

www.pwc.co.uk

Pension Incentive Exercises Code of Good Practice

June 2012

Agenda

The imperative for the code

Objectives

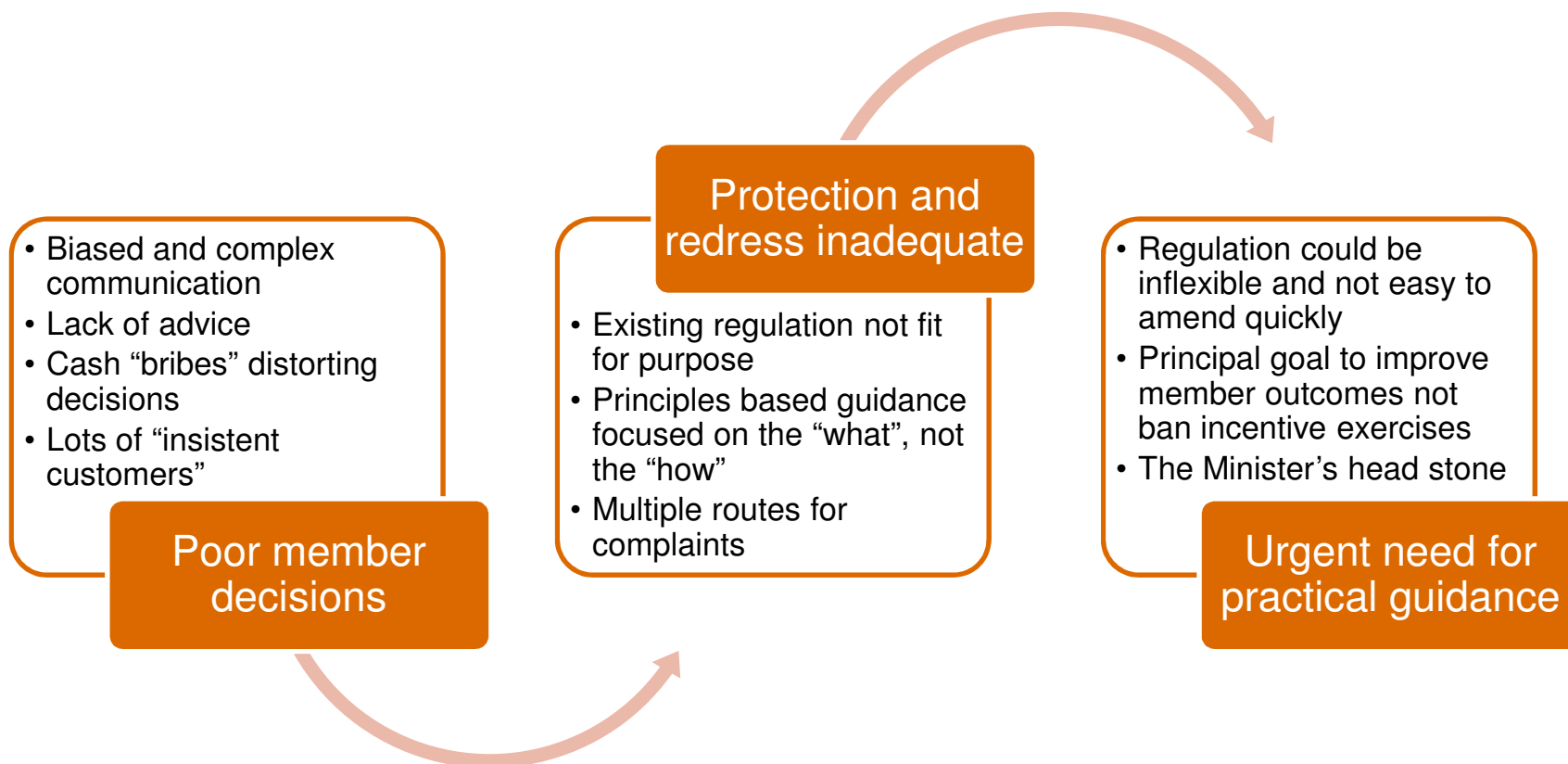
Status of the code and monitoring

Scope

Contents of the code

Pragmatic compromises

The imperative for the code



Objectives

The objectives of the code are to ensure that all incentivised transfer and similar exercises in the future are:

- done fairly and transparently;
- communicated in a balanced way and in terms that members can understand;
- available with appropriate regulated and qualified independent financial advice that is paid for by the employer;
- able to achieve high levels of member engagement;
- provided with regulated access to the independent complaints and compensation process

