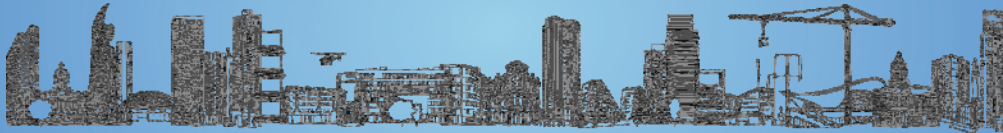


RDR and Pension Reform – where are we now?

Current Issues in Life Assurance, Institute and Faculty of Actuaries

Graeme Bold, Director of Workplace Proposition,
Standard Life
May 2013



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A reminder...

1 October 2012
Auto-enrolment
commenced -
largest employers
to stage first

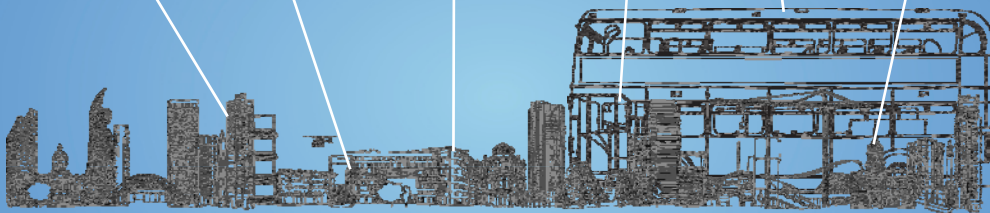
More than
300,000 UK
workers
auto-enrolled
so far

31 Dec 2012
RDR came into
effect

Higher
qualification
standards for
advisers

Commission
ban on all new
workplace
schemes

New rules
for advice



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RDR - So how has this panned out?

Preparation

Go live on 15 October
allowed us to resolve post-
Implementation bugs



Moving ahead

The advisers we work with
are moving to AC quickly
and clients are agreeing to
the charge

71.67%

of Wrap clients
on adviser
charging

(Standard Life as at 5th
April 2013)

0

Complaints about
AC transition/
requests to
switch off
(Standard Life as at
5th April 2013)

Ongoing
sampling of
client
agreements –
evidence of
good standards

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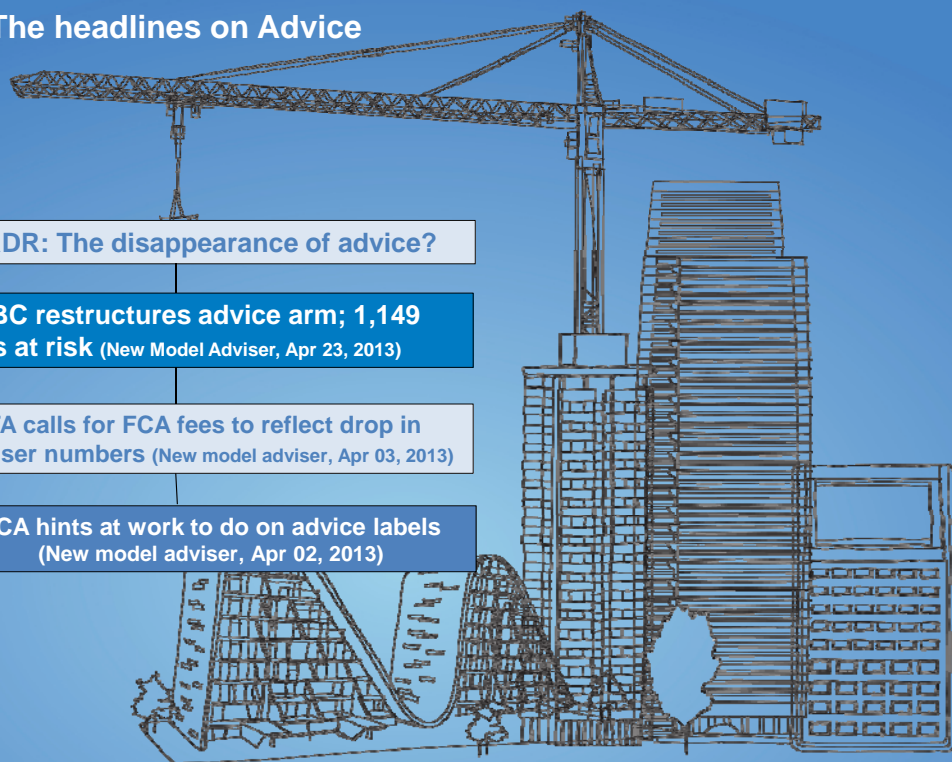
RDR - The headlines on Advice

RDR: The disappearance of advice?

