension.
    - It should however be noted the capital cost is based on providing the gross income as against the net income. The actual net income would depend on Geoffrey's tax position.
    - Additionally, the money Geoffrey could receive from the SSAS would be in the form of a lump sum as well as being tax free.
  - As explained, the transfer from the Amex Pension Scheme to the proposed SSAS with Pension Practitioner results in an improvement in the amount and the flexibility of options offered to Geoffrey and your children in the event of your death before retirement.
  - The transfer to the SSAS with Pension Practitioner will allow you to take benefits via Drawdown i.e. by drawing income directly from the fund, leaving the remainder invested. This then facilitates the provision of lump sum Death Benefits in retirement.
  - The lump sum available on death to your Nominated Beneficiaries is tax free up to the Lifetime Allowance, which is currently £1 million.

Draw benefits as and when you wish, depending on your future requirements:

- **The Amex Pension Scheme**
  - The Amex Pension Scheme can only allow you to draw benefits as a fixed guaranteed pension, with an associated Tax Free Cash sum.
  - It would not be possible to draw some benefits and defer the remainder until later, if they are retained in the current scheme. This lack of flexibility is offset by the guaranteed nature of the benefits.
- **The Flexible Access Drawdown Option**
  - The SSAS with Pension Practitioner does allow Flexible Access Drawdown. This enables you to draw both the Tax Free Cash and the pension benefits directly from the fund.
  - Flexible Access Drawdown will allow you to take the maximum Tax Free Cash once you are age 55, without being obliged to draw a pension income.
  - It will also allow you to draw the entirety of the fund, if you so wish once you are age 55. However, it is important to appreciate that everything over and above the Tax Free Cash (25%) will be treated as taxable income. The actual amount of tax due will depend on your personal circumstances at that time.

- Flexible Access Drawdown allows you to continue drawing benefits from the fund even after age 75, rather than committing to the purchase of an annuity. However, you do also have the facility to opt to buy an annuity if you like the idea of a fixed guaranteed income for life as you get further into retirement.
- It is important to appreciate that if the level of income drawn exceeds the investment return achieved that will result in reduced capital. This will be exacerbated if it occurs in conjunction with falling capital values. Thus, in the longer term taking withdrawals in a falling market can lead to significant erosion of capital.
- If you do decide to retire before the Amex Pension Scheme Normal Retirement Age of 65, it will be essential to consider whether it would be better to rely on other investments, rather than draw pension benefits before they are due.
- Flexible Access Drawdown is the only method of taking retirement benefits which allows an individual's beneficiaries to take significant benefits as a lump sum. It is also the only planning which allows benefits of any real size to be provided for those who are not financially dependent on the individual post retirement. This is a very valuable benefit for your Nominated Beneficiaries.
- This meets your stated need for flexibility and control in retirement.

Consolidate your benefits:

- You can transfer other pension benefits into the SSAS with Pension Practitioner as and when a transfer is deemed suitable, just as you are doing with the Amex Pension Scheme benefits now.
- Also, it would normally be possible to make contributions in relation to your current employment. However, as you wish to claim Fixed Protection 2016, this option is not available to you.

The Most Suitable Plan Type

Earlier in this Suitability Report we considered the variations of the generic Personal Pension, and described them in some detail. The main alternatives are the Personal Pension, Stakeholder Pension, Wrap Platform and the SIPP. We also suggested the SSAS option and confirmed that all the variants are considered within the enclosed Transfer Analysis Report.

In your personal case, having considered your existing benefits in the Amex Pension Scheme plus the potential receiving plans and your requirements we have come to conclusion that the most suitable option for you is to add the funds to your SSAS. This is because all of the plans are subject to the same general restrictions, but a SSAS will offer you more investment options, allowing you the flexibility to invest in your own business. Alongside that you will have the benefits of consolidation and lower costs, as it is subsidised by your employer. This makes it more suitable for you than the alternatives.

SSAS

A SSAS is a specialist money purchase or defined contribution scheme. There is no guarantee as to the level of pension you both will be paid on retirement. The value depends on the size of the fund and the Annuity Rates available.

The SSAS can undertake various types of investment, including Executive Pension Plans (EPP), with differing insurers, bank accounts, unit trusts etc. This also extends to making loans to your business or purchasing shares in the company. The investment decisions are made by the Trustees.

In these schemes, the Trustees may purchase an annuity with the fund set aside for your benefit. However, it is more usual to draw the pension income direct from the fund.

Why Provider – Pension Practitioner

We recommend the Transfer Value of £551,092.77, available from the M&S Pension Scheme, including the Additional Voluntary Contribution fund of £67,126, is placed in your existing SSAS with Pension Practitioner.

We would normally set out here the reasons for recommending this particular provider. However, David Knight of Knight Parker would have covered this when the plan was initially arranged. We have not therefore reiterated that at this stage. If you require further information in this respect, please let us know. Suffice to say, the SSAS is already in place with Pension Practitioner and adding the funds to it enables you to consolidate benefits. Furthermore, you have confirmed your satisfaction with the policy to David Knight, based on experience to date.

Investment

The fund selection needs careful consideration as it is, of course, important that the plan performs well as the final value of the fund is crucial to the size of your eventual retirement income.

When making this recommendation, there are various aspects we need to take into account:

- We have to consider the requirements in terms of diversity and benchmarking.
- It is important that the investment recommendations fit the aims and objectives applicable to the monies.
- We also have to consider your stated Attitude to Risk. As noted earlier, we understand that you are a reasonably adventurous investor. You have previous experience of equity markets and are happy to accept a high degree of risk in exchange for the possibility of a higher pension in retirement. You accept that you may experience some marked fluctuation in the value of your funds.

Having considered all these aspects, we recommend that the funds are initially invested in cash. This is a safe short term haven for the funds. This is therefore suitable whilst the initial transfer is arranged. As noted earlier in this letter, we are not making any recommendation with regard to the subsequent investment of the monies. Once the funds have all been safely received and we have been paid for our work in arranging this transaction we (HDIFA) will cease to be your adviser.

David Knight will then meet with you again. At that stage, David Knight will ask you to sign to confirm your appointment of their firm (Knight Parker) and the agency of the plan will be passed to them. They will discuss an appropriate investment portfolio for the funds to best match your needs and wishes.

Though we are not advising on the investments there are some comments we feel obliged to make.

- The Financial Conduct Authority has raised major concerns about individuals placing large sums in very specialised investments on the basic investment premise that it is not advisable to "put all your eggs in one basket". We would suggest you consider carefully whether you should place the entire fund into any one investment, irrespective of the actual asset under consideration.
- Additionally, it is generally accepted that higher risk assets should be held for the longer term to reduce the adverse effects of volatility. Holding an asset for longer periods increases the changes that any loss may be recouped.
- If the investment you make is unregulated, it will be outside the control of the Financial Conduct Authority and the individual who originally spoke to you need not be authorised to market it. If that is the case, David Knight who is a regulated adviser working with Knight Parker, which is an authorised firm, will have made the situation clear to you. In view of this, you will not have the same recourse either to the Financial Conduct Authority or to the Financial Ombudsman Service (FOS). In addition, the investment will not be protected under the Financial Services Compensation Scheme (FSCS). In simple terms, you have no protection if the investment fails.
- Long term growth is not guaranteed and is one of the reasons for reviewing the performance and considering changes regularly. Investment strategy and asset allocation is a dynamic process and should be reviewed and adjusted at least annually. That requirement for annual reviews will be discussed with David Knight of Knight Parker at that meeting, together with their on-going remuneration for that service.

Treating Customers Fairly

We are committed to acting in the best interests of our clients at all times. Treating Customers Fairly (TCF) is a core part of the Financial Conduct Authority's approach to regulation to ensure that clients receive fair and consistent outcomes when doing business with regulated firms. Our TCF policy is firmly embedded within the company and we endeavour to treat all clients fairly in every aspect of our service. For this reason, your feedback is very important to us.

We would advise you not to proceed unless you feel comfortable regarding the recommendation made, and that you feel you have been given the information you require to make an informed choice. If you do see any mistakes or errors in our understanding, you should contact David Knight and not proceed until you are happy in your own mind that we have explained the issues to your satisfaction.

