FINANCIAL CONDUCT AUTHORITY

Retirement Outcomes Review: feedback on CP18/17 and our final rules and guidance

Policy Statement
PS19/1

January 2019

This relates to

Consultation Paper 18/17 which is available on our website at www.fca.org.uk/publications

Please send any comments or queries to:
James Goodsell
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Telephone:
020 7066 1000

Email:
cp18-17@fca.org.uk

How to navigate this document

returns you to the contents list

takes you to helpful abbreviations

takes you to the previous page

takes you to the next page

prints document

email and share document

Contents

1 Overview

Introduction

1.1 The introduction of the Government's pension freedoms in 2015 provided more flexibility in how and when consumers can access their pension savings. Consumers using the freedoms are making potentially more complicated choices about their retirement.

1.2 In June 2016, we launched the Retirement Outcomes Review (ROR). We wanted to assess how the retirement income market was evolving following the introduction of the pension freedoms, address any emerging issues that might cause consumer harm and put the market on a good footing for the future.

1.3 In July 2017, we published our Interim Report (the Interim Report). It presented a range of potential remedies for discussion. Following this, we undertook further work to assess areas where there appeared to be poor consumer outcomes, focusing particularly on investment choices and charges in drawdown. In June 2018, we published our final findings (the Final Report).

Alongside the Final Report, we published CP18/17 – Retirement Outcomes Review: Proposed changes to our rules and guidance. The CP set out changes to protect consumers from poor outcomes, improve consumer engagement with retirement income decisions and promote competition. This Policy Statement (PS) sets out our response the feedback we received to CP18/17. It also sets out, in the Appendix, the final Handbook changes we are making following this consultation process. We explain where we have refined our approach to take respondents' views into account.

Who does this affect?

1.4 This PS will primarily be of interest to firms providing pensions, annuities and income drawdown.

1.5 Firms providing pensions will be interested in reading Chapter 2. Firms providing annuities will be interested in reading Chapter 3. Firms providing income drawdown will be interested in reading Chapter 4.

1.6 This PS will also be relevant to stakeholders with an interest in pension and retirement issues, including:

- individuals and firms providing advice and information in this area
- distributors of financial products, in particular, retirement income products
- asset management firms

- trade bodies representing financial services firms
- consumer representative groups
- charities and other organisations with a particular interest in the ageing population and financial services

Context

1.7 The pensions and retirement income sector provides a way for 34 million consumers to save for retirement or later life (accumulation), and to then convert their savings into retirement income (decumulation). The market is still evolving as providers adapt to pension freedoms. Defined Contribution (DC) pots are still relatively small for most current retirees and are often not their main source of retirement income. However, Defined Benefit (DB) schemes have been declining over a number of years and automatic enrolment has increased the number of people savings into DC pots. As a result, many consumers will rely increasingly on DC pots as a major source of retirement income over the medium and long term, alongside their state pension and any property wealth or other savings.

1.8 In CP18/17, which was published earlier this year, we consulted on proposals which covered:

- 'wake-up' packs, which are sent to consumers before they decide how to access their pension savings
- information provided to consumers about annuities and eligibility for enhanced annuities
- changes to make the cost of drawdown products clearer and more comparable

Summary of feedback and our response

1.9 We received 54 responses to the consultation, from the pensions industry and consumer groups. Overall, respondents supported our proposals in CP18/17. So we are proceeding largely on the basis on which we consulted, with some refinements in places to reflect the feedback and recent developments. For annuity prompts (Chapter 3), we have decided to include additional Handbook guidance setting out a number of major health and lifestyle areas about which firms may consider asking questions to decide eligibility. We are also clarifying our approach to the annual information which firms must send consumers in annual statements (Chapter 4). Firms will now be required to invite clients to consider reviewing their pension product choices and their investment choices, and consider the option of taking regulated advice or seeking independent guidance.

1.10 We would like to thank all respondents for their feedback.

Cost benefit analysis

1.11 In CP18/17 we set out detailed cost benefit analysis (CBA) of our proposed rules, as required by section 138I(2)(a) of Financial Services and Markets Act 2000. Whilst we received no substantive comments on the content of the CBA, 1 respondent did question the overall benefits of retirement risk warnings in relation to their costs (see paragraph 2.41). In our response, we consider that there is benefit to firms providing warnings to consumers earlier in their journey (see paragraph 2.47). In addition, whilst we have made some refinements to our proposals in this PS, we do not consider that these changes will significantly affect the figures set out in the CBA. We have therefore concluded that the CBA set out in CP 18/17 still applies.

Equality and diversity considerations

1.12 We have considered the equality and diversity issues that may arise from the final rules and guidance in this PS. Overall, we do not consider that they adversely impact any of the groups with protected characteristics ie age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

Next steps

1.13 The final rules and guidance are set out in the Appendix. The changes to 'wake-up' packs, retirement risk warnings and reminder changes (Chapter 2), and the annuity information prompt (Chapter 3) will come into force on 1 November 2019. Changes which cover making the cost of drawdown products clearer and comparisons easier (Chapter 4) will come into force on 6 April 2020.

Further consultation

1.14 Alongside this PS, we have published CP19/5. This sets out proposals covering the discussion questions in CP 18/17.

1.15 Stakeholders may separately want to respond to CP19/5, which closes on 5 April 2019. We will consider the feedback we receive on that consultation paper and publish our finalised Handbook text in a Policy Statement in July 2019.

2 Improving consumer engagement with retirement income decisions: 'Wake-up' packs, retirement risk warnings and reminders

2.1 We are aware of the risk of 'information overload' for consumers making complex choices about their pensions. We also know that, as shown in our Interim Report, many consumers do not make use of the information available to them. Therefore, guided by evidence from behavioural research, in CP18/17 we proposed changes to the disclosures given to consumers that were designed to make them more effective and have greater impact. The aim was to help consumers engage better with their retirement income decisions.

2.2 We proposed to:

- Introduce additional trigger points for the open-market options statement (commonly known as the 'wake-up' pack) to include a pack at age 50 and then every 5 years until consumers have fully crystallised their pension pot.
- Introduce a single page summary document into the 'wake-up' pack.
- Introduce additional retirement risk warnings ('risk warnings') alongside 'wake-up' packs.
- Prevent firms from including marketing material alongside the 'wake-up' pack and reminder information about the 'wake-up pack'.
- Strengthen the messaging in the reminder about the 'wake-up' pack to encourage consumers to access pensions guidance. The reminder tells consumers about the open market options available to them, and the availability of guidance, currently provided by Pension Wise.

'Wake-up' packs

2.3 Our existing requirements are set out in our Conduct of Business Sourcebook (COBS) at COBS 19.4.

2.4 A 'wake-up' pack is intended to give consumers timely, relevant and adequate information about their retirement options to enable them to make an informed decision. 'Wake-up' packs are typically provided to consumers 4 to 6 months before their intended retirement date. When a consumer asks for a retirement quotation more than 4 months before this date, a pack may also be provided. Information provided with the 'wake-up' pack cannot include an application form but must include:

- The Money Advice Service's (MAS) fact sheet 'Your pension: it's time to choose'.[1]
- A summary of the open market options which is sufficient for the consumer to make an informed decision.
- Any other information relevant to the consumer being able to exercise open market options.
- A clear and prominent statement about the availability of guidance from Pension Wise.[2]

Timing of the 'wake-up' pack

Our proposals

2.5 We also consulted on a clarification to our rules to ensure that every consumer must receive at least one 'wake-up' pack before accessing their pension savings. This was designed to cover consumers who transfer from a non-FCA regulated pension scheme to an FCA-regulated scheme to access their pension savings.

2.6 Many respondents to our Interim Report said that 'wake-up' packs should be sent to consumers earlier, and more often. We therefore consulted on introducing additional trigger points for the 'wake-up' packs given to consumers. This includes a 'wake-up' pack given at age 50 (to align with the age that consumers can access pensions guidance provided by Pension Wise), then again 4 to 10 weeks before age 55, and then every 5 years until consumers have fully crystallised their pension fund. The age of the consumer, and time to intended retirement, will determine the content of the 'wake-up' pack (see paragraphs 2.17-2.18 below).

Feedback received

2.7 Most respondents agreed that consumers should receive their first pack aged 50. Some respondents said that 50 was too early, or conversely that consumers should receive these earlier, perhaps as part of a mid-life MOT, to give them enough time to save more for their retirement.

2.8 Most respondents agreed with our proposals to provide 'wake-up' packs more often. However, some respondents said they wanted to provide them more frequently than we proposed. Some respondents said that consumers would receive too many communications in a short space of time under the proposals, because many people have pension savings with several pensions providers. A few respondents said our proposals should be more flexible. For example, they said it would be more helpful to link the frequency to the intended retirement date rather than to age, or to have a full pack available on an online portal for access at any time and just provide reminders at the trigger points.

2.9 Some respondents said that the packs would still remain long and complex under our proposals. Some respondents said that receiving a full 'wake-up' pack from the age

1 Or a statement provided by a firm that gives materially the same information (COBS 19.4.6R (1))
2 COBS 19.4.6R (4)

of 55 would make some consumers think they must access their pension savings, not realising that doing nothing may be a good option. One respondent said that, to counter this, consumers should receive the abridged 'wake-up' pack not just at age 50, but at each five-year interval until they start accessing their pension. A few respondents said tailoring packs to the consumer's age would increase costs for firms, so we should conduct further research before introducing the new packs, or monitor their effectiveness.

2.10 Most respondents agreed that all consumers should receive at least one 'wake-up' pack before accessing their money. One respondent said this would cause unhelpful delays when people tried to access their money.

Our response

2.11 As consumers can access pensions guidance at age 50, we consider it would be unhelpful to delay the first 'wake-up' pack any later than this. Firms can provide these packs sooner if they feel this would benefit consumers.

2.12 We consider that, if the trigger points were more flexible, some consumers would not receive the information they needed at the right times. For example, if the trigger was the intended retirement date rather than age, this would not take into account consumers whose intentions changed. This could mean consumers would not receive information at helpful intervals. Consumers may receive several communications in a short space of time, because they have pension savings with several providers. However, we consider that the benefit of receiving accessible information that enables consumers to make an informed decision about pensions options outweighs the inconvenience of multiple communications.