**HSBC restructures advice arm; 1,149
jobs at risk** (New Model Adviser, Apr 23, 2013)

**APFA calls for FCA fees to reflect drop in
adviser numbers** (New model adviser, Apr 03, 2013)

FCA hints at work to do on advice labels
(New model adviser, Apr 02, 2013)



LB6

The advice market - life after RDR



Traditional Adviser

- Highly adaptable but process difficult to map, repeat and scale
- Adviser responsible for end-to-end advice process
- Fragmented technology and admin limit client time
- Client bank of c. 400 per adviser
- Value in independent product advice
- Cross-subsidy hides true cost of advice



Chartered Financial Planner

- Integrated technology and outsourcing reduces time away from clients
- Technology enhances the advice experience
- Repeatable and scaleable process
- Focused on c. 100 – 150 active clients
- Value in professional status and ongoing service
- Emergence of advice models based on specialisms and financial planning

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5

So what is the future agenda?

- Choice
- Transparency
- Portability
- Price?

Key features to underpin a competitive market



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Slide 5

LB6 Need to source this information on this slide

And in second circle, I presume the research you refer to was conducted by SL, therefore I'd change to "our recent research"

Louise Barlow, 29/04/2013

So what is the future agenda?

- Advice – labels and qualifications
- Unbundled Pricing on Platforms
- Fund Manager Rebate Bans
- Clean Share Classes
- Re-registration, still some way off
- Pressure on Margin



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Pension Reform – The big issues

**Consultancy Charging:
take up and levels**

300,000 enrolled so far, opt out rate 10-15%
(The Actuary, Apr 19 2013, New Model Adviser Apr 23 2012)

**Pension providers to hit capacity in two months –
Towers Watson Report, March 2013**

**Webb warns against enrolling into “lousy
high charging old schemes”**



Consultancy Charging – the debate

Arguments against:

- Excessive charges to members = bad headlines
- Services from advisers do not benefit members directly
- Employer should pay like any other benefit provided
- Negative impact on retirement outcomes significant
- Smaller employers can set up their own schemes without advice

Arguments for:

- Advisers will not be able to take excessive charges
- Services from advisers can provide benefits to members
- Smaller employers will be less willing to pay fees
- There are strong arguments that advised schemes provide better outcomes
- Smaller employers will need support and encouragement

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Auto-enrolment and provider capacity

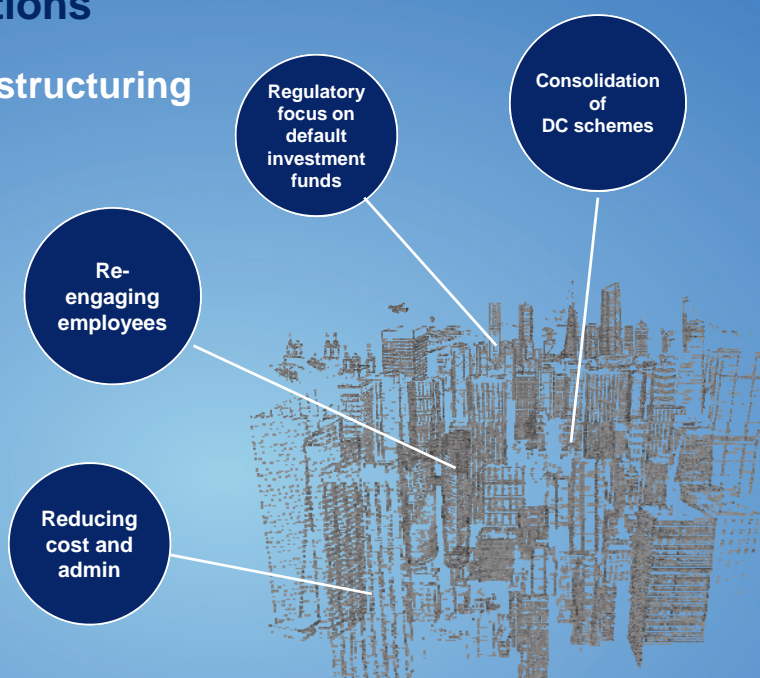
- Over 1 million employers with 10 million employees needing a workplace pension (Department for Workplace Pensions estimates)
-XXX, YYY and ZZZ
- Employers looking at their own plan & resources
- Providers investing heavily in technology, resources and processes
- The role of NEST

