



Institute  
and Faculty  
of Actuaries

# Innovation Plan

IFoA response to The Pensions Regulator

12 February 2016

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Lisa Leveridge  
The Pensions Regulator  
Napier House, Trafalgar Place  
Brighton  
BN1 4DW

12 February 2016

Dear Ms Leveridge

### **IFoA response to tPR's Innovation Plan**

The Institute and Faculty of Actuaries (IFoA) welcomes the tPR's consultation on its proposed approach to innovative ideas and new technology. The pensions system is undergoing fundamental reform with the implementation of automatic enrolment and the introduction of the pension freedoms. It is important that technology and innovation are given appropriate consideration if both of these reforms are to be successful. It is vital that IT infrastructure is not a barrier to employers' participation in occupational pensions and that technology is used to its full potential to provide information to scheme members on their pension and their retirement options.

With more people saving into a pension as a result of automatic enrolment it is important that we are able to:

- monitor the impact on their levels of saving;
- identify any cohorts at risk of under saving;
- understand trends for decumulation; and
- understand the impact this could have on levels of income at the later stages of retirement.

For this to be possible, technology and innovation must support the collection of this vast amount of data and effective analysis of that data. The current reforms provide industry with an opportunity to consider the sharing of data, across industry and with Government, in a way that benefits scheme members, for example, providing them with information on multiple pension pots in one place. tPR has a strategic role in this by ensuring the regulatory framework not only enables, but promotes sharing of information where it is in the scheme members' interest, for example to develop a pensions dashboard.

In addition, we suggest that closing current gaps in the pensions data available could help to build a fuller picture of the current and future pension income for the UK and inform policymaking. This would require the regulator mandating the sharing of relevant information, perhaps with an independent third party to enable population level analysis of pension income.

It is clear that technology and innovation have a crucial role to play in the delivery of financial services, including pensions, and we welcome that tPR has identified these areas as a priority. With the need for innovation in mind, the IFoA's Rationale in Retirement Behaviour Working Party has built an interactive tool to engage scheme members that has the potential to be available to the public. This tool can be used to compare annuities, drawdown and blended products with one another based on an individual's circumstances. The tool allows users to select a scenario that most closely

represents their circumstances and a desired outcome (e.g. not running out of funds or leave an inheritance) to see what their theoretical decisions might mean for their retirement.

The IFoA is also committed to completing further work on the role of Big Data and the gains that can be made from advances in its application.

The IFoA is supportive of tPR's initiative and we would welcome the opportunity to assist tPR as it continues develop its work on technology and innovation. Should you wish to discuss any of the points raised in further detail or we can be of assistance please contact Rebecca Deegan, Policy Analyst in the first instance ([rebecca.deegan@actuaries.org.uk](mailto:rebecca.deegan@actuaries.org.uk) / 0207 632 2125).

Yours sincerely

A handwritten signature in black ink, appearing to read 'FM', followed by a long horizontal flourish.

Fiona Morrison  
**President, Institute and Faculty of Actuaries**