2.13 In CP 18/17 we completed a CBA to identify the cost to industry of our proposals (see paragraph 1.11) . This did not specifically separate the costs of age 50 'wake-up' packs from those produced for age 55 onwards. However, the age 50 and retirement 'wake-up' packs are abridged versions of the full pack. We would not, therefore, expect this change to result in a increase in costs. It could in fact indicate costs will be lower than we estimated in our CBA.

2.14 We consider that the amendments strike an appropriate balance, therefore they provide the necessary information and should help to keep consumers engaged. It is important that consumers have the information they need before they access their pension savings, so we have not adopted the suggestion to continue providing abridged packs beyond age 50. The change in messaging in the wake-up packs, from accessing funds to considering the available options, should manage any concerns that people will feel compelled to act by the additional disclosures.

2.15 Our requirements are based on behavioural evidence so we do not intend to conduct further testing.

2.16 We accept that the requirement to provide a 'wake-up' pack before consumers access funds may cause a delay. But we consider this necessary to prevent harm that would otherwise occur from consumers not being fully informed about the options for accessing their pension savings.

Content of the 'wake-up' pack

Our proposals

Single page summary document

2.17 We consider that consumers should receive only the most relevant information at each trigger point for the 'wake-up' pack. For example, if consumers are given too much information about accessing pension savings at age 50 this may inadvertently increase their confusion.

2.18 So we proposed that the 'wake-up' pack' at age 50 should only consist of the single page summary document (limited to one side of A4 if printed), which sets out key information. 'Wake-up' packs provided at every other trigger point should include a single page summary document.[3]

Money Advice Service Factsheet

2.19 We proposed continuing to require firms to include the MAS factsheet, or a statement containing materially the same information, in every 'wake-up' pack from the age of 55.

Other information to help consumers make informed decisions

2.20 We proposed that firms should disclose, separately from the 'wake-up' pack, any other information that would enable consumers to make an informed decision about accessing their pension savings. We proposed guidance to ensure that, where firms choose to do this, any other information they provide does not distract the consumer from the single-page summary document.

Marketing material

2.21 We proposed to ban firms from including marketing material in the 'wake-up' pack. This extends the existing requirement that prevents the inclusion of a pension application form in the 'wake-up' pack.

Feedback received

Single page summary document

2.22 Most respondents agreed with our proposals for the single-page summary document, but several suggested additions or amendments to the information to be included. These included adding a signpost to advice if the consumer has safeguarded benefits, projected future income based on fund size, employer name, a standard saving target, a reminder to update their pension provider if anything changes, and replacing the contribution rate with the contribution amount. One respondent said the information would not fit on one page. Several respondents said that we should establish a working group to develop a template for consistency.

2.23 For the 'wake-up' packs after age 50, one respondent said the summary document would discourage consumers from reading the rest of the 'wake-up' pack.

Money Advice Service Factsheet

2.24 Most respondents agreed with our proposals to include the MAS factsheet. A few raised concerns about its length. They said that, as it is quite long, we should not

3 Referred to by some as a 'Pensions Passport' (including the Work and Pensions Committee)

continue to include it in the 'wake-up' packs, as they felt it may further disengage consumers. Alternatively, they suggested we should combine some of the additional disclosures from the 'wake-up' pack and the MAS factsheet.

Other information to help consumers make informed decisions

2.25 Most respondents broadly supported our proposals for other information. Some queried the overlap between information on open-market options and marketing material (see 2.26 below).

Marketing material

2.26 Most respondents agreed broadly with our proposals for marketing materials. Several asked for additional guidance about what counts as 'marketing material'. Some said we should not exclude this type of information because firms need to be able to tell consumers what options they provide.

Other points raised by respondents

2.27 Several respondents said that the 'wake-up' packs should signpost consumers towards advice, and the advice allowance. Several respondents made suggestions about how to make the packs more engaging and accessible. They said the packs should be reframed to be more positive, that the language used needed to be clear and jargon-free, and that our rules should allow 'wake-up' packs to be provided electronically.

Our response

Single page summary document

2.28 We have updated our requirements for the single page summary document to include client name, and contribution amount rather than rate.

2.29 The risk warnings already include signposts to advice when a fund is associated with safeguarded benefits, so we have not amended the summary to include this information. We have not included a projected future income or savings targets as we consider this could cause confusion for consumers. We have not prescribed a template. However, industry could develop one if they wish. Research showed consumers have heightened engagement with the pack after reading the summary document, demonstrated by an increased volume of calls to Pension Wise. So we do not consider that the summary acts as a disincentive to reading the rest of the content.

Money Advice Service Factsheet

2.30 The MAS factsheet contains important information for consumers, and we are working with MAS to review this information. We consider that the current rules, which require firms to provide either the factsheet or the same information, give firms flexibility, so we have decided not to require that the disclosures (the single page summary and risk warnings) and the factsheet are amalgamated.

Other information to help consumers make informed decisions

2.31 We are proceeding with the proposals as consulted upon.

Marketing material

2.32 We have clarified what counts as marketing material, and therefore should not be included with the packs. The new rule covers financial promotions, which includes all marketing materials and application forms. We consider that allowing other materials to be included distracts consumers from the key information and adds to the volume of materials they receive, undermining our policy intention.

Other points raised by respondents

2.33 The MAS factsheet, provided within the 'wake-up' packs from age 55 onwards, includes signposts to advice. The pensions advice allowance is prominently advertised.[4] We consider that the framing of the packs is appropriate. We agree that the language used should be clear. Firms should note that our rules require firms to provide information in a durable format, which needn't be paper-based.

Retirement risk warnings

2.34 Our existing requirements are set out in COBS 19.7. Once consumers have decided (in principle) how to access their pension savings, firms must give them appropriate risk warnings.

Our proposals

2.35 Respondents to the Interim Report said that risk warnings have little impact because consumers get them after they have made their decisions. This view is supported by independent research.[5]

2.36 We proposed that each 'wake-up' pack should contain generic risk warnings, limited to a single side of A4. We proposed that firms should use their judgement about what risk warnings would be most helpful, using information they already hold about the consumer if available. We said that firms would need to disclose the key assumptions they used to decide which warnings were appropriate. We proposed guidance about the risk factors that firms should think about when making this judgement.

2.37 We also proposed that a specific risk warning should be included in the 'wake-up' packs received between the ages of 55 and the intended retirement date. This is a clear, prominent statement saying that accessing the pension fund at that point may not be the best option.

Feedback received

2.38 Most respondents broadly supported our proposals for risk warnings and said that generic risk warnings would be helpful.

2.39 A few respondents said it would be difficult to fit the warnings onto a single sheet of A4. Others suggested that additional warnings should be included, for example about pension scams and tax implications of any decisions. One respondent asked whether firms had to include information on the assumptions they used to generate the warnings on the single side of A4.

2.40 Several respondents said that warnings should be consistent across providers and suggested that the FCA, Pension Wise or industry should coordinate efforts to

4 See, for example, the box at the bottom right of p31, Money Advice Service 'Your Pension: It's time to choose'
5 Fewer than 2% of consumers reported having altered their plans as a result of receiving a risk warning https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/DrawingPension.pdf#page=2

produce industry-wide warnings. Some asked us to mandate warnings, or provide more guidance about what to include. A few respondents said the warnings should be succinct, written in plain English and presented in a way that made them more engaging for the consumer.

2.41 Several respondents said that firms have limited, outdated and inconsistent information on consumers so it would be difficult for them to judge what warnings would be helpful or appropriate. They said the different information held by different firms would cause confusion because different providers would give different warnings. Another asked whether the cost of producing generic risk warnings was justified.

2.42 Some respondents said the warnings should be integrated into the 'wake-up' pack rather than being supplementary to it. One said the existing warnings should be removed before new ones are introduced.

2.43 Most respondents supported our proposal for a specific risk warning to consumers that accessing their pension fund at that point may not be the best option. A few said that if it was sent by the pension provider then consumers would still see it as a barrier to accessing their money. A few said this warning should continue to be provided until consumers had finished drawing down their funds, should be framed to discourage people from cashing in their pension, or should be expanded to explain why the consumer shouldn't access their money at that point.

Our response

2.44 We are proceeding with our proposals largely as set out in CP18/17 but with additional guidance to help firms prioritise the warnings. We have also provided clarification for firms that the current value of the fund should not include any deductions, such as exit charges, and firms should highlight this to the consumer.

2.45 The information about the assumptions firms use to generate the warnings can be provided separately to the single side of A4. Our guidance set out the sorts of factors firms should consider but as long as they fit onto a single side of A4 firms can add additional warnings if they decide this is appropriate.

2.46 We agree that the warnings should be presented in a way that will be clear and engaging for the consumer, and encourage firms to think about how best to do this. Our rules do not prevent industry developing a template. We agree that the tax implications of any pensions decisions are important, and our guidance in COBS 19.7.12 G includes tax implications. We do not consider it would be helpful to mandate the wording of, or which generic risk warnings should be given, as this would prevent firms from producing warnings appropriate to their consumer base.

2.47 Where firms know the information they hold may be outdated and they are not sure whether a risk warning is relevant, our rules require them to give the risk warning. We do not consider that consumers will find it confusing to receive different warnings from different firms because their pensions are unlikely to be the same across providers. We consider that there is benefit to firms providing warnings to consumers earlier in their journey.

2.48 We do not consider that integrating the generic risk warnings into existing communications will improve consumers' comprehension or engagement. The information firms must provide is the minimum necessary for consumers to make informed decisions. Therefore, though evidence shows some of the disclosures have a limited impact on consumers overall, if consumers do not have this information they are more likely to be unable to make informed choices. Rather than remove existing disclosures, the focus should be on making communications more engaging.

2.49 We know many consumers see the risk warnings they get when they access pension savings as a barrier. We consider that specific warnings, provided when they are not attempting to withdraw funds, are a different situation. We believe that consumers will too. Therefore, we think it unlikely that consumers will view the specific warning as a barrier. We do not consider that the specific risk warning should be given until consumers have finished drawing down their funds, nor that that the warning should be framed to discourage people from accessing their pension. Accessing the fund may be the right option for the consumer.

2.50 If the required risk warnings would exceed a single side of A4, we will allow firms to decide which warnings are the most important and prioritise these so that they are not longer than this.