Source: Incentivised transfer working group terms of reference

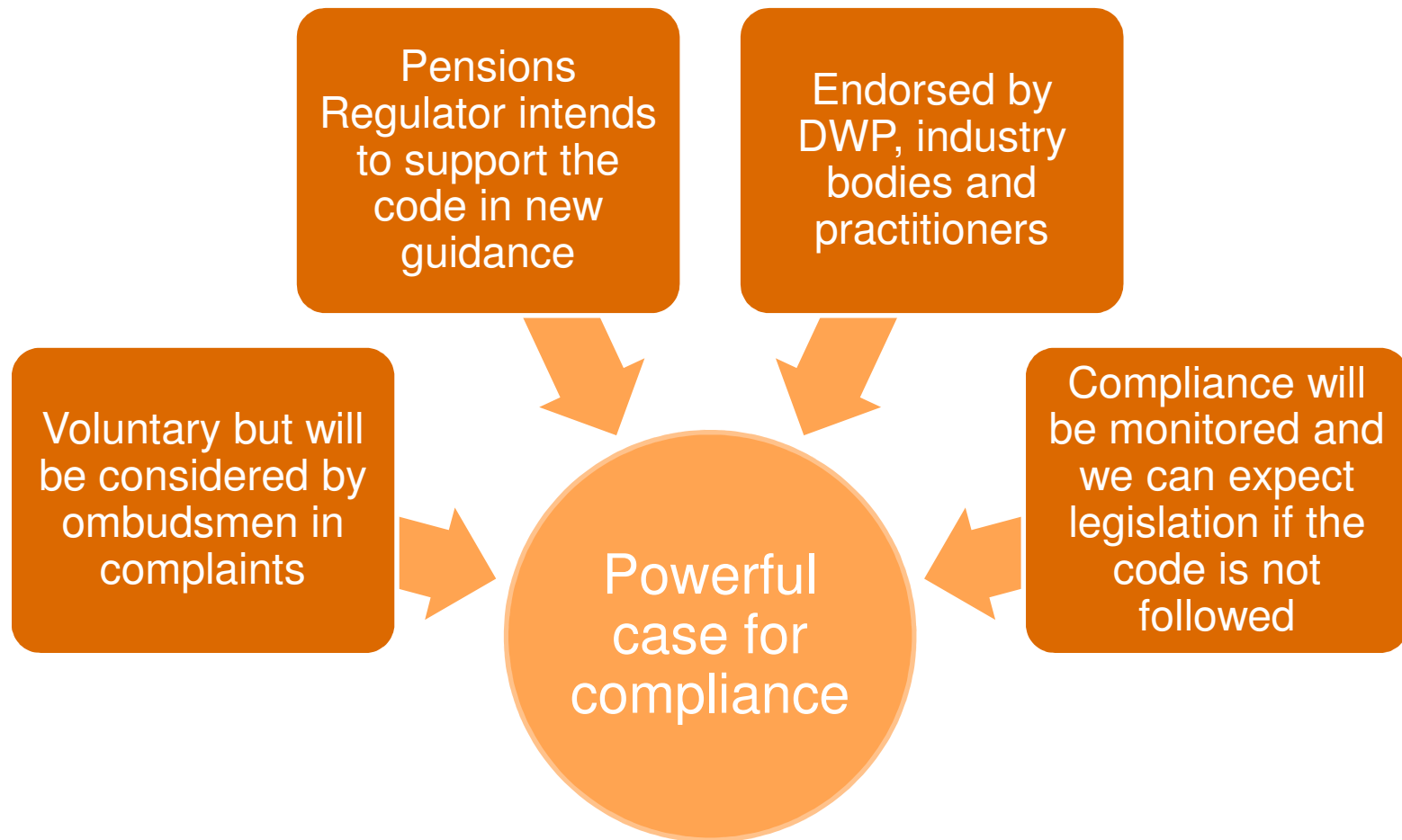
Objectives

- fair and transparent;
- balanced [communication] that members can understand;
- appropriate financial advice paid for by the employer;
- high levels of member engagement;
- independent complaints and compensation