Charges

As we mentioned earlier, the Transfer Analysis Report in relation to Amex Pension Scheme does not take into account the effect of charges within the new plan. Charging structures differ between providers; indeed, the various plans available from any one provider will also be subject to varying costs, which means that the new plan charges can alter the results of any comparison. This process of reviewing the transfer option alone allow us to consider the overall principal of transferring without the effect of the charges options available within the new plan.

You will appreciate that there are charges imposed by the provider (Pension Practitioner) both initially and annually and also deductions applied to the Transfer Value to meet our Adviser Remuneration. The comparisons ignore the Adviser Remuneration aspect, which has to be considered separately. We have to examine that in isolation, to enable you to assess whether you wish to pay a fee personally or arrange for it to be met out of the Transfer Value.

The costs for our advice have already been discussed and disclosed and confirmed in the Client Agreement. The ongoing remuneration will be discussed and agreed separately with David Knight of Knight Parker.

Now that we have set out our recommendation that the funds are added to the SSAS with Pension Practitioner, we can consider the impact of charges on your potential benefits.

Overall, there are three separate portions of charges to consider:

1. Our Adviser Remuneration,
2. The Pension Practitioner Administration Charges, and
3. The Underlying Investment Charges.

We shall now consider each of these charges in turn. Where relevant, we will detail the percentages and the associated cash sums, so that you can clearly identify the initial and on-going costs for each aspect.

1. Our Adviser Remuneration

The costs for our advice were disclosed in our Initial Letter, which you signed on 9th December 2016, confirming your agreement. The fees would have also been discussed in your meetings with David Knight. For your ease, we have reiterated our charging structure in the table below.

Transfer Value	Fee
On the first £150,000 (note minimum of £100,000)	2%
On the next £350,000 (i.e. £150,000 to £500,000)	1%
On the next £500,000 (i.e. £500,000 to £1m)	0.5%
On the remainder (i.e. £1m plus)	0.25%

The total Adviser Remuneration payable, and how that is split between HDIFA and Knight Parker, is outlined in the table below.

Total Remuneration		HDIFA Share		Knight Parker Share	
£	%	£	%	£	%
£9,510.92	1.73%	£6,755.46	1.23%	£2,755.46	0.5%

As agreed with you, David Knight from Knight Parker is taking an initial fee for their involvement in arranging this transfer. The total Adviser Remuneration charge is therefore that due to HDIFA, plus that due to Knight Parker, which you have already confirmed your acceptance of.

As we at HDIFA will not review the suitability of your pension contract, or indeed the investments you have chosen to hold within it, we will not be charging you any on-going fees or commissions.

The longer-term advice requires differing expertise. HDIFA will not be undertaking the continuing advice or annual reviews. That role will be taken up by David Knight from Knight Parker. They will need to be remunerated for that work and will have already explained to you their on-going service proposition. When they meet with you to arrange taking over the agency of the plan with Pension Practitioner, they will agree the on-going Adviser Remuneration with you. Your letter to Pension Practitioner appointing Knight Parker as your adviser on the SSAS will confirm the amounts payable in this respect.

2. The Pension Practitioner Charges

Please refer to the Pension Practitioner Key Features Document, which is enclosed. This includes information regarding the scheme.

Any Establishment Fee due on the SSAS with Pension Practitioner would have been met when the plan was originally set up, so no initial fee will be deducted from the Transfer Value.

The Annual Fee due on the SSAS is £1,350 plus VAT (£1,620), which is due in advance. The fee will remain £1,620 per annum, which applied in relation to the existing SSAS anyway. This is not increased or reduced in view of the additional funds being invested. As this is a joint SSAS with Geoffrey, you will theoretically only pay half of this charge (£810).

3. Underlying Investment Charges

As far as we are aware, there will no additional annual charge applied in relation to your initial investment, as your monies will not be invested in a fund, but held on deposit in a bank account. Please note that the bank or deposit taker will be deducting charges within the interest rate, but are not required to disclose the details. We cannot therefore identify the costs incurred in this respect.

When you arrange actual investments, the charge will depend on the funds or assets used. This will form part of your discussion regarding the longer term financially planning with David Knight of Knight Parker.

Total Initial Charges

The total Initial charges, which will be applied to your total Transfer Value of £551,092.77, described above have been summarised in the table below:

Charge Type	Initial Charge
Initial Adviser Remuneration	£9,510.92
Pension Practitioner Initial Charge	Nil

Pension Practitioner Annual Fee (due in advance)	£810.00
Initial Investment Charge	Nil
Total	**£10,320.92**

Please note that all percentage based charges will vary in line with the initial Transfer Value applied and the values available as and when future charges are deducted.

Total Annual Charges
The total annual charges described above have been summarised in the table below:

Charge Type	Annual Charge
Ongoing Adviser Remuneration	Nil
Pension Practitioner Annual Fee	£810.00
Underlying Investment Charges	Nil
Total	**£810.00**

Please note any percentage based charges will vary depending on the value which is held in your plan at outset and on each anniversary

8. Conclusion

We hope that this Suitability Report and the Transfer Analysis Report, together with the Initial Report prepared by HDC and the other documents enclosed have provided you with sufficient information on which to base your decision. Please take your time to review the options and ensure you understand the principles of the recommended course of action.

Please take your time to review the options and ensure you understand the principles of the recommended course of action

Appendices

This report incorporates three Appendices:

- Appendix One: This sets out some risk warnings, the majority of which have been incorporated within the report, but are drawn together within that appendix for your ease of reference.
- Appendix Two: An updated Transfer Analysis Report, some figures from which have been included in this Retirement Planning Report. The previous version was examined in much more detail in that Initial Report provided by HDC.
- Appendix Three: A Validation Sheet, which confirms the details assumed in relation to that Transfer Analysis Report. Comments in relation to those assumptions were detailed in the Initial Report provided by HDC. Any significant assumptions have been investigated further in the interim. Any relevant changes have been commented upon within this report.

Please also refer to the Pension Practitioner Key Features Documents, which is enclosed.

Next Stages

We understand you are happy to proceed with the recommendations, and will complete the required documentation to arrange the transfer together with the appropriate application forms. Once returned to us, we will submit these to Pension Practitioner and the administrators of the Amex Pension Scheme. We will then ensure the transfer occurs as swiftly and smoothly as possible. David Knight will keep you updated on our progress at all times.

If there is any information with which you do not agree, or on which you require clarification, most especially our understanding of your Attitude to Risk, please let us or David Knight know as soon as possible

Heather Dunne ACII FPFS
Chartered Financial Planner

Enclosures:
Appendix One – Risk Warnings
Appendix Two – Transfer Analysis Report
Appendix Three – Validation Sheet
Amex Pension Scheme Discharge Forms
Pension Practitioner Application Forms
Pension Practitioner Key Features Document

Please sign, date and return the attached copy of this Suitability Report as confirmation that you understand the contents and have received all the enclosures referred to.

Sign: ________________________________ Date: _______________________________

Appendix One

Risk Warnings

Please note the following risk warnings:

- Cash is only suitable as a short term holding investment as inflation will erode the capital value over time.
- Past performance is no guarantee of future returns.
- You should note that in a unit linked contract the value of the units and the income from them may go down as well as up. On terminating the contract you may not get back the amount invested, unless there are specific guarantees within the contract to that effect.
- If monies are invested in a With Profits contract, you should note that the final value will depend on future bonus rates which are not guaranteed. When investments are made into the provider's With Profits fund, including unitised versions, a Market Value Adjustment may apply when funds are drawn out of this type of investment. In order to protect investors the product provider reserves the right to reflect the effect of short term market conditions on the fund's investments by applying a market value adjustment to any early encashment or transfer from the fund. This would have the effect of reducing the amount payable. This does not apply to payments made in respect of claims by death, payments that form part of an agreed series of regular withdrawals, or at the maturity date.
- Investments may be made into the provider's property fund which may also invest in land. With any fund which invests in property the value of the property is determined by the appointed valuer rather than an open market value. The provider may delay the encashment of units, because assets of the fund may not be easily realisable.
- Under current HMRC rules it is not normally possible to access the funds held in pension schemes prior to the age of 55.
- Your eventual income in retirement may be less than that which would have been available under your previous employer's arrangement.
- Any 'asset backed' investment should be considered for the medium to long term and should not be entered into if you envisage withdrawing your capital before this time.
- It is important to diversify, rather than "put all your eggs in one basket". We would suggest you consider carefully whether you should place the entire fund into any one investment, irrespective of the actual asset under consideration.
- If you opt to make an investment which is unregulated, it will be outside the control of the Financial Conduct Authority and the individual who introduces you to the investment does not need to be authorised to market it. In view of this, you will not have the same recourse either to the Financial Conduct Authority or to the Financial Ombudsman Service (FOS). In addition, the investment will not be protected under the Financial Services Compensation Scheme (FSCS). In simple terms, you have no protection if the investment fails.
- Higher risk assets should be held for the longer term to reduce the adverse effects of volatility. Holding an asset for longer periods increases the chances that any loss may be recouped.