Reminder about the 'wake-up' pack and pensions guidance

2.51 Our existing requirements are set out in COBS 19.4.9R and COBS 19.4.10R.

2.52 Firms must send a reminder about the 'wake-up' pack that includes the sum of money available to the consumer to exercise their open market options, the fact that Pension Wise provides guidance, and that recommends that consumers seek guidance or advice. This must be sent at least 6 weeks before the consumer's intended retirement date.[6]

Our proposals

2.53 As DC pensions become more common, the numbers of non-advised consumers making complex decisions about pension savings will increase. Increasing the uptake of pensions guidance (currently provided by Pension Wise) should enable better consumer decision-making in this non-advised group. We proposed changes to the reminder about 'wake-up' packs to include a clear, prominent recommendation to use the pensions guidance, and a statement that appointments with Pension Wise are available. We also proposed that marketing material for a pension decumulation product should not be included with the reminder.

Feedback received

2.54 Most respondents agreed with our proposals for the reminder. Some respondents suggested changes, including specifying the format or requiring consumers to opt-out of pensions guidance.

2.55 Some respondents misinterpreted our proposals. Several respondents thought we wanted firms to tell consumers when the next available appointment was. One respondent thought we wanted to remove references to advice.

6 COBS 19.4.9R

2.56 Several respondents said that Pension Wise would not be able to manage the increased demand for appointments, and consumers would have to wait as a result.

Our response

2.57 We are proceeding with our proposals.

2.58 We do not intend to specify what format industry should use because we consider that the content of the reminder is more important. If industry wish to develop a template to ensure consistency in the presentation of information, they can do so.

2.59 The Financial Guidance and Claims Act 2018 requires us to make rules for pension providers. These ensure that consumers have received appropriate pensions guidance or opted out of receiving guidance before they proceed with an application to access or transfer pension savings. We will test potential approaches with Government and the Single Financial Guidance Body and will consult on rule requirements in due course.

2.60 Our changes do not require firms to remove references to advice. Nor will firms need to tell consumers when the next available appointment is. They will merely need to state that one is available.

2.61 On the availability of Pension Wise appointments, we have consulted with Pension Wise who are taking account of the expected increase in take-up of pensions guidance as part of their business planning.

3 Improving consumer engagement with retirement income decisions: annuity information prompt

3.1 Our previous Thematic Review on Annuities found that 39% – 48% of consumers who bought a standard annuity from their existing provider may have been eligible to buy an enhanced annuity. So in our Interim Report on ROR we asked if eligibility for enhanced annuities should be raised earlier in the consumer journey. Many respondents agreed that we should introduce measures aimed at raising consumer awareness in this area.

3.2 In CP18/17 we consulted on changes to our annuity information prompt rules including:

- requiring firms to assess a consumer's potential eligibility to buy an enhanced annuity and use this information to generate a market leading quote
- amending the information prompt requirements where firms provide consumers with income-driven, rather than purchase-price driven, quotes

Eligibility for enhanced annuities

3.3 Enhanced annuities potentially provide a significantly higher level of annuity income for consumers with lifestyle or medical conditions that reduce their life expectancy.

3.4 The annuity prompt requirements, set out in COBS 19.9, came into force in March 2018. The rules require firms to give their pension annuity quote in a prescribed template when they provide a consumer with a guaranteed quote for a pension annuity. If the highest quote is the market-leading quote, rather than the firm's own quote, the disclosure must include a visual comparison of the difference in the annuity income between the 2 quotes. Our rules also require firms to set out additional information about enhanced annuities, in particular that the consumer may be eligible to buy one.

Our proposals

3.5 In CP18/17 we set out our proposals for how we intend to improve the effectiveness of the information prompt for consumers who are potentially eligible to buy enhanced annuities. We proposed to:

- require firms to ask those consumers who express an interest in buying an annuity, questions to decide whether they are potentially eligible to buy an enhanced annuity
- require firms to use the enhanced annuity information, where relevant, to generate a market-leading annuity quote
- amend the information requirements in the annuity comparison template to remove the additional narrative that refers to enhanced annuities

Feedback received

General comments

3.6 Most respondents agreed with our proposal that firms should be required to ask consumers questions to help them determine whether they are eligible to buy an enhanced annuity. Most respondents also agreed with our proposal to require firms to include information about the consumer's potential eligibility for an enhanced annuity in the quote for comparison (or 'market leading quote').

Detail of questions

3.7 While there was significant support for our proposals, some respondents raised practical issues about the level and detail of the enhanced annuity questions they will be required to ask. Some respondents drew a distinction between questions needed to decide whether a consumer may be eligible for an enhanced annuity and questions needed to generate a market leading comparative quote for consumers who are eligible for an enhanced annuity (with associated higher costs).

3.8 Some respondents noted that a basic set of health questions, while helping to screen for eligibility, would not be enough to secure the best enhanced annuity income. This would require in-depth questions or even a full medical questionnaire. Another respondent suggested that if firms that only offer standard annuities were required to ask the detailed questions needed to start an underwriting process, it could lead to firms withdrawing from the annuity market.

3.9 One respondent suggested that a two-stage process should be used, where eligibility is established first, with further questions then asked to get a market leading quote. Some respondents also said that much of the market already uses an industry retirement health questionnaire, so this should be used as the standard for all firms. Respondents did point out that the level of detail in this common standard was far greater than that used by the MAS Annuities Comparator Tool. This could mean that when consumers go to providers based on the information in the MAS tool, the annuity income quoted could change once they disclose full information.

3.10 Some respondents asked a more general question about whether we would provide guidance or a set of questions for firms to ask, or would mandate minimum standards on how firms establish potential eligibility for an enhanced annuity.

3.11 One respondent also said that our current proposals appeared to force firms to provide their own guaranteed quote for an enhanced annuity. Another suggested that firms that do not offer enhanced annuities should only have to alert savers that they may be eligible for an enhanced annuity and provide links to further information, such as the MAS Annuities Comparator Tool.

Data protection

3.12 Several respondents were concerned that the questions could mean some firms ended up holding sensitive information. They said it is important that consumers understand why they are being asked the questions and the benefit of answering truthfully. One respondent flagged the increased risk of complaints, especially for firms with no experience of enhanced annuities. Another respondent said that consumers tend to under-report health conditions and other factors that may be beneficial to them to get a better annuity rate, and so it is important for firms to bring this clearly to the consumer's attention when asking questions.

Alternative suggestions

3.13 One respondent suggested that firms that do not provide enhanced annuities should be able to signpost consumers to firms that do provide them as a route to meeting their needs.

3.14 Two respondents suggested an alternative approach of providing hypothetical examples to consumers of the potential uplifts in income if they smoked or had a health condition.

Our response

3.15 We are proceeding with our proposals in CP18/17 with a few amendments, as summarised below. We consider that these changes support our policy intention to make consumers aware of enhanced annuities and to encourage them to shop around for a better deal.

3.16 We do not consider that it would be appropriate for us to give firms a set of questions to ask consumers to establish eligibility for an enhanced annuity. However, following feedback, we are adding guidance at COBS 19.9.6B G. This will set out a number of major health and lifestyle areas that firms may consider asking questions on to assess eligibility.

3.17 This list is not exhaustive, nor does it set a minimum level. Firms can ask more detailed questions if they wish. The factors listed are based on the current set of questions that the MAS Annuities Comparator Tool asks, although we recognise that these may change over time. It remains firms' responsibility to ask sufficient questions to establish eligibility and generate a market-leading enhanced annuity quote. There is also text in the prompt which will direct consumers to the MAS tool so that they can get further information.

3.18 It should be noted that the market-leading comparison provided is not a guaranteed quote; the actual rate that the consumer receives from the firm providing the market leading quote may be different. To reflect this, we will remove the wording in the information prompt text that states that the comparison quote is guaranteed.

3.19 On the data protection issues raised, COBS 19.9.6A R(3) sets out requirements about firms' use of data, so we do not consider that further changes are necessary. For the issue of consumers' under-reporting of relevant information, we also consider that no changes are needed as it is sufficient that firms ask consumers appropriate questions and then act on that information.

3.20 On the alternative suggestions, we consider that our final rules and guidance, with the amendments outlined above, will provide consumers with further benefits and provide a proportionate approach to achieving our policy intention.

Income-driven annuity quotes

3.21 Our existing rules on the information prompt were not designed to compare income-driven annuity quotes. This is where a consumer is looking for a particular level of income and wants to know how much that will cost. For these requests, the information prompt as introduced did not provide a helpful comparison. This is because firms are only required to compare the amount of income that would be provided, rather than the cost of providing that income.

Our proposals

3.22 We also proposed that, where firms are providing income-driven quotes, they use different information templates so that the information prompt clearly depicts the difference in purchase price rather than the income.

3.23 We also proposed amending the information prompt requirements to highlight to consumers circumstances where the firm's own quote (or a market-leading quote) offers the lowest cost for the requested income.

Feedback received

3.24 One respondent highlighted that not every firm can fulfil requests for quotes driven by a specified level of income rather than by the size of the pension fund. This would mean excluding some providers from a comparison, even though they may be able to provide the underlying annuity product. Another respondent suggested that firms could currently disclose a prompt that 'you may be able to provide your income requirement for a cheaper purchase price by shopping around' and that this could be sufficient for income-driven quotes.

3.25 One respondent suggested that consumers looking for an income-driven quote were likely to be better informed and already shopping around. Therefore, there was less need for this change.

3.26 Another respondent questioned whether we would allow for firms to give the consumer's name and reference details in the quote.

Our response

3.27 We are proceeding with the proposals as set out in CP18/7. We are making a technical amendment to COBS 19.9.7 R(7) and to the template in Part 5 of COBS 19 Annex 3R to clarify the requirements for income driven quotes where a guaranteed annuity rate applies.

3.28 If a consumer is seeking an income-driven quote and a firm does not provide guaranteed quotes on that basis, then it will not be able to generate a guaranteed quote and the requirements will not apply. It is a commercial decision for annuity providers to decide if they quote on an income-driven basis.

3.29 Although we appreciate that consumers seeking such a quote may be better-informed, we consider that our approach is likely better to highlight the potential uplift from shopping around and is therefore appropriate.

