



Institute  
and Faculty  
of Actuaries

# **Retirement Outcomes Review (CP18/17): Proposed changes to our rules and guidance (part 2)**

IFoA response to Financial Conduct Authority

6 September 2018

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

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to Government, policymakers, regulators and other stakeholders, in order to shape public policy.

Actuarial science is founded on mathematical and statistical techniques used in insurance, pension fund management and investment. Actuaries provide commercial, financial and prudential advice on the management of assets and liabilities, particularly over the long term, and this long term view is reflected in our approach to analysing policy developments. A rigorous examination system, programme of continuous professional development and a professional code of conduct supports high standards and reflects the significant role of the profession in society.



## Institute and Faculty of Actuaries

Adam Summerfield & Richard Wilson  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

6 September 2018

Dear Adam and Richard,

**RE: IFoA response to FCA's consultation CP18/17 Retirement Outcome Review: proposed changes to our rules and guidance.**

General Comments

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the FCA's consultation CP18/17 *Retirement Outcome Review: proposed changes to our rules and guidance*.
2. The IFoA is the UK's only chartered professional body dedicated to educating, developing and regulating actuaries based both in the UK and internationally and has around 32,000 members. The consultation has been considered and reviewed by our Pensions Board who have extensive experience of pension policy and assessing pension risk.
3. The IFoA believes it is important that people are able to make informed decisions about their retirement. The Freedom and Choice reforms introduced in 2015 make it easier for individuals to make decisions that lead to poor outcomes, as well as good. The overall policy aim should be to establish a framework that enables consumers to make informed choices about the options they face. Retirement information and access to suitable tools must be provided for a considerable period before significant retirement decisions.

Responses to consultation questions

**Q34: Do you agree with our proposals on 'wake-up' packs? If not, how should we change them?**

4. Yes.

**Q35: Do you agree with our proposal to mandate specific retirement risk warnings alongside 'wake-up' packs? If not, how should we change it?**

5. Yes, however we note the potential to lose the impact of providing a single page of A4 if the risk warnings are provided alongside the proposed 'wake-up' pack.

**Q36: Do you have any further comments on our proposals for retirement risk warnings?**

6. We support the proposals around risk warnings in written format. However, we believe the retirement risk warnings could be deployed more robustly, particularly when the adviser or

provider issuing the risk warnings over the phone or in person believes a customer's decision could cause them detriment e.g. a significant tax charge. The adviser/provider should point out where a potential tax bill may occur as a result of the customer's decision, without fear of straying into investment advice. The customer should also be encouraged to seek guidance and/or advice regarding any potential decision.

**Q37: Do you have any comments on our proposals for the reminder?**

7. We have no comment.

**Q38: Do you agree with our proposal to require firms to ask consumers questions that will help a consumer determine whether he or she is entitled to an enhanced annuity?**

8. Yes. Furthermore, the IFoA believes the FCA should consider making this a wider requirement for all consumers accessing their pension pot. A decision as to whether to take an annuity or not cannot be properly informed if a consumer does not know whether they are entitled to an enhanced annuity or not. Knowing what level of guaranteed income one is eligible for is a relevant factor for anyone considering their options for retirement.
9. More generally, it is important that the questions come with sufficient explanation so that people understand why they are being asked and how that information will be used, so that the questions are not just seen as being invasive (and subsequently ignored).

**Q39: Do you agree with our proposal to require that firms include information about the consumer's potential eligibility for an enhanced annuity in the quote for comparison?**

10. Yes.

**Q40: Do you agree with our proposal for amending the annuity information prompt requirements for income driven quotes? If not, how would you suggest we amend the information prompt to achieve our policy objective?**

11. Yes.

**Q41: Do you agree that key information should be summarised on the front page of KFIs?**

12. Yes.

**Q42: Do you agree that the summary information should show a one-year single charge figure expressed as a cash amount?**

13. Yes, particularly with the proposal that this figure should not include any first year discounts.

**Q43: Do you agree that information in KFIs should be presented in real terms (that takes account of inflation)?**

14. Yes.

**Q44: Do you agree that a KFI should be provided when a client is accessing drawdown as an option or variation under an existing contract or UFPLS option under an existing contract, and also the first time they take an income (where this happens later)?**

15. Yes

**Q45: Do you agree that firms should provide regular client communications for those who have withdrawn tax free cash but not taken an income?**

16. Yes, but only on an annual basis.

**Q46: Do you agree that firms should regularly remind consumers to consider reviewing their decisions, particularly investment choices, rather than reminding them how to obtain advice?**

17. Yes, but only on an annual basis.

Should you wish to discuss our response in more detail, please contact Henry Thompson, Policy Manager ([Henry.Thompson@actuaries.org.uk](mailto:Henry.Thompson@actuaries.org.uk)).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Taylor', with a long horizontal flourish extending to the right.

**John Taylor**  
**President-Elect, Institute and Faculty of Actuaries**