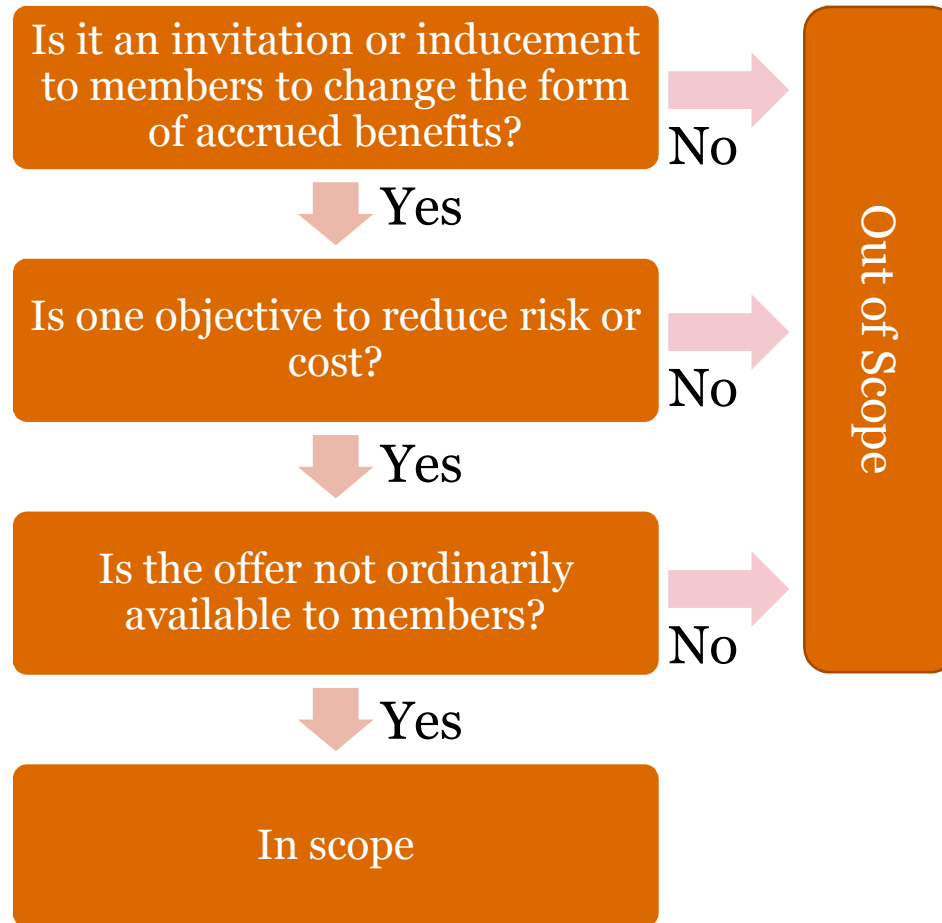
Balance of member protection and high levels of engagement

In everybody's interests and difficult to argue

Status of the code and monitoring



Scope



Principle 1: no cash incentives

- **A good practice exercise will not include a cash incentive that is dependent on acceptance**
- “Cash” - anything that is not a pension benefit
- No backdating of PIEs
- Small incentives to engage with advice ✓
- Taking normal pension cash over age 55 ✓



Principle 2: Advice / Guidance

- **For Transfer Exercises, Advice is provided.**
- **For Modification Exercises, either Advice is provided, or a Value Requirement is complied with and Guidance provided.**



Principle 2: “Balanced Deal”

- **Value Requirement, or “Balanced Deal” - Section 67/CETV basis**
- Aggregate calculation, no adjustment for selection, expenses etc
- Pragmatic approach to timing is acceptable
- Members must be informed of Balanced Deal Percentage



Principle 2: Advice / Guidance

- **Advice / Guidance paid for by employer**
- Tailored to member's circumstances as a whole
- Members **must** take Advice / Guidance
- At least one telephone meeting
- Advisers should not promote by take-up rates

