

## Regulator Assessment: Qualifying Regulatory Provisions

**Title of proposal:** Retirement income data requests

**Lead regulator:** FCA

**Date of assessment:** 21 October 2016

**Commencement date:** 1 June 2015

**Origin:** Domestic

**Does this include implementation of a Cutting Red Tape review?** No

**Which areas of the UK will be affected?** Whole of the UK

### Brief outline of proposed new or amended regulatory activity

The introduction of the new pension freedoms increased the FCA's need to collect data on the retirement income market for supervision, policy and competition purposes. The first data request went out in summer 2015 to all larger firms in the market and a sample of smaller firms, and was repeated quarterly until spring 2016 when the frequency was reduced to every 6 months. We now plan for the 6-monthly requests to continue until the end of March 2018. FCA will consult in November on whether to introduce new regulatory returns from April 2018 which would replace the data request. The proposed regulatory returns are covered by a separate impact assessment which is part of the consultation.

### Which type of business will be affected? How many are estimated to be affected?

The Retirement Income Data Request is completed by up to 59 firm groups composing around 95 individual firm entities. It covers all the large and medium-sized firms who are authorised to establish, operate and wind-up a personal pension scheme, and a sample of 1 in 5 of the smaller firms with this permission. We estimate it covers 95% of the DC personal pensions and retirement income market.

Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2015	1 June 2015	4	-2.4	0.6	£2.4m

## **Please set out the impact to business clearly with a breakdown of costs and benefits**

Firms included in the Retirement Income Data Request are expected to interrogate their systems to provide the required data, enter it into an excel spread sheet and then submit the data to the FCA. Large firms and large groups of firms, and particularly those with legacy back books, may have to collect and merge data from a number of different systems.

Smaller firms may find the request easier, particularly if they are only active in one part of the retirement income market (e.g. drawdown but not annuities).

Earlier this year firms were asked to provide us with a figure for the cost of completing an individual data request, including internal and external resources and excluding any one off costs. Firms used their own methodologies for the calculation. 34 firm groups were able to provide a figure, which we have used to estimate the costs for all 59 firm groups that complete the requests. Using this data the total cost for all firms to complete an individual request is estimated at £335,000. The table below sets out some of the detail of how we have calculated this estimate.

<b>Summary of calculation of cost of completing each data request</b>	<b>Small firms</b>	<b>Medium firms</b>	<b>Large firms</b>	<b>All firms</b>
Number of firm groups completing the RI data request	22	14	23	<b>59</b>
Average cost for completing an individual request for firm groups of this type (as reported by firms)	£1,700	£4,100	£10,000	
Estimated total cost of for all firms groups of this type completing an individual request	£37,000	£58,000	£240,000	<b>£335,000</b>

Firms were not expected to make system changes or give staff special training to complete the request, and we have not asked firms for estimates of one-off set up costs. To stop firms having cost to changing their system, some questions in the request were asked on a best endeavours' basis where we knew data may not be retrievable from their existing systems. In addition, substantial guidance was given to firms on how to provide the data and FCA staff were available by phone and email to answer firm queries.

Despite these measures though, firms are likely to have faced some one-off costs due to the extra time and resource required to familiarise themselves with the first request. We have estimated this one-off familiarisation cost to be 50% of the cost of completing a return (£168,000 for all the firms together).

We plan to send out 7 requests in total (3 in 2015/6; 2 in 2016/7; 2 in 2017/8). This gives a total cost over 3 years for all firms of £2.5m.

<b>Year</b>	<b>Annual total</b>	<b>Breakdown of costs</b>
2015	£838,000	One off costs for familiarisation: £168,000 Two requests: 2 x £335,000
2016	£670,000	Two requests: 2 x £335,000
2017	£670,000	Two requests: 2 x £335,000
2018	£335,000	One request: £335,000

<b>Total</b>	<b>£2.51m</b>	One off costs for familiarisation: £168,000 Seven data requests: 7 x £335,000
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**Please provide any additional information (if required) that may assist the RPC to validate the BIT Score.**

N/A