3.30 There is no reason why firms cannot include details of the consumer on a quote provided.

4 Promoting competition by making the cost of drawdown products clearer and comparisons easier

4.1 In CP18/17, we consulted on changes to the information firms give consumers who are entering pension drawdown or taking an income for the first time, including uncrystallised funds pension lump sum (UFPLS) payments. We proposed to require that:

- a Key Features Illustration (KFI):
  - includes key front page summary information
  - includes a one-year single charge figure in pounds and pence ('cash terms') within the summary
  - presents information that takes inflation into account (figures in 'real' terms rather than 'nominal' terms)
  - is given to consumers who are using an existing contract to move funds into drawdown or taking an income for the first time, including UFPLS payment
- communications to clients (ongoing information):
  - no longer mention the option of getting advice, but include text on reviewing decisions and investments, and the need to consider a review of the pension decisions they have made
  - are given to consumers who have not taken an income

4.2 We are proceeding with the proposals, with the further clarifications set out below.

4.3 In response to questions raised, our rules do not prevent firms from preparing an additional KFI in nominal terms on request. Further, our rules will not require consumers to confirm they have received the KFI, but will require a KFI even if the fund is fully encashed (as the KFI will include important information about charges).

Drawdown information

4.4 Currently, firms must provide consumers with a KFI in a new contract when they enter drawdown. However, when consumers vary an existing contract or exercise a drawdown option, our rules only require firms to provide information that is necessary for the consumer to understand the consequences of the variation. They do not require firms to provide detail on charges when consumers are in drawdown.

Our proposals

4.5 We proposed amending our rules to improve how key information in the KFI is presented, so that it includes key front page summary information. This front-page summary will bring forward key information already detailed throughout the KFI to make it more prominent. We considered that making these key elements more prominent should help consumers engage.

4.6 Key elements of the front page summary include figures about charges being presented as a cash amount (in pounds and pence). Research has shown that this presentation is the best at helping consumers assess the cost of drawdown. We also proposed that firms should present drawdown KFIs using calculations in real terms. Real term calculations present future outcomes in terms of what money would buy today. This makes projections of future annual income directly comparable with the purchasing power of people's current income. This approach would not prevent firms from providing, on request, an optional, additional KFI prepared in nominal terms.

4.7 We proposed to require firms to provide a KFI when a consumer uses an existing contract to move funds into drawdown, withdraws pension income for the first time (if this happens later), or withdraws an UFPLS payment. We want to ensure that consumers receive the same information whether they are using an existing or new contract to enter pension drawdown, or taking pension income using different methods.

Feedback received

4.8 Overall, there was wide support for our proposals, and no significant objections. However, we were asked to clarify some minor issues, such as when firms need to disclose tax consequences or a consumer's cancellation rights. We clarify these minor issues in our response below.

4.9 Some respondents were concerned that there could be duplication and that the summary would extend the length of KFIs resulting in too much information. Several respondents thought it would be useful for us to do further consumer testing and research on the KFI's effectiveness.

4.10 Most respondents agreed with cost disclosure as a cash amount, accepting that percentages were hard for most consumers to understand. Respondents also suggested we use the phrase 'first year charge figure' rather than '1 year charge figure'.

4.11 Most respondents agreed with the use of inflation-adjusted real terms figures in the KFI. Respondents felt that taking a consistent 'real terms' approach to both the accumulation and decumulation markets was helpful. They also felt it would avoid giving an advantage to providers who only provide figures in nominal terms.

4.12 Most respondents agreed that firms should provide consumers with a KFI when they access drawdown or income as an option or variation. One respondent disagreed with the need for a KFI for every one-off UFPLS. They felt this could delay payments if the consumer needs to confirm they have received the KFI. Another respondent did not think that a KFI should apply if the consumer withdraws all of their pension funds as cash.

Our response

4.13 In response to comments made by respondents, we can clarify that:

- The 'Key facts' logo should appear at the top of the summary page.

- A summary is required if a KFI forms part of the Key Features Document. This is an unlikely event as such KFIs would be generic and we would not expect them to be considered appropriate for drawdown.
- As suggested by a respondent, the KFI will use the phrase 'first year charge figure' rather than 'one year charge figure'.
- A KFI is required for the first UFPLS, but not for each subsequent UFPLS. However, as much information as is necessary to understand these is required.
- If relevant, firms will need to provide information about the tax consequences of choosing to withdraw on a certain date.
- If the consumer withdraws the whole pot, then a KFI is still required to explain charges. However, the summary and a projection in the KFI is not required.
- A consumer's cancellation rights are not affected by the provision of the KFI.

4.14 To provide additional clarity, we can also confirm that:

- the summary should show the client's age at which the fund is projected to reduce to nil, if relevant (see the examples in Annex 2 of this PS)
- our rules do not stop a firm from disclosing on the summary page the charges in percentage terms as well as in cash terms, either voluntarily or in response to a client's request
- there is no requirement to disclose transaction costs in the KFI

4.15 In response to the requests for clarification of this policy, to show how the requirement to provide a summary key information page may be applied in practice we are providing two examples in this PS. As with the example given in CP18/17, both examples are based on an investment of £80,000 that has regular monthly withdrawals. One example assumes tax-free cash is withdrawn. We also provide another example that assumes tax-free cash is not taken. Although we have provided these examples, firms are free to use their own wording. Please see Annex 2 for these examples.

Communication to clients (ongoing information)

4.16 Firms are currently required to give clients who have taken an income, at intervals no longer than 12 months, enough information to review their decision to make income withdrawals, and to tell them how to get advice.

Our proposals

4.17 We also proposed amendments to the ongoing information that firms send consumers. Where clients have taken tax-free cash only, but no immediate income, we found some firms did not provide comprehensive information about charges or investment returns, annually or otherwise. Without ongoing information about charges and investment returns, we consider that these consumers cannot easily review their drawdown decision.

4.18 So we proposed to require firms to provide regular communications for consumers who have not taken an income

4.19 We also proposed to replace the requirement to give information about advice, with a requirement to mention in regular information the need for the consumer to consider a review of their pension decisions.

4.20 This proposal reflected the fact that it will not necessarily be in the best interests of those consumers with comparatively small sums invested in their pension pots to get and pay for advice. However, we considered that there was value in requiring firms to remind consumers to consider reviewing their decisions and investment choices, especially if their circumstances and retirement objectives have changed.

4.21 By requiring this additional information, and enabling more effective, informed shopping around, we aimed to increase competition between firms. With increased competition for consumers, there would be an incentive for firms to improve their product offerings.

Feedback received

4.22 Most respondents agreed that this ongoing information should be provided to consumers who have not taken an income, perhaps as part of an annual statement. Several respondents disagreed with the proposal to remove wording that refers to the possible benefits of advice. Although not suitable for everyone, advice was considered likely to be useful for some consumers. Several respondents also suggested that the option of seeking out 'available guidance' should be mentioned.

Our response

4.23 We are proceeding with the proposal. However, we are clarifying our approach to the ongoing information we want firms to send consumers in annual statements, to take account of the feedback received. Firms will now be expected to invite clients to consider reviewing their pension product choices and their investment choices, and consider the option of taking regulated advice or seeking guidance.

Annex 1
List of non-confidential respondents

Aegon

Age Partnership Group Ltd

Age UK

AMPS

Aon

Association of British Insurers

B&CE

Barnett Waddingham

Centre for Ageing Better

Chartered Insurance Institute

Curtis Bank

Dustan Thomas

Evalue

Smaller Business Practitioners Panel

Fidelity International

Financial Services Consumer Panel

George Davenport

Institute and Faculty of Actuaries

IRESS Limited

James Hay Partnership

JLT

Just Group

LEBC Group Ltd

Legal and General

Low Income Tax Reform Group

LV=

Michael J Field Consulting Actuaries

Nucleus Financial Group

Old Mutual Wealth

Personal Investment Management & Financial Advice Association (PIMFA)

Prudential

RBS

ReAssure

Retirement Line

Richard Parkin Consulting

Secure Pension Solutions

St James's Place Wealth Management

Standard Life

State Street Global Advisors

The Investment Association

The Pensions Advisory Service

The Society of Pension Professionals

Tax Incentivised Savings Association

Trades Union Congress

True Potential Investments LLP

Vanguard Asset Management

Willis Tower Watson

Xafinity

Zodus

Annex 2
Key information summary

KFI key information summary (Example A)

Based on an investment of £80,000 (with 25% tax-free cash withdrawn) and inflation-linked monthly withdrawals by a 62-year-old client

Summary Information	
Term length	Stop date/end of term/ indication of term length unspecified
Tax-free cash	£20,000
Amount remaining for drawdown investment	£60,000
Withdrawals Total amount withdrawn annually (as regular monthly withdrawals) [This amount will increase each year in line with inflation] One off	 £4,200 p.a. (£350 p.m.) £0
What your fund value might be worth Based on the withdrawals assumed above that start on [date] and assuming that your investments grow at 2.5% a year above inflation For more details, see the 'income drawdown – here's what you might get' *section, page x • at the end of year 5 your plan might be worth • at the end of year 10 your plan might be worth • your fund will run out before you are	 £43,700 £25,800 Aged 82
Each year charges will reduce the assumed annual growth rate of your plan, after inflation, by: So if, over the term of your plan, your fund grows annually by 2.5% above inflation, this yield (investment return) would reduce to 1.8% p.a. after charges. For more details, see 'how charges can affect your plan', page x	**0.7% p.a.** You can use this 'reduction in yield' figure to compare different providers
Comparison information For comparison purposes the first year charge figure is: For more details, see 'how charges can affect your plan', page x	 £378

KFI key information summary (Example B)

Based on an investment of £80,000 (with no tax-free cash withdrawn) and inflation-linked monthly withdrawals by a 62-year-old client

Summary Information	
Term length	Stop date/end of term/ indication of term length unspecified
Tax-free cash	£0
Amount remaining for drawdown investment	£80,000
Withdrawals Total amount withdrawn annually (as regular monthly withdrawals) [This amount will increase each year in line with inflation] One off	 £4,200 p.a. (£350 p.m.) £0
What your fund value might be worth Based on any withdrawals assumed above that start on [date] and assuming that your investments grow at 2.5% a year above inflation For more details, see the 'income drawdown-here's what you might get' *section, page x • at the end of year 5 your plan might be worth • at the end of year 10 your plan might be worth • your fund will run out before you are	 £65,600 £49,800 Aged 89
Each year charges will reduce the assumed annual growth rate of your plan, after inflation, by: So if, over the term of your plan, your fund grows annually by 2.5% above inflation, this yield (investment return) would reduce to 1.8% p.a. after charges. For more details, see 'how charges can affect your plan', page x	**0.7% p.a.** You can use this 'reduction in yield' figure to compare different providers
Comparison information For comparison purposes the first year charge figure is: For more details, see 'how charges can affect your plan', page x	 £509

Annex 3
Abbreviations used in this paper

CBA	Cost Benefit Analysis
CP	Consultation Paper
COBS	Conduct of Business Sourcebook
DB	Defined Benefit
DC	Defined Contribution
FCA	Financial Conduct Authority
KFI	Key Features Illustration
MAS	Money Advice Service
PS	Policy Statement
ROR	Retirement Outcomes Review
SMPI	Statutory Money Purchase Illustration
UFPLS	Uncrystallised Funds Pension Lump Sum

We have developed the policy in this Policy Statement in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

Appendix 1
Made rules (legal instrument)

CONDUCT OF BUSINESS SOURCEBOOK (RETIREMENT OUTCOMES REVIEW) INSTRUMENT 2019

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137A (The FCA's general rules);
(2) section 137T (General supplementary powers); and
(3) section 139A (Power of the FCA to give guidance).