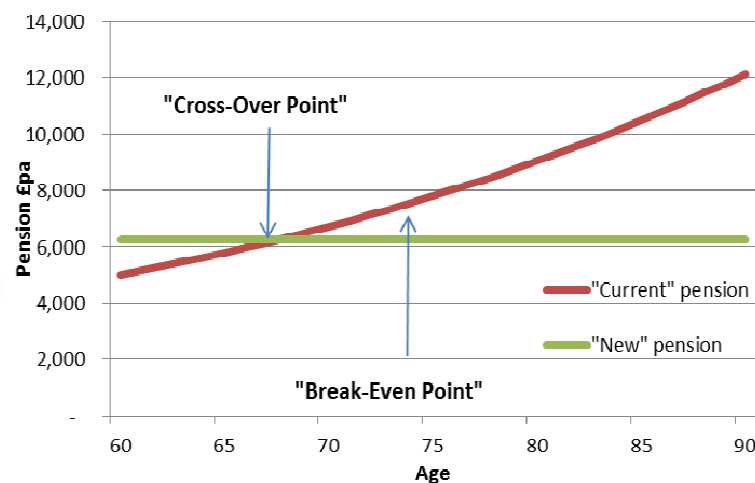
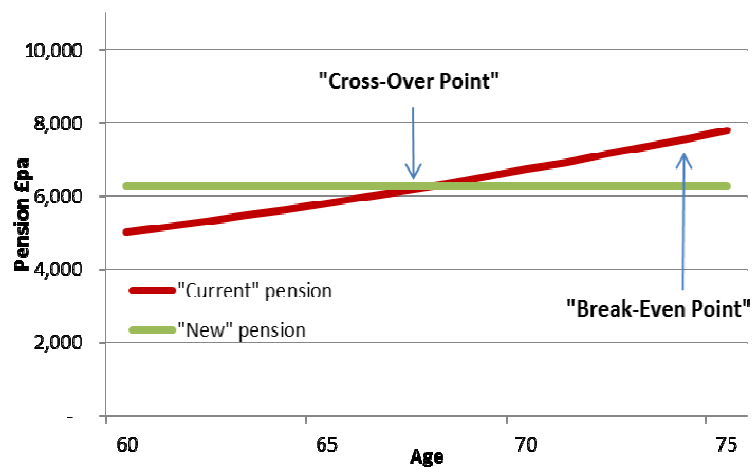
Principle 2: Advice vs Guidance

Guidance does not require:

- **Written contract**
- Collection of, and retention of, personal information about the member and their attitude to risk etc (eg **fact finds**)
- A written **recommendation** (but does require a written record)
- Following normal **vulnerable customers** and **know your client** procedures
- Reporting **insistent customers**

Principle 3: Communications

- **Communications should be fair, clear, unbiased, straightforward**
- List of items to include in first communication
- Take care with figures and charts
- Simple reminders only



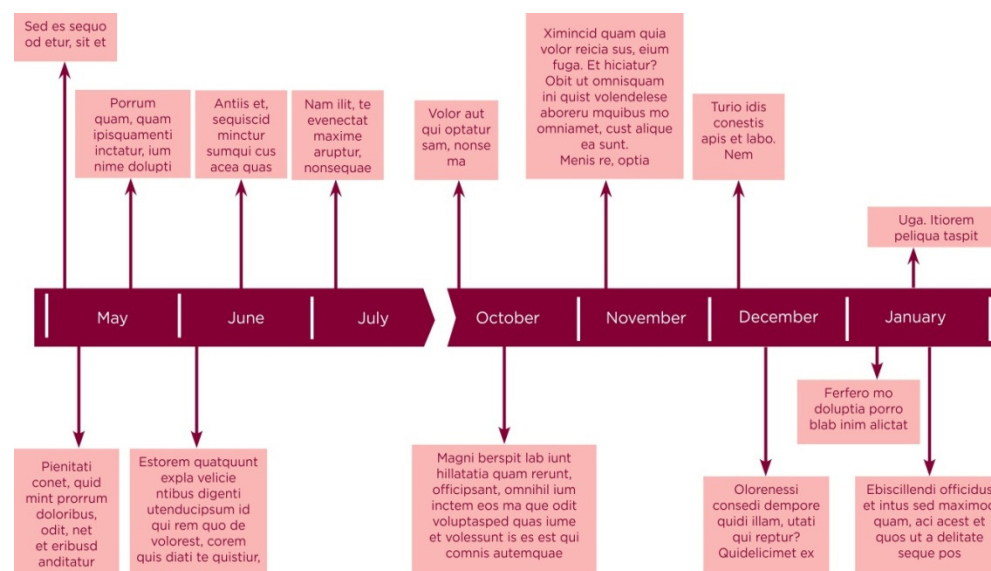
Principle 4: Records / Insistent Customers

- **Keep good records; report on insistent customers**
- Clarity on who is responsible
- IFA reports on insistent customers (including for PIEs)
- Consider data protection



Principle 5: Sufficient time

- Incentive Exercises should not be rushed; sufficient time to consider; no undue pressure
- Three months for members to consider
- Two weeks after advice
- Avoid “first come first served”
- Two week cooling off period



Principle 6: Vulnerable Customers

- **Opt-in over age 80**
- **Adopt and follow Vulnerable Customer policy**
- Members over age 80 - opt-in basis only
- IFA firm should have Vulnerable Customer policy, including for PIEs
- May require face-to-face meetings
- Can be different for PIE “Guidance”



Principle 7: Roles and responsibilities

- **All parties act together in good faith in line with their responsibilities**
- Trustees should seek advice
- Employers responsible for following the Code
- Advisers bring Code to the attention of employers
- All parties raise potential non-compliance



