

Standard Life Pension Annuity

Target Market and Product Governance

(For use by professional financial advisers)
September 2023

Summary

The Standard Life Pension Annuity is designed for customers who require a guaranteed income for life in retirement. The product can be shaped to the specific needs of the customer, which includes making a provision for a spouse or dependant.

The product may provide customers with a higher level of income by taking medical, health and lifestyle information into consideration, this includes:

Medical	Health and Lifestyle
Heart Conditions	Height
Diabetes	Weight
Cancer/Leukaemia/Lymphoma/Grow/Tumour	Blood Pressure
Stroke	Cholesterol
Respiratory/Lung disease	Smoking status
Multiple Sclerosis	Units of alcohol consumed
Neurological disease	Postcode

The Standard Life Pension Annuity can be written in the form of an Immediate Vesting Personal Pension transfer (IVPP) or as an Open Market Option (OMO).

IVPP will allow for pension pot consolidation and any tax free cash chosen will be paid by Standard Life. The plan is subject to the rules of the Standard Life Retirement Plan which is a UK registered pension scheme. On the start date, the policyholder will immediately become a member of the scheme.

OMO can be used where any tax free cash chosen will be paid by the ceding scheme. If there is more than one source of funds that makes up the total purchase price, the application should give a breakdown of each fund value and details about the policy it has come from. OMO should be used for the following:

- Where funds being used to purchase the annuity have already been crystallised e.g. from a drawdown plan
- Where a higher tax free cash amount is available from the existing pension plan
- Where the client has insufficient Individual Lump Sum Allowance
- Where the client has LTA Protections in place
- Where funds are coming from a pension on divorce

How the product can work in retirement

A customer doesn't need to use their full pension pot to buy a Standard Life Pension Annuity. As an annuity provides a guaranteed income for life, a customer may opt to use part of their pension pot to buy an annuity income that is enough to ensure their essential spend (food, clothing and household bills) is always covered.

They could then do something else with their remaining pension pot – take a lump sum, take flexible income through drawdown, or leave it invested. Alternatively, a customer may think about buying their annuity in tranches to supplement their income as they phase into retirement.

Customer Suitability

The Standard Life Pension Annuity may be suitable for customers if they:

- Want a regular, guaranteed lifetime income
- Would like the option of having their income increase each year, either in line with inflation or by a fixed rate
- Would like the option to provide a lump sum or a regular, guaranteed lifetime income for a dependant when they die
- Would like to avoid their retirement income being impacted by investment risk
- Are happy to accept that they can't change or cash in their annuity once it's been set up, even if their circumstances change
- Are happy to accept that the total income they receive over the life of their annuity may be less than the total amount that was used to buy it
- Live in the UK

The Standard Life Pension Annuity may not be suitable for customers if they:

- Have less than one year to live
- Have less than £10,000 in pension savings
- Would like the freedom to make changes to their retirement income payments, such as taking additional cash lump sums
- Would like to keep their pension savings invested so they can potentially benefit from future investment growth
- Would like their dependant to benefit from any remaining savings in their pension pot when they die, without having to buy additional guarantees or protection
- Are happy to accept that their pension savings could run out before they die
- Have declared bankruptcy and the fund value of their pension plan has been earmarked to settle some or all of the outstanding debts

Key Product Information	
Product Classification	Non-Complex
Risks	<ul style="list-style-type: none"> • Once the annuity has been set up the value cannot be transferred to another company or cash it in. If the annuity is cancelled during the 30-day period after receipt of the income payment schedule, we will ask for any payments made to be returned • The annuity will be based on the options chosen at outset and cannot be changed at a later date • The total income received may be less than the value used to buy the annuity • If medical information has been provided and is unable to be confirmed by a doctor, the payments may be reduced to standard rates, unless further medical information is provided • The annuity will end when the annuitant passes away, unless death benefits were chosen at outset for it to continue • Inflation will reduce the future buying power of the income from the annuity. This can be mitigated by choosing a fixed rate of escalation or by linking payments to inflation • The quotation is guaranteed for 14 days. If the application is received within the 14 days and the amount used to buy the annuity is received by us within 30 days of the application, the rates in the quotation will apply. If all requirements aren't met within the 30 days the income received may be lower
Considerations	<p>The Standard Life Pension Annuity is designed to pay a guaranteed income for life. This may be suitable for clients that are looking to have the security and peace of mind of a guaranteed income. Once the annuity has been set up it cannot be changed or cancelled at a later date, therefore if your client is looking to have a flexible income in retirement other products may be more appropriate.</p>