- If you make regular withdrawals from your investment in the future, this may reduce your capital over time if the investment growth does not compensate for the withdrawals.
- Don't forget that inflation will affect the future buying power of your investment. If the returns on your investment do not exceed the rate of inflation it will have a reduced buying power in the future.
- If you surrender the contract early either to transfer or retire, you may not get back the full amount invested.
- If you are transferring to your employer's Group Personal Pension, any Active Member Discount which applies may cease upon you leaving their employment.
- In the event that your employment status changes, we would recommend that your retirement planning is reviewed.
- We have provided you with a Key Features Document. This documentation is important and contains information regarding the product, which we have recommended.
- We have relied on information provided by yourself and the Product Provider.
- Following the transfer, unless you direct that the Death Benefits be paid to your own estate, it is possible that, should you die in the 2 years after the transfer, an Inheritance Tax liability could arise.
- The tax benefits referred to are those which apply currently and their value depends on the individual circumstances of the taxpayer. They are based on our understanding of current legislation and revenue practice, which may change in the future.

Appendix Two

Transfer Analysis Report

PENSION TRANSFER ANALYSIS

Prepared for

Mrs L Jones

Relating to

American Express UK Pension Plan

Prepared

10 January 2017

Heather Dunne

Heather Dunne Consulting Ltd

Member ref: 528582 ref: 10002591

CONTENTS

INTRODUCTION

This Pension Transfer Analysis Report is designed to assist in deciding whether a transfer of benefits from the Existing Scheme to an alternative pension contract would be appropriate.

This report provides:

- A calculation of the annual rate of growth (Critical Yield) required to in order to match the value of the benefits that would have been available in the Existing Scheme assuming the transfer value is invested into a Personal Pension and an annuity is purchased at retirement.

- Comparisons of the projected benefits in the Existing Scheme and the potential benefits arising from purchasing an annuity from a Personal Pension.

- A series of Cash Flow Models illustrating the potential outcomes on transfer to a Personal Pension assuming either Uncrystallised Funds Pension Lump Sum or Pension Drawdown is used to access benefits equivalent to those available in the Existing Scheme.

- A comparison of the projected benefits available upon death, before and after retirement.

Assumptions

As we are projecting into the future, we have to use a range of assumptions. This report follows the assumptions laid out by the industry regulators, the Financial Conduct Authority (FCA). The assumptions cover how your pension fund may grow, how your pension fund is converted into an annual pension and future inflation rates. The FCA sets out 3 economic scenarios which are described as Low, Intermediate (Mid) and High.

Life Expectancy for Cash Flow Modelling

The Cash Flow Models use data provided by the Office for National Statistics to make assumptions about average life expectancy. In your case the assumptions are as follows:

UK Average Life Expectancy (source: ONS)	You	Partner
Based upon your gender and year of birth	89	86

Disclaimer

This report has been produced based on the information provided to Heather Dunne Consulting Ltd by the scheme administrators. Whilst it is believed that this interpretation of the information is correct, it cannot be guaranteed and Heather Dunne Consulting Ltd accept no liability for any errors in, or omissions from, the information provided.

This report does not make a recommendation for or against a transfer of benefits.

This report has been produced in accordance with the assumptions set out in the FCA Conduct of Business Sourcebook.

CRITICAL YIELDS FOR ANNUITY PURCHASE

The benefits in an individual pension plan grow according to the investment return of the funds in which the plan is invested. The Critical Yield shows how much growth is required each year in order to match the value of the benefits that would have been available in the Existing Scheme assuming an annuity purchase in an individual pension plan. For the purposes of valuing the Existing Scheme benefits, an Annuity Interest Rate of 1.7% has been used. This rate is set by the FCA and is reviewed each month.

The rates in the Personal Pension Critical Yields table below breaks down the Critical Yield into two components: the growth required to match the value of the starting pension in the existing scheme; and the additional annual growth required to match the value of guaranteed periods and increases to the existing scheme pension once it comes into payment.

The table is also broken down into Single Life and Joint Life Critical Yields. The Single Life Yields make no allowance for any spouse's pensions in the existing scheme, whereas the Joint Life yields will allow for the Existing Scheme's spouse's pension. Based on your current marital status and the scheme rules, you would currently be classified as Joint Life.

The critical yields shown have been based on a transfer to the following plan:

Personal Pension	No Charges

Personal Pension Critical Yields

The following critical yields are based on a transfer value of £483,966.77.

	Single Life		Currently Classified as Joint Life	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
Retiring at Age 65	**2.9%**	**0.5%**	**4.0%**	**1.9%**
Comprised of				
Level Pension of £24,084 (Full) £14,826 (Reduced)	0.3%	-1.6%	1.1%	-0.6%
Effect of Pension Increases and Guaranteed Period	+2.6%	+2.1%	+2.9%	+2.5%
Retiring at Age 57	**4.0%**	**-3.6%**	**7.9%**	**0.8%**
Comprised of				
Level Pension of £15,143 (Full) £10,110 (Reduced)	-8.1%	-13.3%	-5.5%	-10.5%
Effect of Pension Increases and Guaranteed Period	+12.1%	+9.7%	+13.4%	+11.3%

Assuming Scheme applies to Pension Protection Fund Today

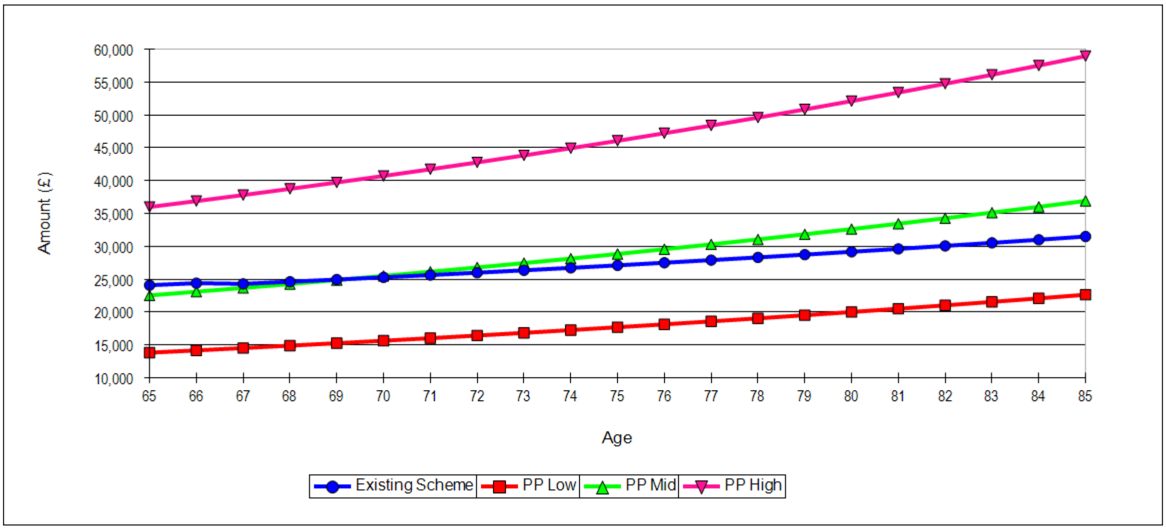
	Single Life		Joint Life	
	Full Pension	Cash & Reduced Pension	Full Pension	Cash & Reduced Pension
Retiring at Age 65			1.7%	1.2%
Retiring at Age 57			4.9%	2.9%