B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 November 2019, except for Part 2 of Annex B, which comes into force on 6 April 2020.

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Conduct of Business Sourcebook (Retirement Outcomes Review) Instrument 2019.

By order of the Board
24 January 2019

Annex A

Amendments to the Glossary of definitions

Comes into force on 1 November 2019

Insert the following new definition in the appropriate alphabetical position.

pension commencement lump sum	has the meaning in Part 1 of Schedule 29 to the Finance Act 2004. [Note: http://www.legislation.gov.uk/ukpga/2004/12/schedule/29/part/1]

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Part 1: Comes into force on 1 November 2019

19 Pensions supplementary provisions

…

19.4 Open market options

Definitions

19.4.1 R In this section:

(1) 'fact sheet' means the *Money Advice Service* fact sheet ~~"Your pension: it's time to choose" available on www.moneyadviceservice.org.uk~~ or a statement provided by a *firm* that gives materially the same information;

(1A) '*Money Advice Service* fact sheet' means the guide "Your pension: it's time to choose", available on www.moneyadviceservice.org.uk;

…

(4) 'open market options statement' means the information specified in *COBS* ~~19.4.6R~~ 19.4.6AR, provided in a *durable medium*, to assist the *retail client* to make an informed decision about their open market options;

…

(7) 'reminder' is the requirement in *COBS* 19.4.9R to remind the *retail client* about the open market options ~~statement; and~~ statement and the availability of *pensions guidance*;

(7A) 'retirement risk warnings' are the warnings required to be given to a *retail client* in accordance with *COBS* 19.4.8ER(2);

(8) 'signpost' is the requirement in *COBS* 19.4.16R to provide a written or oral statement encouraging a *retail client* to use *pensions guidance* or to take regulated advice to understand their options at retirement; and

(9) ‘single page summary document’ is a *document* produced by a *firm* that contains the information specified in *COBS* 19.4.6CR.

Application

…

19.4.3 G This section specifies the circumstances where a *firm* must:

…

(3) provide information to enable a *retail client* to make an informed decision about how to access their pension savings ~~at their intended retirement date and beyond~~; ~~and~~

(4) remind a *retail client* about their open market options; and

(5) provide appropriate warnings about the risks generally associated with the *retail client’s* options for accessing their pension savings.

Purpose

19.4.4 G The purpose of this section is to ensure that *firms* provide *retail clients* with timely, relevant and adequate information:

(1) to enable them to make an informed decision about their options for accessing their pension savings ~~at their intended retirement date and beyond~~; and

…

Open market options statement

When?

19.4.5 R ~~(1)~~ ~~A *firm* must give a *retail client* an open market options statement:~~

~~(a)~~ ~~if a *client* asks a *firm* for a retirement quotation more than four *months* before the *client’s* intended retirement date;~~

~~(b)~~ ~~if a *firm* does not receive such a request for a retirement quotation, between four and six *months* before the *client’s* intended retirement date; or~~

~~(c)~~ ~~if a *retail client* with open market options tells a *firm* that he or she is considering, or has decided:~~

~~(i)~~ ~~to discontinue an income withdrawal arrangement; or~~

~~(ii) to take a further sum of money from his or her pension to exercise open market options;~~

~~unless the *firm* has given the *client* such a statement in the last 12 *months*.~~

~~(2) If after taking reasonable steps to comply with the requirement in *COBS* 19.4.5R(1)(b) a *firm* has been unable to provide a *retail client* with an open market options statement the *firm* must provide the statement in good time before it *sells* a pension decumulation product to the *client*.~~ [deleted]

19.4.5A R (1) A *firm* must give a *retail client* an open market options statement:

(a) within two *months* after the *client* reaches 50 years of age; and

(b) between four to ten weeks before the *client* reaches 55 years of age; and

(c) at five year intervals after the open market options statement in (b) is sent until the *client's* pension fund is fully crystallised;

unless the *firm* has given the *client* such a statement in the last 12 *months*.

(2) A *firm* must also give a *retail client* an open market options statement:

(a) if the *client* asks a *firm* for a retirement quotation more than four *months* before the *client's* intended retirement date; or

(b) if a *firm* does not receive such a request for a retirement quotation, between four and six *months* before the *client's* intended retirement date; or

(c) if a *retail client* with open market options tells a *firm* that they are considering, or have decided:

(i) to discontinue an *income withdrawal* arrangement; or

(ii) to take a further sum of money from their pension savings to exercise open market options; or

(d) if the *retail client* requests to access their pension savings for the first time;

unless the *firm* has given the *client* such a statement in the last 12 *months*.

(3) If after taking reasonable steps to comply with the requirements in (1) or (2) a *firm* has been unable to provide a *retail client* with an open market options statement, the *firm* must provide the statement in good time before it *sells* a pension decumulation product to the *client*.

Contents

19.4.6 R ~~An open market options statement must include:~~

~~(1) the *Money Advice Service* fact sheet "Your pension: it's time to choose" available on www.moneyadviceservice.org.uk or a statement provided by a *firm* that gives materially the same information;~~

~~(2) a summary of the *retail client's* open market options, which is sufficient for the *client* to be able to make an informed decision about whether to exercise, or to decline to exercise, open market options;~~

~~(3) information about the *retail client's personal pension scheme*, *stakeholder pension scheme*, *FSAVC*, *retirement annuity contract* or *pension buy-out contract* provided by the *firm*, including:~~

~~(a) the sum of money that will be available to exercise open market options;~~

~~(b) whether any guarantees apply and, if so, information about how the guarantees work;~~

~~(c) any other relevant special features, restrictions, or conditions that apply, such as (for *with-profits funds*) any market value reduction conditions in place; and~~

~~(d) any other information relevant to the exercise of the *retail client's* open market options; and~~

~~(4) a clear and prominent statement about the availability of the *pensions guidance* including:~~

~~(a) how to access the *pensions guidance* and its contact details;~~

~~(b) that *pensions guidance* can be accessed on the internet, telephone, or face to face;~~

~~(c)~~ ~~that the *pensions guidance* is a free impartial service to help consumers to understand their options at retirement; and~~

~~(d)~~ ~~a recommendation that the *client* seeks appropriate guidance or advice to understand their options at retirement.~~ [deleted]

19.4.6A R (1) An open market options statement given in accordance with *COBS* 19.4.5AR(1)(a) must include:

(a) a single page summary document; and

(b) appropriate retirement risk warnings.

(2) All other open market options statements must include:

(a) a single page summary document;

(b) a fact sheet;

(c) appropriate retirement risk warnings;

(d) a statement about whether any guarantees apply and, if so, how they work; and

(e) any other information to enable the *retail client* to be able to make an informed decision about whether to exercise, or to decline to exercise, open market options.

Single page summary document

19.4.6B R (1) The single page summary document must not exceed a single side of A4-sized paper when printed.

(2) The requirement in (1) does not apply if a *retail client* asks for the information to be provided in an accessible format and the fulfilment of that request will necessitate the use of more than a single side of A4-sized paper.

19.4.6C R The single page summary document must include the following information:

(1) the *retail client's* name;

(2) the *retail client's* intended retirement date;

(3) the *firm's* name;

(4) if the *retail client* makes or receives employment-related contributions:

(a) the employer's name; and

(b) the amount that the employer and employee have contributed to the *retail client's* pension savings in the last year (if applicable);

(5) the current value of the *retail client's* pension savings;

(6) if relevant, a statement warning the *retail client* that the current value of their pension savings may be subject to early exit charges or other withdrawal charges when accessed;

(7) a statement about whether any guarantees apply and, if so, where to find out further information;

(8) any other relevant special features, restrictions, or conditions that apply, such as (for *with-profits funds*) any market value reduction conditions in place, and how to find out further information;

(9) if the document is required to be provided up to six *months* before the *retail client's* intended retirement date, a statement asking the *retail client* to consider whether they are saving enough to meet their needs at retirement;

(10) a clear and prominent statement about the availability of *pensions guidance* including:

(a) how to access the *pensions guidance* and its contact details;

(b) that *pensions guidance* can be accessed on the internet, telephone, or face to face;

(c) that *pensions guidance* is a free impartial service to help consumers to understand their options at retirement;

(d) a recommendation that the *client* seeks appropriate guidance or advice to understand their options at retirement; and

(e) the government logo and *pensions guidance* logo next to or above the statement.

19.4.7 G For the purpose of *COBS* ~~19.4.6R(1)~~ 19.4.6AR(2)(b) where a *firm* provides its own statement as the fact sheet, it should include materially the same information in the *Money Advice Service* fact sheet about:

…

19.4.8 R An open market options statement must not include ~~an application form~~ *financial promotions* for a pension decumulation product.

Retirement risk warnings

19.4.8A G This section sets out the steps a *firm* must take to prepare and identify appropriate retirement risk warnings.

Step 1: prepare retirement risk warnings

19.4.8B R A *firm* must prepare the retirement risk warnings before providing the appropriate retirement risk warnings required by *COBS* 19.4.6AR for the first time, and must also keep the warnings up to date.