Eligibility Criteria	
Minimum age	55 years old (rising to age 57 from 6 April 2028) Apart from where the customer has a protected lower retirement age, or they are retiring on the grounds of ill health
Maximum age	Open Market Option: 85 years old attained Immediate Vesting Personal Pension: 74 years old attained
Minimum purchase price	£10,000 after tax-free lump sum (tax free cash) and any adviser charge
Maximum purchase price	£1,000,000 after tax-free lump sum (tax free cash) and any adviser charge We may accept larger cases, however additional checks will be required before we can provide a guaranteed quote
Source of funds	<p>Funds are accepted from UK registered pension schemes, which include:</p> <ul style="list-style-type: none"> • Registered occupational money purchase (defined contribution) pension schemes • Assigned/individual policies (from an occupational pension scheme assigned to the customer or written in their own name) providing money purchase benefits • Section 32 arrangements (without safeguarded benefits) • Free Standing Additional Voluntary Contribution Schemes (FSAVCs) • Personal pension/Stakeholder pension scheme <p>The following types of pension arrangements cannot be used to buy this plan:</p> <ul style="list-style-type: none"> • Where any form of safeguarded rights exist and are wanting to be taken through this plan • Occupational pension scheme wanting to purchase a scheme pension • Overseas pension schemes/Qualifying recognised overseas pension schemes

For more information on the product features available, please read our Standard Life Pension Annuity Adviser Guide.

Product Oversight & Governance

The below information is intended to help intermediaries with their requirement under the Insurance Distribution Directive. We have robust product governance policy, procedures and processes in place to ensure the Standard Life Pension Annuity remains compliant with legislation and meets the needs of the intended customers.

1	Formalised approval process for new product developments and changes to existing products, including appropriate stress and scenario testing so the proposition remains compliant and appropriate for the target market in view of any changes made since initial launch.
2	Regular formal reviews to determine that the product is reaching the identified target market with fair outcomes, as well as demonstrating fair value and meeting the needs of all customers including vulnerable customers.
3	Customer needs and risks identified, with proposed customer experience, selected distribution channel, and relevant legal and tax position considered. Relevant risks and potential conflicts are identified and appropriate mitigations are put in place.
4	Research exercises conducted to validate the target market, test customer needs (including those of vulnerable customers) and understanding of proposition.
5	Distribution strategy developed to match the target market and reviewed regularly.
6	Feedback from customers and intermediaries to confirm: <ul style="list-style-type: none">• The proposition remains appropriate for the target market• The distribution strategy remains appropriate for the target market• The proposition is meeting the needs of customers• The product benefits remain consistent with the needs of customers• Our communications remain clear
7	Regular monitoring of our pricing, charges, fees and costs associated with the annuity to ensure they remain proportionate and reflect current market conditions.

Our approach to determining fair value

Fair value is about more than price; its an assessment of customer outcomes across multiple parts of the proposition to avoid unfair or poor value. We regularly monitor our proposition against the market and principles below and make changes where necessary to ensure customers receive fair value.

Product and Services	Some examples of what we look for: <ul style="list-style-type: none">• Does the product meet the target market need?• Is the quality of the benefits provided commensurate with the charge being made?• Are our services suitable?
Price and Value	Some examples of what we look for: <ul style="list-style-type: none">• Is the return on investment fair?• Are the product and service charges reasonable for the overall benefits provided?• Do the total costs (including Adviser Charges / Commission) represent good value?
Understanding	Some examples of what we look for: <ul style="list-style-type: none">• Are our communications clear and easy to understand?• Is the product suitable and its risks understood?
Support	Some examples of what we look for: <ul style="list-style-type: none">• Do we understand our customers?• Can we tailor our proposition to support the specific needs a customer may have?

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