

Maggie Craig  
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London  
E14 5HS

18 September 2014

Dear Ms Craig,

### **Retirement reforms and the Guidance Guarantee**

I am pleased to respond to this consultation on behalf of the FRC, the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.

Our technical actuarial standards apply to a wide range of actuarial work including the work of Scheme Actuaries advising trustees, and actuarial advice to employers making decisions on pension scheme matters. We maintain AS TM1, the actuarial standard that supports the DWP's disclosure requirement that members of Defined Contribution schemes receive an annual statement of their projected pension at retirement. The FRC also oversees the professional regulation of actuaries by the Institute and Faculty of Actuaries.

Set out in the appendix are our responses to some of the specific questions posed in the consultation paper.

As we stated in our response to the Government's consultation *Freedom and Choice in Pensions*, we believe that an effective framework of guidance and information to support individuals in making decisions before and after retirement is critical to the success of the changes announced by the Government in the Budget.

Making individuals aware of the availability of guidance is obviously a crucial first step. We welcome your proposals to signpost individuals to the guidance as they approach retirement and we note that there will be proposals to amend DWP regulations to include a similar requirement for trust based schemes.

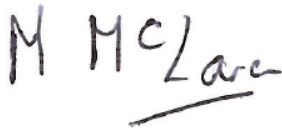
It is vital for individuals to have access to clear, comprehensible and complete information to enable them to make appropriate decisions and make best use of the guidance. We consider there is still more work to be done to ensure that the information individuals receive in the savings phase (through the annual statement and other pre-retirement communications) supports effective decisions about saving for retirement and the options for accessing those savings at retirement in the new environment. The information provided on the annual statement and other pre-retirement communications should show that individuals have a range of options. The information provided before retirement should dovetail with the information needed to utilise the guidance effectively so that individuals are well equipped to make decisions.

We note that the Government states in its response to the Freedom and Choice in Pensions consultation that it intends to work with the FCA, TPR and others to consider the information aspects of the guidance further - how individuals can quickly and simply access information about their retirement savings. We welcome the joined-up, cross-regulatory approach to

developing solutions – with so many different regulators involved in this area this is a sensible and appropriate approach. It might be that the annual statement can be used to provide some of this information and as our standard AS TM1 supports the information provided on that statement, we would welcome the opportunity to provide input to this process.

Please do not hesitate to contact me if you have any questions.

Yours sincerely

A handwritten signature in black ink that reads "M McLaren". The signature is written in a cursive style with a horizontal line underneath the name.

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## Answers to Questions

### Standards for the delivery partners (Chapter 2)

**1. Do you have any comments on the proposed standards for the delivery partners?**

On the “Professional standards” principle, we would expect the delivery partner to ensure that all those who approve the design of any processes and tools or deliver the guidance over the phone or in person will act with objectivity and independence. This links to the final bullet of the “Next Steps” principle.

### Levy to fund provision of the guidance (Chapter 3)

**2. Do you agree with the proposed use of the FCA periodic fees framework to collect the retirement guidance levy? If no, please provide alternatives and set out how they would be implemented.**

Not answered

**3. Do you agree that firms in the proposed five retirement guidance fee-blocks (Table 3.1) only should contribute to the retirement guidance levy? If no, please provide your reasons.**

Not answered

**4. Do you agree that firms in the remaining fee-blocks set out in Table 3.2 should not contribute to the retirement guidance levy? If no, please provide your reasons.**

Not answered

**5. Do you have any comments on the three options for allocating the overall levy across the five retirement guidance fee-blocks? If you do not agree with any of these options please advise us of your proposed alternative allocation options.**

Not answered

### FCA requirements for firms in light of the reforms (Chapter 4)

**6. Do you agree with the proposed content of the signposting information? If no, please provide alternative suggestions.**

We agree with the proposed approach for signposting information namely that providers should:

- Clearly state that guidance is available and that it is a free impartial Guidance Service to help consumers understand their options;
- Show clearly how the Guidance Service can be accessed by giving the website details and phone number and making it clear that face-to-face guidance is available to those who want it.
- Provide the customer with the information they will need to make an informed decision about that pension pot (ether with or without use of guidance).

We consider there should be consideration of whether, and if so how, the existing annual statement can be utilised in relation to the third requirement above, or how any additional pre-retirement communication of this signposted information fits with the information provided on the annual statement.

These matters would need to be considered primarily by the DWP as part of the review of the regulations discussed in 4.42 and we consider that a more fundamental review of disclosure is required.

**7. Do you have any thoughts on the standardisation of this information for the future?**

Not answered

**8. Do you agree with the proposal to align the timing of the signpost with the existing timing requirements for wake-up packs?**

Not answered

**9. Do you agree with the proposal to introduce a transitional provision to ensure that those receiving wake-up packs before April 2015 do not miss out on being signposted to the guidance?**

Not answered

**10. Do you agree with the proposal to add this guidance?**

Not answered

**11. Do you agree with the proposal that firms should refer to the availability of the guidance whenever they are communicating with a customer about retirement options?**

Not answered

**12. Do you agree with our proposal to clarify the information provision requirement and add guidance on information that should be included?**

Not answered

**13. Do you have any comments on whether further requirements should be placed on provider behaviour and communications?**

Not answered

**14. Do you agree with the proposal to remove the reference to maximum withdrawals and require a general statement about sustainability of income?**

Not answered

**15. Do you agree with our proposal to remove the reference to maximum withdrawals in COBS 13 Annex 2 2.9R?**

Not answered

**16. Do you agree that there do not need to be any changes to the key features contents rules? If no, please explain why.**

Not answered

**17. Do you agree that the projection of an annual income in retirement and a projection of the total fund is still useful and therefore this rule should not be amended?**

We agree that the projection of the annual income in retirement and the projection of the total fund are useful figures for individuals, particularly in light of the Budget changes where the presentation of both figures gives individuals an indication of the range of options available to them. We therefore agree that the FCA's rules for point of sale and in force projections should not be amended.

Our actuarial standard, AS TM1, sets out the methods and assumptions to be used in the calculation of the projected pension shown on annual statutory money purchase illustrations (SMPs) provided to members of DC schemes. A projected fund value must in effect be determined in order to calculate the projected pension. However, unlike FCA Rules, there is currently no statutory requirement for SMPs to show a projected fund value.

We recognise the potential benefit to individuals of including this figure on the annual statement, and the benefits to both recipients and providers of adopting a consistent approach to disclosures where this is sensible. As stated at paragraph 4.42 of the consultation paper the DWP will be considering changes in relation to SMPs in due course and we are working with DWP on this.

In our view consideration should be given by all those involved in setting the rules for projections as to what additional information (particularly focused on the needs of the individual receiving the projection) should be provided and how to provide that information. For example to help individuals appreciate the uncertainty in their projected pension (and fund value) figure it might be useful to illustrate the sensitivity of the projection to changes in the key assumptions.

**18. Do you agree with the proposal to add a requirement for providers to provide their customers with a description of the possible tax implications and of the availability of the Guidance Service when they are applying to access some or all of their pension fund using any of the options available?**

We agree that there should be a requirement to highlight possible tax implications but would note that in practice only a generic statement alerting individuals to tax issues can be provided since individuals' circumstances vary

**19. What are your views on the approach taken on costs and benefits?**

We do not have a view on this.