19.4.8C R To prepare retirement risk warnings a *firm* must:

(1) identify the main risk factors relevant to *retail clients'* exercise of open market options; and

(2) prepare appropriate retirement risk warnings in relation to each of those risk factors.

19.4.8D G (1) Examples of the risk factors relevant to *retail clients'* exercise of open market options include:

(a) the *client's* age and intended retirement date;

(b) the amount of the *client's* pension savings;

(c) if there are ongoing employer contributions;

(d) the existence of means-tested benefits;

(e) protection under the *compensation scheme*; and

(f) the *client's* need to review, make further decisions about, or take further actions in relation to their pension savings depending on their intended investment objectives.

(2) *Firms* should also have regard to the examples of risk factors which relate to pension decumulation products at *COBS* 19.7.12G.

Step 2: identify which warnings to give a retail client

19.4.8E R To provide appropriate retirement risk warnings a *firm* must:

(1) using information held about the *retail client* and their open market options, identify what risk factors are most likely to be present; and

(2) provide appropriate retirement risk warnings to the *retail client* in relation to the risk factors identified in (1).

19.4.8F G If it is unclear whether a risk factor is present, a *firm* should assume that the risk factor is present and give the *client* the appropriate retirement risk warning.

19.4.8G G *COBS* 19.4.8J requires a *firm* to use only one A4-sized page for a *client's* retirement risk warnings. A *firm* should prioritise those risk warnings it considers to be the most relevant to the *retail client's* exercise of open market options.

19.4.8H R Retirement risk warnings which are provided between:

(1) four to ten weeks before the client reaches 55 years of age; and

(2) seven *months* before the *retail client's* intended retirement date,

must include a clear and prominent statement that accessing pension savings at this point in time may not be the best option.

19.4.8I R The *firm* must provide the *retail client* with the following information separately to the retirement risk warnings:

(1) the key assumptions that were used to prepare the retirement risk warnings; and

(2) the personal data it relied on to provide the retirement risk warnings.

Presentation of retirement risk warnings

19.4.8J R (1) The retirement risk warnings must not exceed a single side of A4-sized paper when printed.

(2) The requirement in (1) does not apply if a *retail client* asks for the retirement risk warnings to be provided in an accessible format and the fulfilment of that request will necessitate the use of more than a single side of A4-sized paper.

19.4.9 R At least six weeks before the *retail client's* intended retirement date, the *firm* must:

…

(3) ~~remind the *client* about the availability of the *pensions guidance*~~ provide the *client* with a clear and prominent statement recommending that the *client* uses the *pensions guidance* and that appointments are available; and

(4) recommend that the *client* seeks appropriate guidance or advice to understand their options at retirement.

19.4.10 R The reminder must not include *financial promotions* for a pension decumulation product.

…

Communications about options to access pension savings

19.4.15 G … In particular a ~~firm~~ *firm* should:

…

(3) ensure that the content, presentation or layout of any:

(a) pension decumulation product information; or

(b) information provided in accordance with *COBS* 19.4.6AR(2)(e), including information accessed via hypertext links or online calculators,

does not ~~emphasise any potential benefits of the *firm's* own products and services in a way that disguises, diminishes or obscures~~ disguise, diminish or obscure important information or messages contained in the fact sheet or the single page summary document;

…

Signposting pensions guidance

19.4.16 R …

(2) A *firm* is not required to provide the *client* with the statement required in (1) where:

…

(d) the *firm* is providing the *client* with an open market options statement or six-week reminder in accordance with *COBS* ~~19.4.5R~~ 19.4.5AR or *COBS* 19.4.9R.

…

19.9 Pension annuity comparison information

Definitions

19.9.1 R In this section:

(-1) an "enhanced annuity" refers to a *pension annuity* that pays a higher level of income due to a *retail client's* health or lifestyle;

…

(2A) an "income quote" is a guaranteed quote that offers at least the level of annual income requested by a *retail client*;

(3) a "market-leading *pension annuity* quote" is a quote for a *pension annuity* that:

…

(b) provides the *retail client* with either:

(i) the highest annual income from amongst all of the quotes generated under (a); or

(ii) (in the case of an income quote) at least the amount of annual income requested by the *retail client* at the lowest purchase price from amongst all of the quotes generated under (a).

(4) "pension-related benefit" means one or more of the following:

(a) …

(b) an entitlement to a ~~pension commencement lump sum~~ *pension commencement lump sum* that exceeds …

…

(5) "*pension annuity* comparator information" means the information the *firm* must provide under this section; and

(6) ~~"pension commencement lump sum" has the meaning as Part 1 of Schedule 29 to the Finance Act 2004; and~~ [deleted]

…

…

Purpose

19.9.3 G This section specifies:

(1) when a *firm* must provide:

(a) a *retail client* with *pension annuity* comparator information, including whether the *pension annuity* it is offering will provide:

(i) more or less annual income than the market-leading *pension annuity* quote; ~~and~~ or

(ii) (in the case of an income quote) at least the amount of annual income requested by the *retail client* at the lowest purchase price; and

…

…

(3) the content and format of the *pension annuity* comparator information that must be provided in different circumstances; and

(4) when a *firm* must ask questions about the *retail client's* eligibility for an enhanced annuity.

Content of pension annuity comparator information

19.9.4 R …

(4) if applicable, information about the maximum ~~pension commencement lump sum~~ *pension commencement lump sum* …

…

(6) if applicable, information about how a *retail client's* health or lifestyle may entitle the *retail client* to a *pension annuity* that pays a higher income (an enhanced annuity); and

…

…

Eligibility for enhanced annuities

19.9.6A R (1) When a *firm* generates a market-leading *pension annuity* quote it must ask the *retail client* questions to determine whether the *client* is eligible for an enhanced annuity.

(2) If the *retail client* is eligible for an enhanced annuity the *firm* must generate a market-leading quote for an enhanced annuity.

(3) *Firms* may only use the information gathered in (1) for the purposes of:

(a) generating a guaranteed quote and a market-leading *pension annuity* quote;

(b) assisting another *firm*, on request, to generate a market-leading quote (*COBS* 19.9.9R); and

(c) underwriting, administering, and entering into a contract for an enhanced annuity;

unless the *retail client* consents to it being used for other purposes.

19.9.6B G For the purpose of *COBS* 19.9.6AR, examples of the sorts of health and lifestyle circumstances which may indicate that a *retail client* is eligible for an enhanced annuity are:

(1) whether the *client* is or was a smoker;

(2) the *client's* height, weight and waist size and whether these are outside normal ranges;

(3) the number of units of alcohol the *client* consumes per week;

(4) whether the *client* is taking medication for high blood pressure or high cholesterol;

(5) whether the *client* is taking medication for serious health conditions.

Information comparing a guaranteed quote and a market-leading pension annuity quote

19.9.7 R A *firm* must:

…

(2) unless (2A) applies, determine which of the following will, or is most likely to, offer a *retail client* the highest annual income:

…

(2A) in cases where a *retail client* has requested an income quote, determine which of the following will, or is most likely to, offer a *retail client* with at least the annual income that the *retail client* has requested at the lowest purchase price:

(a) the *pension annuity* offered by the guaranteed quote ("A1");

(b) the *pension annuity* offered by the market-leading pension annuity quote ("B1"); or

(c) if applicable, the pension that the *retail client* is entitled to, or will be entitled to, pursuant to their entitlement to a *guaranteed annuity rate* ("C1");

(3) use the template in:

(a) Part 1 of *COBS* 19 Annex 3R where (2) applies and B offers a *retail client* the highest level of annual income; ~~or~~

(b) Part 2 of *COBS* 19 Annex 3R where (2) applies and A, C or D offers a *retail client* the highest level of annual income;

(c) Part 4 of *COBS* 19 Annex 3R where (2A) applies and B1 offers a *retail client* at least the annual income that the *retail client* has requested at the lowest purchase price; or

(d) Part 5 of *COBS* 19 Annex 3R where (2A) applies and A1 or C1 offers a *retail client* at least the annual income that the *retail client* has requested at the lowest purchase price;

(4) where (2) applies and B offers the highest annual income:

…

(4A) where (2A) applies and B1 offers at least the requested annual income at the lowest purchase price:

(a) calculate as a single sum in pounds sterling the difference in purchase price between A1 and B1;

(b) include that amount in the relevant place in the template; and

(c) include a statement making it clear that the *retail client* could obtain at least the requested annual income at a lower purchase price by searching the open market for a *pension annuity*;

(5) where (2) applies and A offers the highest annual income, include a statement that A will provide the *retail client* with the highest annual income;

(5A) where (2A) applies and A1 offers at least the requested annual income at the lowest purchase price, include a statement that A1 will provide the *retail client* with at least the requested annual income at the lowest purchase price;

(6) if applicable, where (2) applies and C or D will, or is likely to, provide the highest level of annual income:

…

(7) where (2A) applies and C1 will, or is likely to, provide at least the requested annual income at the lowest purchase price:

(a) calculate as a single sum in pounds sterling the difference in purchase price between A1 and C1;

(b) include the amount in (a) in the relevant place in the template; and

(c) warn the *retail client* that:

…

(i) the entitlement to C1 will be extinguished if the *retail client* accepts A1; and

(ii) accepting A1 will result in the *retail client* paying a higher purchase price than that payable if the *retail client* exercises their entitlement to C1;

(8) where (2A) applies and either A1 or B1 offers the *retail client* at least the requested annual income at the lowest purchase price, a *firm* must determine whether the *retail client's* entitlement to a *guaranteed annuity rate* can be applied to offer a better value annuity compared to the lowest purchase price annuity on offer and, if so, warn the *retail client* accordingly.

19.9.7A G An example of where a *firm* may need to provide a warning of the kind referred to in *COBS* 19.9.7R(8) is where a *retail client* ('R') is seeking an annuity of £5,000 and the lowest purchase price for such an annuity is £100,000. If R's entitlement to a *guaranteed annuity rate* can be used to provide R with an annuity of £15,000, albeit at a cost of £200,000, the *firm* should warn R of this possibility. Where applicable, such a warning should be included in the relevant template and may also be given orally.