RETIREMENT BENEFITS AT AGE 65 FOR ANNUITY PURCHASE

Annual Pension Benefits

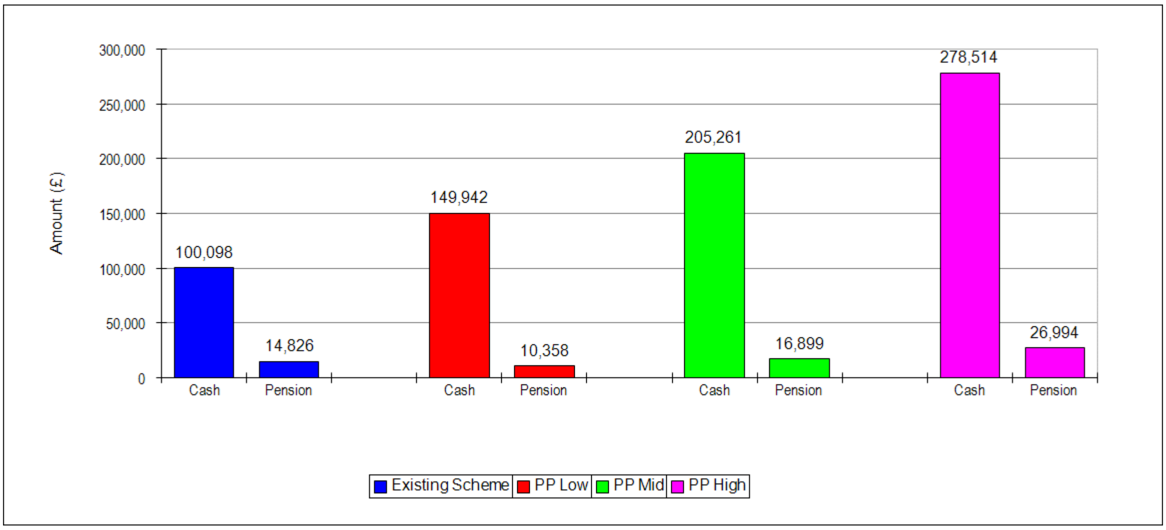
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 65 if purchasing an annuity from the Personal Pension at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme		Personal Pension	
£24,084	£13,811 (Low)	£22,531 (Mid)	£35,992 (High)



Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 65 are as follows:



DRAWING INCOME ONLY CASH FLOW MODELLING FROM AGE 65

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw the same pension each year as would be payable to you if you stayed in the Existing Scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The initial pension payable at age 65 from the scheme is £24,084. Allowing for tax of 45%, your net of tax income from the scheme at age 65 would be £13,246.

Taking Full Scheme Pension and No Tax Free Cash - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free.

	Probability of Reaching Your Age			Personal Pension Fund Remaining at Start of Year			Growth Rate required
Your Age	You	Partner	Annual Scheme Pension after Tax	Low 2%	Mid 5%	High 8%	to fund pension until age
65	95%	94%	£13,246	£599,000	£821,000	£1,110,000	
70	92%	89%	£13,906	£555,000	£932,000	£1,510,000	-11.0%
75	87%	83%	£14,911	£499,000	£1,060,000	£2,090,000	-5.1%
80	79%	74%	£16,044	£429,000	£1,230,000	£2,930,000	-2.1%
85	68%	62%	£17,324	£343,000	£1,430,000	£4,150,000	-0.3%
89	**57%**	**49%**	**£9,233**	**£260,000**	**£1,620,000**	**£5,520,000**	**0.6%**
90	53%	46%	£9,384	£251,000	£1,680,000	£5,950,000	0.7%
95	35%	29%	£10,200	£200,000	£2,070,000	£8,650,000	1.2%
100	18%	14%	£11,120	£137,000	£2,550,000	£12,600,000	1.5%
105	6%	5%	£12,159	£60,300	£3,150,000	£18,400,000	1.8%
			Age Pension Fund Depleted	>105	>105	>105	

Taking Full Scheme Pension and No Tax Free Cash - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used to provide income until that runs out, then income is drawn from the fund (and taxed).

	Probability of Reaching Your Age			Personal Pension Fund Remaining at Start of Year			Growth Rate required
Your Age	You	Partner	Annual Scheme Pension after Tax	Low 2%	Mid 5%	High 8%	to fund pension until age
65	95%	94%	£13,246	£449,000	£615,000	£835,000	
70	92%	89%	£13,906	£496,000	£785,000	£1,220,000	-11.4%
75	87%	83%	£14,911	£548,000	£1,000,000	£1,800,000	-5.4%
80	79%	74%	£16,044	£480,000	£1,260,000	£2,650,000	-2.3%
85	68%	62%	£17,324	£372,000	£1,430,000	£3,850,000	-0.4%
89	**57%**	**49%**	**£9,233**	**£269,000**	**£1,600,000**	**£5,090,000**	**0.7%**
90	53%	46%	£9,384	£257,000	£1,660,000	£5,480,000	0.8%
95	35%	29%	£10,200	£191,000	£2,030,000	£7,950,000	1.2%
100	18%	14%	£11,120	£110,000	£2,480,000	£11,500,000	1.6%
105	6%	5%	£12,159	£12,100	£3,050,000	£16,800,000	2.0%
			Age Pension Fund Depleted	105	>105	>105	
			Probability of Reaching that Age (You/Partner)	6%/5%			

DRAWING CASH SUM AND INCOME CASH FLOW MODELLING FROM AGE 65

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw an initial amount equivalent to the Tax Free Cash Sum payable if you stayed in the Existing Scheme (£100,098) followed by the same reduced pension each year as would be payable to you if you stayed in the scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The reduced initial pension payable is £14,826. Allowing for tax of 45%, your net of tax income from the scheme at age 65 would be £8,154.

Taking Initial Cash and Reduced Scheme Pension - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free. An initial amount of £151,091 would be drawn to provide an initial sum net of tax equal to the scheme tax free cash sum of £100,098.

	Probability of Reaching Your Age			Personal Pension Fund Remaining at Start of Year			Growth Rate required
Your Age	You	Partner	Annual Scheme Pension after Tax	Low 2%	Mid 5%	High 8%	to fund pension until age
65	95%	94%	£8,154	£448,000	£669,000	£962,000	
70	92%	89%	£8,527	£429,000	£784,000	£1,330,000	-6.8%
75	87%	83%	£9,207	£404,000	£925,000	£1,880,000	-4.0%
80	79%	74%	£9,973	£371,000	£1,100,000	£2,680,000	-2.0%
85	68%	62%	£10,837	£328,000	£1,310,000	£3,840,000	-0.7%
89	**57%**	**49%**	**£9,233**	**£285,000**	**£1,520,000**	**£5,150,000**	**0.1%**
90	53%	46%	£9,384	£277,000	£1,580,000	£5,550,000	0.3%
95	35%	29%	£10,200	£229,000	£1,940,000	£8,070,000	0.9%
100	18%	14%	£11,120	£169,000	£2,390,000	£11,700,000	1.3%
105	6%	5%	£12,159	£95,300	£2,950,000	£17,100,000	1.7%
			Age Pension Fund Depleted	>105	>105	>105	

Taking Initial Cash and Reduced Scheme Pension - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used initially to provide the £100,098 tax free cash and income at the same level as the scheme until that runs out, then income is drawn from the fund (and taxed).