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Future-proofing workplace pension solutions

The need for restructuring

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Supporting employers

- Robust underlying platforms
- Flexible pension propositions
- Range of good quality future-proofed investment solutions
- Effective communications - targeted to suit the audience
- Appropriate implementation support
- Data management tools
- Increased 'bandwidth' to manage and process data
- Online processing of data
- Online adviser, employer and employee access

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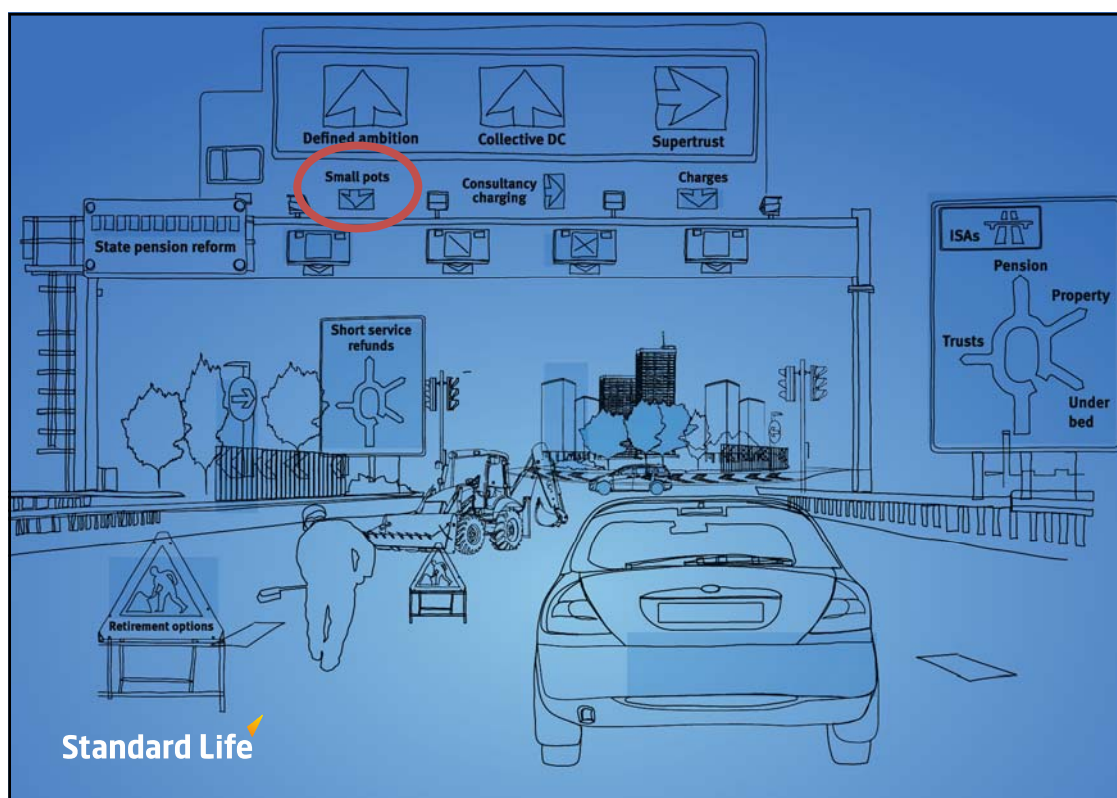
So what is the future agenda?

- Choice
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- Portability
- Price?

Key features to underpin a competitive market



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Thank you

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