…

Pension commencement lump sum

19.9.11 R (1) This *rule* applies if a *retail client* is entitled to a ~~pension commencement lump sum~~ *pension commencement lump sum* that …

(2) A *firm* must warn the *retail client* if the *pension annuity* offered by…

…

will, if accepted, reduce the ~~pension commencement lump sum~~ *pension commencement lump sum* that a *retail client* would otherwise be entitled to receive.

Information about pension-related benefits

19.9.12 R …

(4) If, despite taking reasonable steps under (3), it remains unclear whether a *retail client*:

…

(d) is entitled to a ~~pension commencement lump sum~~ *pension commencement lump sum*, …

…

19.9.15 R (1) This *rule* applies to a *firm* where the *firm*:

(a) asks the *retail client* questions to determine whether the *client* is eligible for an enhanced annuity, and the *retail client* refuses to answer the *firm's* questions; or

(b) requires the *retail client's* consent to the *firm* generating, on behalf of the *retail client*, a market-leading *pension annuity* quote and that consent is not obtained.

(2) A *firm* must take reasonable steps to obtain from a *retail client*~~'s~~ the answers and/or consent referred to in paragraph (1).

(3) Where this rule applies:

(a) …

(b) a *firm* must include information, as applicable, warning the *retail client* that: ~~a higher annual income might be obtained by searching the open market for a *pension annuity*; and~~

(i) a higher annual income might be obtained; or

(ii) at least the requested annual income might be obtained for a lower purchase price;

by searching the open market for a *pension annuity*; and

(c) a *firm* must, as applicable, use the template in ~~either~~ Part 3 or Part 6 of *COBS* 19 Annex 3R to provide the applicable *pension annuity* comparator information.

…

19 Annex 2G Communications about options to access pension savings

This annex belongs to *COBS* 19.4.

The definitions in *COBS* 19.4.1R are applied to these tables.

Table 1: Communications required to be made by the firm at specified times

Handbook reference	**Matters to be communicated**	**Contents of communication**	**When**
~~19.4.5R~~ 19.4.5AR	Open market options statement	A statement satisfying the requirements of ~~*COBS* 19.4.6R,~~ *COBS* 19.4.6AR, *COBS* 19.4.8R and *COBS* 19.4.10R	Trigger events specified at *COBS* ~~19.4.5R~~ 19.4.5AR
…			

Table 2: Requirements for other communications

Handbook reference	**Subject of communication**	**Contents of communication**	**Trigger**
…			
19.4.15G	Communications about options to access pension savings	A *firm* should refer to the guidance in *COBS* 19.4.15G when communicating with a *client* about their options to access pension savings. *Firms* may also be required to signpost *pensions guidance*	Any communication with a *client* about their options to access their pension savings

		(*COBS* 19.4.16R) and in some circumstances provide an open market options statement (*COBS* 19.4.5AR(2)(d)).	
19.4.18R	*Client* applies to access pension savings	A *firm* must provide a description of the tax implications unless it is provided in accordance with *COBS* 14.2.1R. *Firms* may be required to provide retirement risk warnings (*COBS* 19.7.7R). *Firms* may also be required to signpost *pensions guidance* (*COBS* 19.4.16R). If the *client* asks to access their pension savings for the first time the *firm* must provide an open market options statement (*COBS* 19.4.5AR(2)(d)).	*Firm* receives an application from a *client* to access pension savings

19 Annex 3R **Format for annuity information**

This annex belongs to *COBS* 19.9.7R(3) and *COBS* 19.9.15R(3)(c).

1	Format of bar graph in the Part 1 template	
1.1	Format of bar graph (where annual income is depicted)	
1.1.1	When a *firm* is creating the two bar graphs as set out in Part 1, the *firm* must ensure:	
	…	
	(2)	~~The~~ the y-axis must:
		…

1.2	Format of bar graph in Part 4 (where the purchase price of the pension annuity is depicted)		
1.2.1	When a *firm* is creating the two bar graphs as set out in Part 4, it must ensure:		
	(1)	the lowest purchase price of the *pension annuity* offered by the market-leading quote is presented on the left-hand side of the two bar graphs with the higher purchase price in the *firm's* guaranteed quote appearing on the right-hand side;	
	(2)	the y-axis must:	
		(a)	start with a monetary value which is £20 below the purchase price of the lowest *pension annuity* quote;
		(b)	use a scale which clearly and fairly depicts the difference in the purchase price of the *pension annuity* offered by the market-leading quote and the *firm's* guaranteed quote; and
		(c)	only include numbers or details which are required by the *rules* in *COBS* 19.9 or the provisions of this annex.
…			

The following Part 1 and Part 2 templates are amended as shown. The title of the Part 3 template is amended as shown but the template itself remains unchanged. The Part 4, 5 and 6 templates are new.

Part 1: Template for cases where the guaranteed quote does not provide highest annual income

Where the guaranteed quote does not provide the highest annual income

Firm Logo

keyfacts®

Annuity features

Purchase price **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependents income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

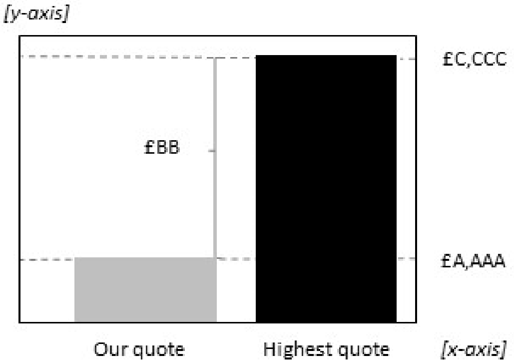
This annuity will provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

Based on your key information, there are quotes available from other providers offering higher rates. If you select our product, you would be **losing out on £BB per year.**

And, if applicable: You are entitled to a [guaranteed annuity rate from your current pension provider][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX. If you select our product, you could be **losing out on £DD per year.**



The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 138 7777.

~~**Did you know?**~~

~~If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.~~

~~For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.~~

~~Visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 1387777 to find out more.~~

Company contact details and other key information

Part 2: Template for cases where the guaranteed quote, the guaranteed annuity rate, a guaranteed minimum pension or section 9(2B) rights offer the highest annual income

Where a guaranteed quote, a guaranteed annuity rate, a guaranteed minimum pension or section 9(2B) rights offer the highest annual income

Firm Logo

keyfacts®

Annuity features

Purchase price **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependents income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

This annuity would provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

Based on your key information, our quote is the highest available to you.

<u>Or</u> in the event that the consumer is entitled to a guaranteed annuity rate or minimum level of guaranteed pension which is higher:

You are entitled to a [guaranteed annuity rate from your current pension provider] [minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX. If you select our product, you could be **<u>losing out on £DD per year.</u>**

The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit **<u>moneyadviceservice.org.uk/annuitiesquotes</u>** or call 0800 138 7777.

~~**Did you know?**~~

~~If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.~~

~~For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.~~

~~Visit **moneyadviceservice.org.uk/annuitiesquotes** or call 0800 1387777 to find out more.~~

Company contact details and other key information

Part 3: Template for cases where the retail client <u>refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or</u> does not consent to a market-leading quote being generated

Where the retail client refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or appropriate consent has not been given to allow a firm to generate a market-leading quote

Firm Logo

keyfacts®

Annuity features

Purchase price **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependants income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a [guaranteed annuity rate][minimum level of guaranteed pension] from [date/customer's age] paying an [estimated] annual income of £X,XXX.

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

This annuity would provide you with an annual income of:

£A,AAA

Can you get a better income from your annuity?

You may be able to get a higher income by shopping around.

If you want to see what other options are available from other providers please visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 138 7777.

Did you know?

If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.

For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.

Visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 1387777 to find out more.

Company contact details and other key information

<u>Part 4: Template for cases where the market-leading quote offers the lowest purchase price pension annuity</u>

<u>Where the market-leading quote offers the lowest purchase price</u>

Firm Logo

keyfacts

Annuity features

Annual income **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependents income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

<u>Buying this annuity from us will cost you:</u>

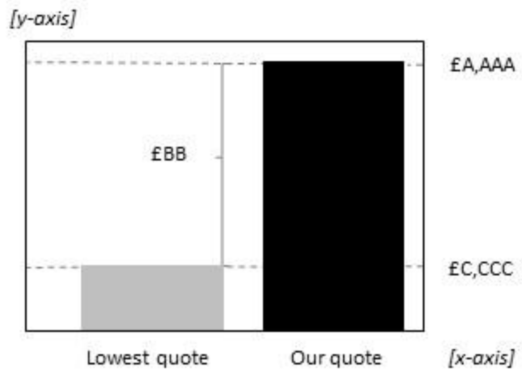
£A,AAA

Can you pay less for your annuity?

Based on your key information, there are quotes available from other providers offering a lower purchase price. If you select our product, you would be **<u>paying £BB too much to purchase your annuity.</u>**

[if applicable] Based on your key information, the lowest quote offers you the lowest purchase price for the requested income of £xx,xxx. However, you are entitled to a guaranteed annuity rate from your current provider paying an [estimated] annual income of £X,XXX on your pension pot of £XX,XXX, offering a better value annuity than the lowest purchase price quote. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with the lowest purchase price quote.

[if applicable] You are entitled to a guaranteed annuity rate from your current pension provider from [date/customer's age] paying an [estimated] annual income of £X,XXX. **[when applied to the total value of your pension pot (£X,XXX)]**.



The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit <u>moneyadviceservice.org.uk/annuitiesquotes</u> or call 0800 138 7777.

Company contact details and other key information

Part 5: Template for cases where the income quote or the application of a retail client's guaranteed annuity rate offers the lowest purchase price pension annuity

Where the income quote or a guaranteed annuity rate offers the lowest price pension annuity

Firm Logo

keyfacts

Annuity features

Annual income **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependents income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

Buying this annuity from us will cost you:

£A,AAA

Can you pay less for your annuity?

Based on your key information, our quote offers you the lowest purchase price.

OR

Based on your key information, our quote offers you the lowest purchase price for the requested income of £xx,xxx. However, you are entitled to a guaranteed annuity rate from your current provider paying an [estimated] annual income of £X,XXX on your pension pot of £XX,XXX, offering a better value annuity than our quote. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with our quote.

OR

Based on your key information, you are entitled to a guaranteed annuity rate from your current provider that would pay the annual income requested of £X,XXX for a [an estimated] purchase price of £XX,XXX. If you select our product you would be **paying £BB too much to purchase your annuity**. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with our quote.