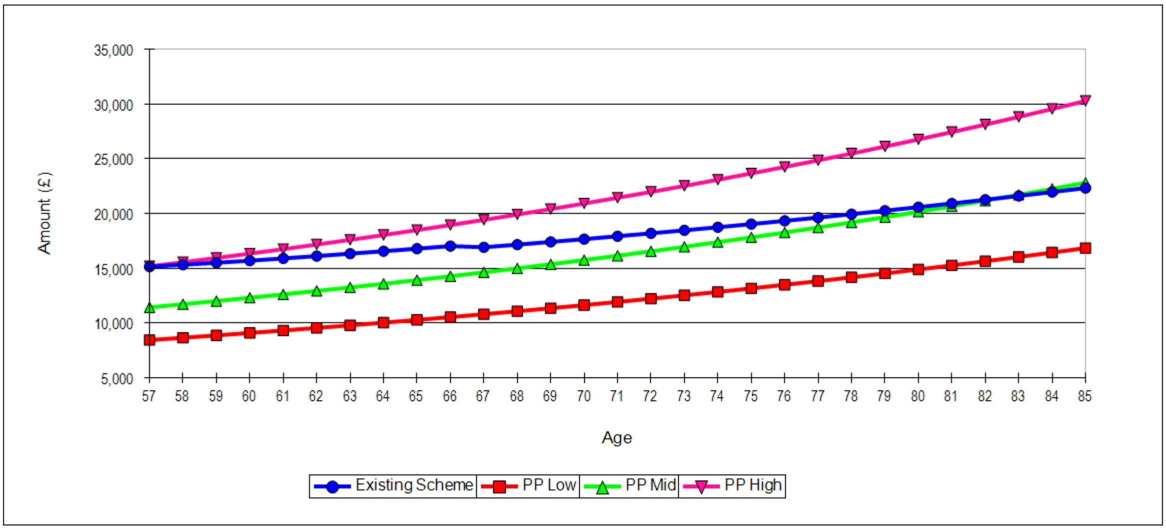
	Probability of Reaching Your Age			Personal Pension Fund Remaining at Start of Year			Growth Rate required
Your Age	You	Partner	Annual Scheme Pension after Tax	Low 2%	Mid 5%	High 8%	to fund pension until age
65	95%	94%	£8,154	£449,000	£615,000	£835,000	
70	92%	89%	£8,527	£496,000	£785,000	£1,220,000	-6.8%
75	87%	83%	£9,207	£481,000	£1,000,000	£1,800,000	-4.0%
80	79%	74%	£9,973	£440,000	£1,220,000	£2,650,000	-2.0%
85	68%	62%	£10,837	£387,000	£1,450,000	£3,880,000	-0.7%
89	**57%**	**49%**	**£9,233**	**£335,000**	**£1,680,000**	**£5,180,000**	**0.1%**
90	53%	46%	£9,384	£325,000	£1,750,000	£5,580,000	0.3%
95	35%	29%	£10,200	£266,000	£2,130,000	£8,100,000	0.9%
100	18%	14%	£11,120	£193,000	£2,610,000	£11,700,000	1.3%
105	6%	5%	£12,159	£103,000	£3,210,000	£17,100,000	1.7%
			Age Pension Fund Depleted	>105	>105	>105	

RETIREMENT BENEFITS AT AGE 57 FOR ANNUITY PURCHASE

Annual Pension Benefits

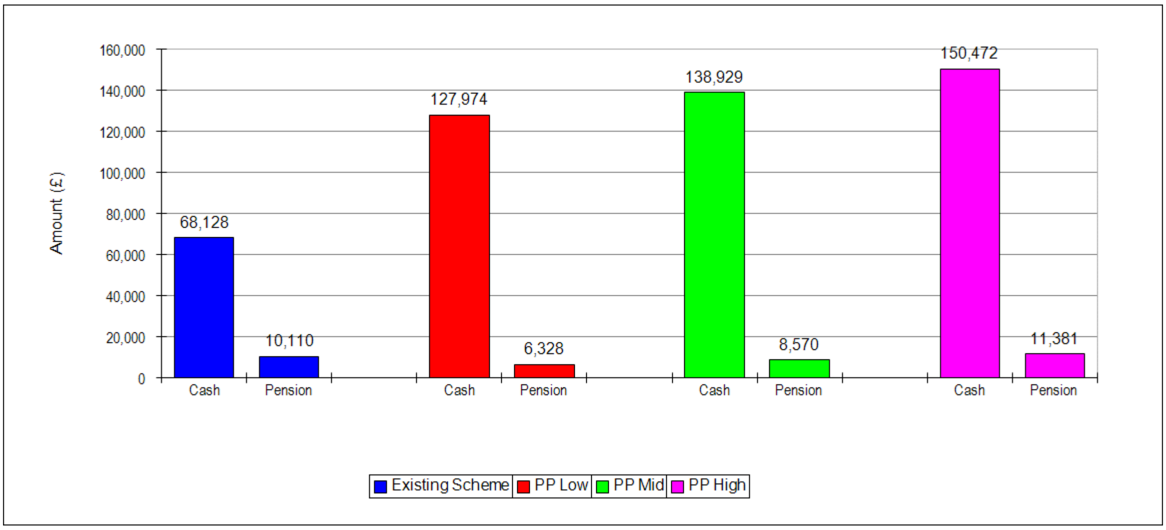
The graph below compares the projected pension benefits for the Existing Scheme with those that could become available at age 57 if purchasing an annuity from the Personal Pension at the Low, Mid and High rates of return. The initial pensions are:

Existing Scheme	Personal Pension		
£15,143	£8,437 (Low)	£11,426 (Mid)	£15,174 (High)



Tax Free Cash and Reduced Annual Pension

The estimated maximum amounts of tax free cash and annual pension payable at age 57 are as follows:



DRAWING INCOME ONLY CASH FLOW MODELLING FROM AGE 57

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw the same pension each year as would be payable to you if you stayed in the Existing Scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The initial pension payable at age 57 from the scheme is £15,143. Allowing for tax of 45%, your net of tax income from the scheme at age 57 would be £8,328.

Taking Full Scheme Pension and No Tax Free Cash - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free.

Your Age	Probability of Reaching Your Age: You	Partner	Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year: Low 2%	Mid 5%	High 8%	Growth Rate required to fund pension until age
57	99%	98%	£8,328	£511,000	£555,000	£601,000	
60	98%	97%	£8,629	£503,000	£602,000	£715,000	-43.1%
65	95%	94%	£9,234	£485,000	£692,000	£969,000	-18.7%
70	92%	89%	£9,714	£462,000	£803,000	£1,330,000	-9.5%
75	87%	83%	£10,469	£430,000	£940,000	£1,870,000	-5.0%
80	79%	74%	£11,321	£389,000	£1,100,000	£2,650,000	-2.4%
85	68%	62%	£12,283	£337,000	£1,310,000	£3,780,000	-0.8%
89	**57%**	**49%**	**£6,571**	**£286,000**	**£1,510,000**	**£5,060,000**	**0.1%**
90	53%	62%	£6,685	£281,000	£1,570,000	£5,460,000	0.2%
95	35%	29%	£7,297	£256,000	£1,950,000	£7,960,000	0.7%
100	18%	14%	£7,989	£223,000	£2,430,000	£11,600,000	1.0%
105	6%	5%	£8,771	£180,000	£3,030,000	£17,000,000	1.4%
			Age Pension Fund Depleted	>105	>105	>105	

Taking Full Scheme Pension and No Tax Free Cash - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used to provide income until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age: You	Partner	Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year: Low 2%	Mid 5%	High 8%	Growth Rate required to fund pension until age
57	99%	98%	£8,328	£383,000	£416,000	£451,000	
60	98%	97%	£8,629	£407,000	£482,000	£568,000	-47.6%
65	95%	94%	£9,234	£449,000	£615,000	£835,000	-23.6%
70	92%	89%	£9,714	£496,000	£785,000	£1,220,000	-12.1%
75	87%	83%	£10,469	£475,000	£949,000	£1,770,000	-6.1%
80	79%	74%	£11,321	£421,000	£1,100,000	£2,480,000	-2.9%
85	68%	62%	£12,283	£353,000	£1,280,000	£3,520,000	-0.9%
89	**57%**	**49%**	**£6,571**	**£287,000**	**£1,450,000**	**£4,680,000**	**0.2%**
90	53%	46%	£6,685	£281,000	£1,510,000	£5,040,000	0.3%
95	35%	29%	£7,297	£244,000	£1,860,000	£7,330,000	0.8%
100	18%	14%	£7,989	£197,000	£2,300,000	£10,600,000	1.2%
105	6%	5%	£8,771	£138,000	£2,850,000	£15,600,000	1.5%
			Age Pension Fund Depleted	>105	>105	>105	

DRAWING CASH SUM AND INCOME CASH FLOW MODELLING FROM AGE 57

The tables below show the funds left within the Personal Pension Plan, assuming you withdraw an initial amount equivalent to the Tax Free Cash Sum payable if you stayed in the Existing Scheme (£68,128) followed by the same reduced pension each year as would be payable to you if you stayed in the scheme. Once you reach your average life expectancy, they show the amount being payable as the spouse/partner pension within the scheme. In addition, they show the critical yield required from now until various ages to match the scheme pension payable net of tax from the Personal Pension. The reduced initial pension payable is £10,110. Allowing for tax of 45%, your net of tax income from the scheme at age 57 would be £5,560.

Taking Initial Cash and Reduced Scheme Pension - using UFPLS in Personal Pension

This table assumes the UFPLS option will be used in the Personal Pension, which means 25% of the amount drawn would be tax free. An initial amount of £102,835 would be drawn to provide an initial sum net of tax equal to the scheme tax free cash sum of £68,128.

Your Age	Probability of Reaching Your Age You	Partner	Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year Low 2%	Mid 5%	High 8%	Growth Rate required to fund pension until age
57	99%	98%	£5,560	£409,000	£452,000	£499,000	
60	98%	97%	£5,771	£407,000	£496,000	£599,000	-33.5%
65	95%	94%	£6,209	£403,000	£583,000	£826,000	-18.0%
70	92%	89%	£6,501	£395,000	£690,000	£1,150,000	-10.0%
75	87%	83%	£7,044	£383,000	£823,000	£1,630,000	-5.8%
80	79%	74%	£7,655	£365,000	£989,000	£2,330,000	-3.2%
85	68%	62%	£8,344	£340,000	£1,190,000	£3,360,000	-1.6%
89	**57%**	**49%**	**£6,571**	**£314,000**	**£1,390,000**	**£4,510,000**	**-0.6%**
90	53%	46%	£6,685	£310,000	£1,450,000	£4,860,000	-0.5%
95	35%	29%	£7,297	£288,000	£1,790,000	£7,080,000	0.2%
100	18%	14%	£7,989	£258,000	£2,220,000	£10,300,000	0.7%
105	6%	5%	£8,771	£219,000	£2,770,000	£15,100,000	1.1%
			Age Pension Fund Depleted	>105	>105	>105	

Taking Initial Cash and Reduced Scheme Pension - using Full Drawdown in Personal Pension

This table assumes Full Drawdown option will be used in the Personal Pension, which means 25% of the Initial Fund is taken as cash and used initially to provide the £68,128 tax free cash and income at the same level as the scheme until that runs out, then income is drawn from the fund (and taxed).

Your Age	Probability of Reaching Your Age You	Partner	Annual Scheme Pension after Tax	Personal Pension Fund Remaining at Start of Year Low 2%	Mid 5%	High 8%	Growth Rate required to fund pension until age
57	99%	98%	£5,560	£383,000	£416,000	£451,000	
60	98%	97%	£5,771	£407,000	£482,000	£568,000	-33.5%
65	95%	94%	£6,209	£449,000	£615,000	£835,000	-18.0%
70	92%	89%	£6,501	£462,000	£772,000	£1,220,000	-10.2%
75	87%	83%	£7,044	£446,000	£916,000	£1,740,000	-6.0%
80	79%	74%	£7,655	£423,000	£1,090,000	£2,470,000	-3.3%
85	68%	62%	£8,344	£391,000	£1,310,000	£3,550,000	-1.6%
89	**57%**	**49%**	**£6,571**	**£359,000**	**£1,530,000**	**£4,750,000**	**-0.6%**
90	53%	46%	£6,685	£354,000	£1,590,000	£5,120,000	-0.5%
95	35%	29%	£7,297	£325,000	£1,960,000	£7,450,000	0.2%
100	18%	14%	£7,989	£286,000	£2,420,000	£10,800,000	0.7%
105	6%	5%	£8,771	£237,000	£3,010,000	£15,800,000	1.1%
			Age Pension Fund Depleted	>105	>105	>105	

EXISTING SCHEME PENSION BENEFITS

The pension benefits accrued in the American Express UK Pension Plan are comprised of a number of separate elements, or slices of pension that are treated differently by the scheme or have different legislation governing their behaviour.

The following details the types of pension benefit that were accrued and the different slices of benefit within each type along with details of how they increase before and after retirement.

Guaranteed Minimum Pension (GMP)

Post 88 GMP

Pension at 30 September 2002	£461.76
Increases before age 60	4.5% per annum
Increases after age 60	CPI (max 3%) per annum

GMP is not payable before age 60. When you retire before this age, the scheme will pay a pension in lieu of the GMP (known as a GMP Bridge). For details of this see the 'Data Used for the report' section at the back of the analysis.

Other Scheme Pension Benefits

Post 1997 Supplementary Pension

Pension at 30 September 2002	£202.43
Increases before retirement	No revaluation
Increases after retirement	RPI (max 5%)

Pre 1997 Supplementary Pension

Pension at 30 September 2002	£216.74
Increases before retirement	No revaluation
Increases after retirement	No escalation

Pre 97

Pension at 30 September 2002	£6,299.82
Increases before retirement	Statutory Orders (5% cap)
Increases after retirement	No escalation

Post 97

Pension at 30 September 2002	£6,315.07
Increases before retirement	Statutory Orders (5% cap)
Increases after retirement	RPI (max 5%)

Transferred-in Benefits

There are no fixed transferred-in benefits although there may be some added years' service included in the pension benefits listed above.

EXISTING SCHEME TAX FREE CASH (PCLS)

The scheme rules permit some pension to be exchanged for a tax free cash sum up to the maximum permitted by HM Revenue & Customs (HMRC).

This is otherwise known as pension commencement lump sum (PCLS). Whether this amount is completely tax-free will depend upon your remaining lifetime allowance.

The amount of cash available depends on the total value at retirement of the pension benefits, together with the rate at which the Existing Scheme exchanges pension benefits for cash; this is known as the commutation rate.

TRANSFER VALUE

You have been offered a transfer value of £483,966.77, in lieu of benefits under the Existing Scheme, which can be invested into a Personal Pension contract.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

In addition to the Existing Scheme transfer value of £483,966.77, a further amount of £67,126 exists. This represents in scheme Additional Voluntary Contributions that can be transferred separately or left within the scheme. As these AVC's are Money Purchase amounts, they have been excluded from the transfer analysis and critical yield calculations.

TRANSFER ALTERNATIVES

These benefits, apart from being left within your existing scheme, can be transferred to a Personal Pension Plan or a Section 32 contract.

Personal Pension Plan Benefits

In a Personal Pension the benefits at retirement are determined by how the transfer value has grown in the period to retirement, together with the annuity rates available at retirement to convert the pension fund into annual pensions.

The size of the pension fund also impacts the amount of death benefits and cash lump sums payable.

Personal Pension Plan - Escalation of Benefits from Retirement

In a Personal Pension Plan, at retirement the member would be able to choose the rate of pension increase.

For comparison purposes, the Personal Pension benefits are assumed to increase on a basis that matches the Existing Scheme as far as reasonably possible. Specifically, the Existing Scheme may have different slices of benefits with different escalation rates, whereas in reality, one annuity shape would be purchased in the Personal Pension. Therefore, the TVAS report chooses for the Personal Pension a single annuity shape matching the largest slice of benefit at retirement under the Existing Scheme.

Personal Pension Plan - Tax Free Cash Sum

The tax free cash sum is calculated as 25% of the entire pension fund.

Section 32 Plan Benefits

The benefits in a Section 32 contract are also determined by the fund value available at retirement, which is in turn used to purchase pension benefits, death benefits and cash lump sums.

In addition the Section 32 contract treats any Guaranteed Minimum Pension (GMP) benefits in a similar way to the Existing Scheme and must ensure at least this level of pension is paid at age 60.

For the purposes of this report, no comparison has been made of the benefits on transfer to a Section 32 contract.

BENEFITS ON DEATH BEFORE RETIREMENT

Existing Scheme

No lump sum is payable.

In the event of your death before retirement a Spouse's Pension is payable. This spouse's pension would be 50% of the member's pension.

Personal Pension

Where a Personal Pension Plan has been established as a result of a transfer from a Final Salary Scheme, the entire fund will be paid as a lump sum although there may be an option to provide a pension with some or all of the lump sum.

BENEFITS ON DEATH AFTER RETIREMENT

Existing Scheme

The Existing Scheme member's pension will continue to be paid for a minimum of 5 years from the date of retirement.

Given your current marital status, on your death in retirement a spouse's pension of 50% would be payable based on the member's pension prior to commutation.

Personal Pension

In a Personal Pension the member chooses at retirement the style of benefit they wish to take, including the size of any spouse’s pension.

For illustration purposes this report assumes a similar level of spouse’s pension would be chosen to that in the Existing Scheme. Were a higher spouse’s pension chosen, the amount of member’s pension that could be purchased would be smaller and vice versa.

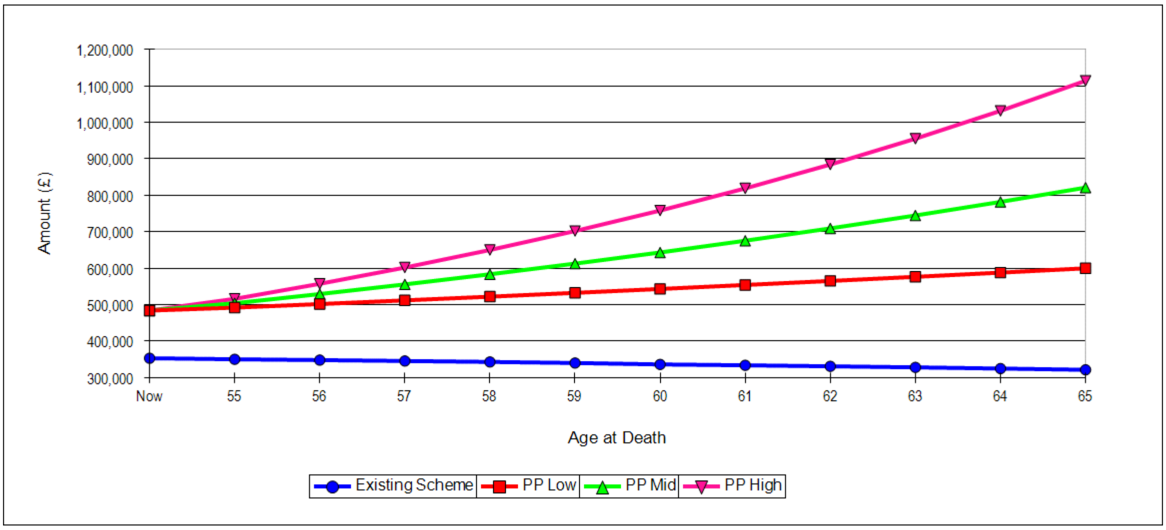
DEATH BENEFIT COMPARISONS

Death Before Retirement

Assuming Death	Benefit Payable	Existing Scheme	Personal Pension		
			Low	Mid	High
Immediately	Lump Sum	£0	£483,967	£483,967	£483,967
	Annual Pension	£9,321	£0	£0	£0
At age 57	Lump Sum	£0	£511,897	£555,715	£601,889
	Annual Pension	£9,898	£0	£0	£0
At age 65	Lump Sum	£0	£599,769	£821,044	£1,114,054
	Annual Pension	£11,832	£0	£0	£0

Capitalised Value of Death Benefits Before Retirement

To simplify the comparison of benefits payable on death before retirement, the graph below shows the capital cost of providing all projected death benefits from the Existing Scheme and the projected fund values that could be achieved by a Personal Pension.



PENSION PROTECTION FUND

The Pension Protection Fund (PPF) offers an "insurance scheme" to help provide a minimum level of pension should a pension scheme get into serious financial difficulty. It is funded by a series of levies applied to all final salary pension schemes. It should be noted that the management body of the PPF have the right to reduce the level of compensation being paid from the scheme should the PPF itself suffer financial hardship. The government does NOT underwrite the scheme.

Broadly speaking, those people below the normal retirement age of the scheme when the PPF is appointed will receive 90% of their accrued benefits immediately before the assessment date (subject to a review of the rules of the scheme by the PPF), whilst those past the normal retirement age of the scheme at this date would receive 100% of their accrued benefits.

In the PPF, the Total Pension is revalued from the PPF assessment date to the normal retirement date in line with statutory orders revaluation. GMP benefits do not receive separate revaluation. Benefits relating to Post April 1997 service will increase in payment (in line with CPI capped at 2.5%), whereas no increase in payment will be made in respect of any pension accrued before 1997.

This compensation is subject to an overall cap (currently £37,420.42 for those retiring at age 65) which will be increased each year, and adjusted to the age at which compensation comes into payment (future increases to the cap are assumed in line with AEI increases).

The PPF is not applicable if your benefits are held within a Public Sector Pension Scheme. This type of scheme is dependent upon income from Local and/or Central Government for its funding. Generally, therefore, a greater degree of security is available.

The following pages compare the benefits that the Pension Protection Fund might secure against those that the existing scheme provide.

The comparison is performed assuming the scheme apply to the Pension Protection Fund as at the date of this report. Comparisons are provided assuming retirement at both age 65 and age 57.

PENSION PROTECTION FUND COMPARISONS

The Normal Retirement Age of the Scheme is 65 and these comparisons assume the scheme applies to the PPF on 10 January 2017. 48% of your pension benefits relate to post April 1997 service and will receive escalation in the PPF.

Assuming retirement at age 65

Full Pension:	Pension Today	Pension at 65	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£18,945 pa	£24,084 pa	£740,253	4.0%
PPF	£17,050 pa	£21,006 pa	£583,636	1.7%
	(90%)	(87%)	(79%)	

Alternatively:

Cash + Reduced Pension:	Tax Free Cash Sum at age 65	+ Reduced Pension at 65	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£100,098	+ £14,826 pa	£594,700	1.9%
PPF	£114,096	+ £15,754 pa	£548,106	1.2%
	(114%)	(106%)	(92%)	

Commutation rates used to convert pension into tax free cash are 11.037 (Existing Scheme) and 21.727 (PPF).

Assuming early retirement at age 57

Any applicable early retirement factors have been applied on both the existing scheme and the PPF in the calculation of the pension at age 57.

Full Pension:	Pension Today	Pension at 57	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£18,945 p.a.	£15,143 p.a.	£600,942	7.9%
PPF	£17,050 p.a.	£16,006 p.a.	£554,163	4.9%
	(90%)	(106%)	(92%)	

Alternatively:

Cash + Reduced Pension:	Tax Free Cash Sum at 57	+ Reduced Pension at 57	Capitalised Value of Benefits	Critical Yield in Personal Pension
Existing Scheme	£68,128	+ £10,110 p.a.	£495,397	0.8%
PPF	£109,860	+ £12,005 p.a.	£525,482	2.9%
	(161%)	(119%)	(106%)	

Commutation rates used to convert pension into tax free cash are 13.837 (Existing Scheme) and 27.455 (PPF).

OTHER MATTERS

Transfer Value Expiry Date

The transfer value quoted by the Existing Scheme is out of date and will need to be recalculated if a transfer of benefits proceeds.

Ill Health Retirement Benefits

The majority of final salary occupational pension schemes have the scope to pay enhanced benefits to members who wish to retire early due to ill-health. The level of enhancement, and indeed, whether any such enhancement will be paid is usually at the discretion of the scheme trustees on a case by case basis. This potential benefit will however be lost upon transfer to a Personal Pension.

Equalisation Issues

Male and Female retirement ages for the Existing Scheme were equalised at age 65 on 1 April 1988.

If the existing scheme benefits include GMP; it is important to note that the DWP has re-affirmed its intention to press ahead with regulations to make clear that there is a requirement on schemes to equalise GMPs. It is unclear, however, when the legislative changes will be made.

Scheme Status

The existing Scheme is closed to new and active members. Active scheme members can no longer accrue Scheme benefits and are therefore classed as deferred.

Funding Position

The Existing Scheme is known to be in deficit. The extent to which members benefits are being restricted should be discussed with the trustees of the Existing Scheme.

Transfer Club

It is understood that the Existing Scheme is not a member of a transfer club, therefore, this is not an issue that needs further consideration.

ASSUMPTIONS

This report uses various assumptions which are prescribed by the Industry's Regulators and are subject to regular review.

Valuing Scheme Benefits

The Annuity Interest Rate is the annual rate of investment return used in calculating the Annuity Rates for the evaluation of scheme benefits and for converting the projected fund in the individual plan into a pension. The individual plan's pension amount assumes payments are made monthly in advance.

The mortality rates used to determine the annuity are based on the CMI tables PCMA00 and PCFA00 including mortality improvements and are derived from each of the male and female annual mortality projections models in equal parts.
No allowance is made in these annuity rates for enhanced or ill health annuities.

Existing Scheme Assumptions

Where benefit increases are linked to an Index, the actual historic increases are used where known and assumptions about the future growth in the index are applied for future increases.

For pre-retirement increases, a separate check is made to ensure that the revaluation over the whole period from date of leaving to retirement is at least equal to any minimum rate and not greater than any maximum capping rate.

The following table includes the assumptions used for the most common types of increases.

	Scheme Projections	**Critical Yields**
Annuity Interest Rate	n/a	1.7%
Retail Price Index	2.5%	3.56%
Retail Price Index capped at 2.5%	2.5%	2.5%
Retail Price Index capped at 3%	2.5%	3%
Retail Price Index capped at 5%	2.5%	3.56%
Consumer Price Index	2%	3.04%
Consumer Price Index capped at 2.5%	2%	2.5%
Consumer Price Index capped at 3%	2%	3%
Consumer Price Index capped at 5%	2%	3.04%
Statutory Orders	2%	n/a
National Average Earnings Index	4%	4%

Personal Pension Assumptions

	Low	**Mid**	**High**
Annuity Interest Rate	0.1%	2.1%	4.1%
Fund Growth Rate	2%	5%	8%

Life Expectancy

The mortality rates used to determine life expectancy and survival probabilities are based on the UK 2012-based National Population Projections life tables publish by the Office for National Statistics.

The life tables for 2013 onwards are based on projected mortality rates from the UK 2012-based National Population Projections. Projections are uncertain and become increasingly so the further they are carried forward in time, but in principle, are allowing for future improvements in mortality based on your gender and year of birth.

NOTES AND DATA USED FOR THE REPORT

There are no Notes for this report.

Data Used

Personal Information

Client Name	Mrs L Jones
Date of Birth	16 October 1962
Gender	Female
National Insurance No.	NA373920B
Member Reference No.	528582
Marital status	Married
Partner date of birth	19 September 1963
Same partner as at date of leaving	Yes
Current Employment Status	Employed
Joined Scheme	1 November 1992
Left Scheme	30 September 2002
Final Pensionable Earnings	£94,800
Tax Rate in Retirement	45%

Scheme Information

Scheme Name	American Express UK Pension Plan
Scheme Category	Pre '96, Post '97 or The Plan
Contracted Out Pre 4/97	Yes
GMP Bridge	Yes (Assumed)
Contracted Out Post 4/97	Yes
Basis of Post 97 Contracting Out	Reference Scheme S9(2b) Rights
Accrual Rate	60ths(Assumed)
Scheme Status	Closed To New And Active Members
Funding Position	In Deficit
Pensionable Service Basis	Years and Months Rounded Down
Transfer Club Member	No
Scheme Benefits have money purchase underpin	No
Can money purchase AVCs be left in the scheme?	Yes

Retirement Ages

Scheme Retirement Age	65
Earliest Retirement Age allowed by scheme	50
Latest Retirement Age allowed by scheme	75 (Assumed)
Retirement Ages Equalised	Yes
Date Retirement Ages Equalised	1 April 1988
Report illustration age A	65
Report illustration age B	57

Cash by Commutation

Does the scheme allow cash by commutation?	Yes
Does Scheme pay HMRC Post A Day maximum?	Yes
Protected Cash @ 5/4/2006	£0(Assumed)
Escalation applied to Pension before Commutation?	No(Assumed)
Bulk Transfer Cash Protection?	No(Assumed)

Death Benefits

Is the Spouses Pension only payable to the spouse to whom the member was married at date of leaving?	No

Death Before Retirement

No lump sum is payable	
Spouse's Pension - Percentage of Total Pension	50%

Death After Retirement

Guarantee Period	5 years
Spouse's Pension – Percentage of Total Pension	50%
Spouse's Pension based on Pension Before Commutation?	Yes

Transfer Value

Total Transfer Value	£483,966.77
Post 97 Contracted Out TV (included in Total TV)	£286,701.77
Date of Transfer Value	31 July 2016
Transfer Value Guaranteed Until	31 October 2016
Transfer Value Basis	Standard TV Only
Members Contributions	£0
Additional Money Purchase AVCs	£67,126

Pension Providers

Personal Pension Product	No Charges

Discretionary Increases

Discretionary Increases Before Retirement

Benefits before retirement are not subject to discretionary increases.

Discretionary Increases After Retirement

Benefits after retirement are not subject to discretionary increases.

Pension Benefits

Post 1997 Supplementary Pension
- £202.43 as at 30 September 2002.
- 'Pre 97 Excess Pension' slice that does not revalue and escalates by RPI (max 5%).
- This slice ceases at age 67.
- Revaluation basis is 'Whole Years Rounded Down'
- Full franking is applied before age 65 with franking of escalation only applied on or after this age.
- On retirement at age 57 the slice is revalued to this age and a factor of 0.739 is applied.
- This slice is non-commutable.

Pre 1997 Supplementary Pension
- £216.74 as at 30 September 2002.
- 'Pre 97 Excess Pension' slice that does not revalue and does not escalate.
- This slice ceases at age 67.
- Revaluation basis is 'Whole Years Rounded Down'
- Full franking is applied before age 65 with franking of escalation only applied on or after this age.
- On retirement at age 57 the slice is revalued to this age and a factor of 0.739 is applied.
- This slice is non-commutable.

Pre 97
- £6,299.82 as at 30 September 2002.
- 'Pre 97 Excess Pension' slice that revalues by Statutory Orders (5% cap) and does not escalate.
- Full franking is applied before age 65 with franking of escalation only applied on or after this age.
- On retirement at age 57 the slice is revalued to this age and a factor of 0.739 is applied.
- Commutation factor at age 65 is 9.46 and at age 57 is 11.86.

Post 97
- £6,315.07 as at 30 September 2002.
- 'Post 97 Pension' slice that revalues by Statutory Orders (5% cap) and escalates by RPI (max 5%).
- Full franking is applied before age 65 with franking of escalation only applied on or after this age.
- On retirement at age 57 the slice is revalued to this age and a factor of 0.739 is applied.
- Commutation factor at age 65 is 12.61 and at age 57 is 15.81.

Post 88 GMP
- £461.76 as at 30 September 2002.
- 'Post 88 GMP' slice that revalues by GMP Fixed Rate and escalates by Statutory Minimum (GMP).
- This slice starts at age 60.
- Revaluation basis is 'Tax Years'
- This slice is non-commutable.

GMP Bridge (Post 88 GMP)
- £461.76 as at 30 September 2002.
- 'GMP Bridge Auto Valued' slice that revalues by GMP Fixed Rate and does not escalate.
- Revaluation basis is 'Tax Years'
- On retirement at age 57 the slice is revalued to this age and a factor of 0.99 is applied.
- This slice is non-commutable.

Appendix Three

Validation Sheet

Validation Report For Mrs L Jones

Client ID: 10002591 Ref: NA373920B

American Express UK Pension Plan

Number of Problems:	**0**
Number of Warnings:	**10**

Please note this report does not show any validation warnings relating to the Retirement Benefits Advanced screen as this user option has been disabled.

Member specific validation problems (these will need to be fixed in order to run a report)

Ref	Message
	There are no validation problems for this member

Member specific validation warnings (report will make assumptions if no changes made)

Ref	Message
149	The Scheme Accrual Rate has not been entered, assuming the scheme accrual rate is 60ths.
153	The Index Month Used by Scheme has not been entered. Assuming the Scheme use the September index.
184	The Transfer Value Guarantee Period has expired.
194	The scheme allows Tax Free Cash by commuting the pension. However, whether the escalation of the pension in payment is based upon the pension before commutation has not been selected, assuming escalation is based upon the commuted pension.
261	No protected cash sum as at 5/4/2006 has been entered. The system will assume no such protection is available.
263	Whether the client can protect tax free cash via a bulk transfer to a PPP/GPP/SIPP has not been confirmed. The system will assume no such protection is available.
3081	The scheme allows late retirement, but the latest age at which the member is allowed to retire has not been entered. Assuming age 75.
3090	The scheme is contracted out pre 97 but whether a GMP bridge applies has not been specified. Assuming GMP bridge applies.
6002	A GMP bridge has been specified for the scheme, but no GMP Bridge slice has been entered. GMP Bridge details are being assumed.

Slice specific validation problems (these will need to be fixed in order to run a report)

Ref	Message
	There are no validation problems for this member

Slice specific validation warnings (report will make assumptions if no changes made)

Ref	Message
Post 88 GMP:	
5065	The 'factor applies to benefits revalued to' field has not been entered. Assuming benefits revalue to retirement age.