



Institute  
and Faculty  
of Actuaries

# Public Financial Guidance Review: Consultation on a Single Body

IFoA response to Department for Work and  
Pensions and HM Treasury

13 February 2017

## **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.



Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

13 February 2017

Dear Sirs,

**IFoA response to HM Treasury and DWP's Public financial guidance review: consultation on a single body**

1. The IFoA welcomes the opportunity to respond to this consultation. Members of the IFoA's Life and Pensions Boards have been involved in the drafting of this response. We have only provided comment on areas of the consultation where we have the specific expertise to do so.
2. The IFoA is supportive of the creation of a single body for providing financial guidance to consumers, and of the objective set out in the consultation paper. The remit of the single financial guidance body (SFGB) covers an appropriate range of financial issues. Offering customers a 'one-stop shop' for financial guidance should help to reduce confusion and increase engagement.
3. We are encouraged to see the Government acknowledging the work currently being done in the provision of pensions guidance. As we have previously noted, the current offering from The Pensions Advisory Service (TPAS) in particular provides excellent information for individuals, offering not only the one-hour Guidance Guarantee session but also providing 'all-round' pensions guidance, which helps to encourage consumers to take a holistic approach to their pension saving. Indeed TPAS's own figures show a 97% satisfaction rate amongst their customers in terms of their helpline calls and we would hope to see this satisfaction maintained by the SFGB.<sup>1</sup> We would hope that in creating a single body with the potential to be much more efficient and joined-up, specialist advice, for example on pensions guidance, is not lost. Effort should be made to ensure that the SFGB retains a sufficiently broad knowledge to cover all areas.
4. The decision that individuals have to make regarding their pension has become increasingly complex over recent years with the pensions freedoms leading to individuals taking less straightforward financial journeys in retirement. The removal of compulsory annuitisation will also mean that individuals need pensions guidance throughout retirement as drawdown is becoming more widely used. Awareness of the SFGB could be diminished if more traditional life stages are used as triggers and this could be improved by encouraging a focus across the whole of individuals' journeys, both before and after the point of retirement.

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<sup>1</sup> [https://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/56145\\_HC193\\_Web\\_Accessible.pdf](https://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/56145_HC193_Web_Accessible.pdf)

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5. These pensioner groups will also likely be at a disadvantage if the new service is overly web-based. As such we are encouraged to see the Government is considering a range of delivery channels for guidance. We recognise that online tools can be a simple and effective way of communicating sometimes complex financial information to individuals. Keeping the telephony option open for the delivery of pensions guidance seems sensible as there may be individuals in need information and guidance who do not use the internet, in particular those later in retirement.
6. It is important that a holistic approach is taken when considering targeted pensions guidance. Just as those already in retirement will need tailored information and guidance, many younger individuals could benefit from pensions guidance whilst saving for their retirement. This need may vary from cohort to cohort, as people in different age groups and circumstances will have varying needs and priorities. Guidance could be usefully harnessed as a way of encouraging those of working age to think about how to save for an adequate retirement income throughout their working lifetime.
7. We note that the consultation also makes no references to employers as a channel for delivery of pensions guidance, in spite of the fact that many individuals see their employer as the main conduit between themselves and their pension savings. An upcoming IFoA survey looking at attitudes towards pension saving tells us that 41% of those individuals who have made some effort to prepare for retirement have used information provided by their employer to do this.<sup>2</sup> The new SFGB could usefully work with employers to encourage them to act as a channel for distributing guidance on occupational pensions to staff at all life stages.

Should you want to discuss any of the points raised please contact [catherine.burtle@actuaries.org.uk](mailto:catherine.burtle@actuaries.org.uk) in the first instance.

Yours faithfully,



Fiona Morrison  
**Immediate Past President**

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<sup>2</sup> Full results will be published in spring 2017