Practitioners' Notes

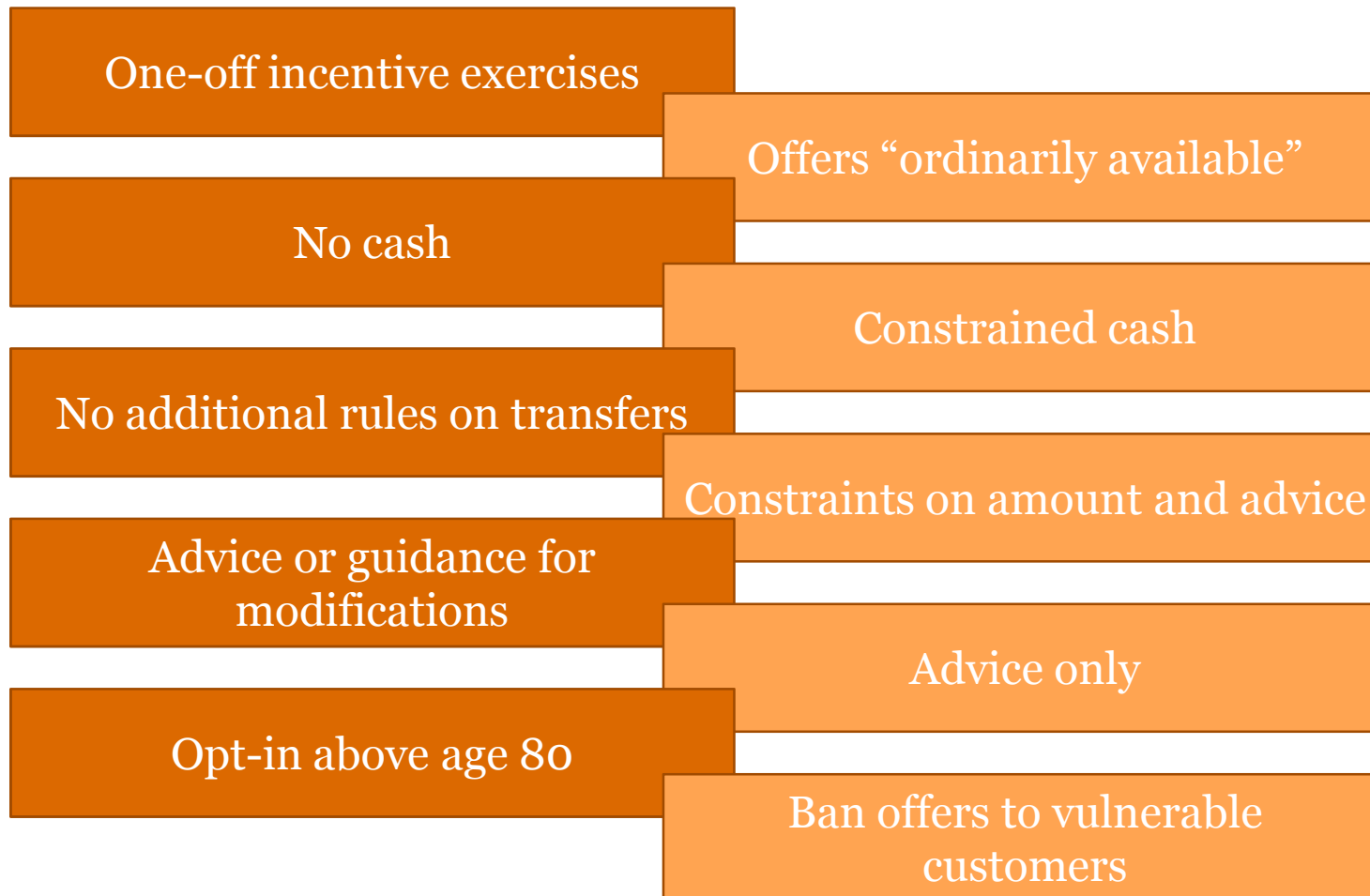
Not part of the Code

- Examples of good practice, commentary on thinking
- Particularly recognising that PIE advice is unregulated and in its infancy

Includes:

- Wider discussion on scope of the Code
- Illustrative Advisory Process - primarily for IFAs
- Illustrative Insistent Customer Reporting Process
- Advice for Pension Increase Exchange exercises – illustrative approach for IFAs
- Advice for Total Pension Increase Exchange exercises – commentary that may be helpful for IFAs
- Record Keeping - commentary including an illustrative approach
- Cooling off periods – commentary on design
- Balanced Deal Calculations – commentary on roles of different parties

Pragmatic compromises



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.