The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 138 7777.

Company contact details and other key information

Part 6: Template for cases where the retail client refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or does not consent to a market-leading quote being generated

Where the retail client refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or appropriate consent has not been given to allow a firm to generate a market-leading quote

Firm Logo

keyfacts®

Annuity features

Annual income **£XX,XXX**	**No guarantee** period
Paid **quarterly** in advance	Payments **increase** by 2% per year
Dependants income	*[Other key features of annuity]*

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

Buying this annuity from us will cost you:

£A,AAA

Can you pay less for your annuity?

You may be able to pay less for an annuity providing £XX,XXX a year by shopping around.

If you want to see what other options are available from other providers please visit moneyadviceservice.org.uk/annuitiesquotes or call 0800 138 7777.

Did you know?

If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.

For example - if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment - you may be entitled to more income than is quoted above.

Visit **moneyadviceservice.org.uk/annuitiesquotes** or call 0800 1387777 to find out more.

Company contact details and other key information

Part 2: Comes into force on 6 April 2020

13 Preparing product information

…

13.1 The obligation to prepare product information

…

Exceptions

13.1.3 R A *firm* is not required to prepare:

…

(3) a *key features illustration*:

…

(c) if it includes ~~the information from the *key features illustration*~~ in a *key features document*:

(i) the information from the *key features illustration*; and

(ii) the summary key information required by *COBS* 13.4.1AR; or

…

…

…

13.4 Contents of a key features illustration

13.4.1 R A *key features illustration*:

(1) must include *appropriate charges information*~~,~~;

(2) must include information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank ~~account and,~~ account; and

(3) if it is prepared for a *non-PRIIP packaged product* which is not a *financial instrument*:

~~(1)~~ (a) must include a *standardised deterministic projection*;

~~(2)~~ (b) the ~~projection~~ *projection* and charges information must be consistent with each other so that:

~~(a)~~ (i) the same intermediate growth rate and assumptions about regular contributions are used;

~~(b)~~ (ii) a *projection* in nominal terms is accompanied by an effect of charges table and reduction in yield information in nominal terms; and

~~(c)~~ (iii) a *projection* in real terms is accompanied by an effect of charges table and reduction in yield information in real terms; and

~~(3)~~ (c) it may also include *stochastic projections* if there are reasonable grounds for believing that a *retail client* will be able to understand the *stochastic projection* except that the most prominent *projection* must be *a standardised deterministic projection*.

13.4.1A R (1) If *COBS* 14.2.1R(3B), (3C) or (3D) applies, a *key features illustration* must also include the summary key information in *COBS* 13.4.7R.

(2) There is no requirement to provide the summary key information in *COBS* 13.4.7R if the *retail client* proposes to withdraw their pension scheme funds in full reducing the value of their rights to zero.

(3) Where (2) applies and a *retail client* subsequently does not withdraw their pension scheme funds in full reducing the value of their rights to zero, the *firm* must provide the *client* with the summary key information in *COBS* 13.4.7R.

…

Summary key information for income withdrawal or lump sum withdrawal

13.4.6 G The purpose of the summary key information is to present the main information from the *key features illustration* to assist a *retail client* to understand and engage with their chosen *income withdrawal* or *uncrystallised funds pension lump sum* arrangement.

13.4.7 R (1) The summary key information is:

(a) the value of the crystallised and uncrystallised funds in the *retail client's personal pension scheme*;

(b) the value of the *pension commencement lump sum*, if applicable;

(c) the projected value of the *retail client's personal pension scheme* or *stakeholder pension scheme* 5 and 10 years after the date of withdrawal;

(d) reduction in yield information prepared in real terms in accordance with *COBS* 13 Annex 3 3R or *COBS* 13 Annex 4 3R and presented as A% or D% accordingly;

(e) the *retail client's* age when their funds are projected to reduce to zero (if relevant);

(f) first year charges expressed in cash terms and determined in accordance with (2);

(g) if applicable, the following information about the *income withdrawal* or *uncrystallised funds pension lump sum* arrangement offered:

(i) an assumed start date;

(ii) for one-off payments, the withdrawal figure and date of withdrawal; and

(iii) if the *retail client* has chosen to take regular withdrawals or *uncrystallised funds pension lump sum* payments, the value of those withdrawals on an annual basis.

(2) The first-year *charges* must be determined on the basis of the level of *charges* that the *retail client* would be expected to pay in the first year in accordance with the *firm's* charging structure before any promotional discount or reduction is applied, and:

(a) where the effect of charges table has been prepared in accordance with *COBS* 13 Annex 3 2.2R(2), using the amount representing the "effect of deductions to date" for the first year of the projection; or

(b) where the effect of charges table has been prepared in accordance with *COBS* 13 Annex 4 2.2R, using the amount representing the difference between the values of "before charges are taken" and "after all charges are taken from this plan' for the first year of the projection.

13.4.8 G Charges information should be presented as prominently as any other information in the summary key information.

Presentation of summary key information

13.4.9 R (1) The summary key information must:

(a) be on the front page of the *key features illustration* or *key features document* (where *COBS* 13.1.3R(3)(c) applies);

(b) not exceed a single side of A4-sized paper when printed; and

(c) include the ‘Key facts’ logo in a prominent position at the top of the document.

(2) The requirement in (1)(b) does not apply if a *retail client* asks for summary key information to be provided in an accessible format and the fulfilment of that request will necessitate the use of more than a single side of A4-sized paper.

13 Annex 2 Projections

…

G		
1.2A	A *firm* ~~is not prevented from providing~~ may provide a *retail client* with a *projection* ~~of the fund or pension commencement lump sum~~ in nominal terms:	
	(1)	of their fund or *pension commencement lump sum* for planning purposes (for example for a pension mortgage); or
	(2)	of a *pension commencement lump sum* or *income withdrawal* or *uncrystallised funds pension lump sum* if the *retail client* requests it,
	if ~~it~~ the *projection* is prepared in a way which is consistent with the *standardised deterministic projection*.	

…

R		
~~Drawdown Pension: Exception~~		
2.10	~~A standardised deterministic projection can be prepared in nominal terms, rather than real terms for a:~~	
	~~(1)~~	~~*drawdown pension*; or~~
	~~(2)~~	~~*personal pension scheme* or *stakeholder pension scheme* from which there has been an election to take regular, ad hoc or one-off *uncrystallised funds pension lump sum payments*.~~ [deleted]

…

14 Providing product information to clients

…

14.2 Providing product information to clients

…

The provision rules for products other than PRIIPs

14.2.1 R A *firm* that sells, or (where relevant) gives effect to:

…

(3B) ~~the variation of a *personal pension scheme* to a *retail client*, which involves an election by the *client*~~ a *retail client's* request to make *income withdrawals* ~~or a purchase of a *short-term annuity*,~~ from their *personal pension scheme* or *stakeholder pension scheme* for the first time must provide that *retail client* with:

(a) a *key features illustration*; and

(b) such other information as is necessary for the *client* to understand the consequences of the ~~variation, including where relevant, the information required by *COBS* 13 Annex 2.2.9R (Additional requirements: drawdown pensions and regular *uncrystallised funds pension lump sum* payments)~~ request;

(3C) ~~the variation of a *personal pension scheme* to a *retail client*, which involves~~ a *retail client's* request to make one-off~~, ad-hoc~~ or regular *uncrystallised funds pension lump sum* payments~~,~~ from their *personal pension scheme* or *stakeholder pension scheme* for the first time must provide that *client* with:

(a) a *key features illustration*; and

(b) such other information as is necessary for the *client* to understand the consequences of the ~~variation, including (where relevant) the information required by *COBS* 13 Annex 2.2.9 R(Additional requirements: drawdown pensions and regular *uncrystallised funds pension lump sum* payments)~~ request;

(3D) a *retail client's* request to designate *personal pension scheme* or *stakeholder pension scheme* funds to enable the *retail client* to make *income withdrawals* must provide that *client* with:

(a) a *key features illustration*; and

(b) such other information as is necessary for the *retail client* to understand the consequences of the request;

(3E) a *retail client's* request to make an *income withdrawal* subsequent to (3B) or *uncrystallised funds pension lump sum* payment subsequent to (3C) must provide:

(a) such information as is necessary for the *client* to understand the consequences of the request; and

(b) where relevant, the information required by *COBS* 13 Annex 2.2.9R (Additional requirements: drawdown pensions and regular *uncrystallised funds pension lump sum* payments);

(3F) a *retail client's* request for a *short-term annuity* must provide:

(a) a *key features illustration*; and

(b) such other information as is necessary for the *client* to understand the consequences of the request;

…

…

16 Reporting information to client (non-MiFID provisions)

…

16.6 Communications to clients – life insurance, long term care insurance and income withdrawals

…

~~Income withdrawals~~ Annual statements

16.6.8 R At intervals no longer than 12 *months* from the date ~~of an election by~~ a *retail client* ~~to~~ takes a *pension commencement lump sum*, ~~make~~ or makes *income withdrawals* or one-off, ad-hoc or regular *uncrystallised funds pension lump sum payments*, the relevant *operator* of a *personal pension scheme* or *stakeholder pension scheme* must:

(1) provide the *retail client* with such information as is necessary for the *retail client* to review the ~~election~~ decision, including where relevant the information required by *COBS* 13 Annex 2 2.9R; and

(2) inform the *retail client* ~~how to obtain a *personal recommendation* relating to *advice on investments (except P2P agreements)* in respect of the *client's income withdrawals*, and that it would be in the *client's* best interests to do so~~ that if

their circumstances or retirement objectives have changed it may be in their best interests to:

(a) review their choice of pension product;

(b) review their investment choices;

(c) take regulated advice to understand their options at retirement; and

(d) seek out guidance.

16.6.9 G The information provided to the *retail client* in *COBS* 16.6.8R(1) is likely to be sufficient for the *client* to review the ~~election~~ decision if it contains at least one of the following:

…

(3) (where regular income is being taken) information about the sustainability of the *client's* income over time, which may refer to:

…

(c) the rate of withdrawals or payments relative to a sustainable rate; or

(4) (if a *client* has only taken a *pension commencement lump sum*) information about their investment, fund choices, fund value and charges.

…

Pub ref: 005802

FINANCIAL
CONDUCT
AUTHORITY

12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk