



DEVELOPING A RETIREMENT QUALITY MARK

Consultation Paper

July 2016

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EXECUTIVE SUMMARY

- ▶ The Board is grateful to all those who responded to the Consultation Paper formally and informally.
- ▶ There was general agreement for the proposed standards which would cover governance (including investment and value for money) and communications.
- ▶ The Board has considered carefully all the responses to the Consultation and is greatly encouraged by the strong support for an RQM and the recognition of the role it could play in supporting savers to secure a good retirement outcome and to help trustees support their members.
 - **The role of IGCs:** Respondents generally agreed that IGCs were the appropriate body to have an oversight function in relation to RQM issues. However, some respondents suggested that it was not appropriate to extend IGCs’ duties in this way, and that responsibility should sit with the provider. The Board has weighed these issues carefully but believes, on balance, that the oversight role should sit with the IGCs. We have discussed with ‘at-retirement only’, providers which are not required to have IGCs and which do not have trustees, what an equivalent body might look like and how it could operate to provide an independent governance oversight, and we have produced a first draft of what this ‘IGC-Equivalent Body (IGC-EB)’ might look like.
 - **Product v process focused:** A minority of respondents said they felt the Standard should be focused on the process that guides savers to the right option for them rather than a specific product. The Board recognises that good quality process and good quality products are important to achieving good outcomes. The RQM is focused on the latter. The Board will return to the former in due course, for example in the form of best practice guidance.
 - **Scope:** Respondents said it was right that the RQM should cover drawdown and multiple UFPLS. However, a number of respondents said it should also cover annuities, as they will continue to be the right retirement income choice for many people. The Board agrees that annuities have a continuing important role to play. However, they would require a somewhat different set of standards from those proposed for drawdown and UFPLS. At this stage, therefore, the Board proposes to press ahead with an RQM that focuses on UFPLS and drawdown. But we will make clear the important role of annuities in our communications.
 - **Transfers where RQM is withdrawn:** Respondents did not agree with the proposal that where a provider fails the RQM or in circumstances where it is withdrawn, savers should be transferred to another award holder. Respondents said the proposal was not workable and could act as a disincentive to providers to apply for the award in the first place. In light of these concerns, the Board has concluded it would not be appropriate to continue with this standard.
 - **Clarity over RQM’s purpose:** Respondents said it would be important for RQM to be clear that an RQM was not a guarantee of the saver’s income. The Board will take forward this point in the RQM’s own communications as well as those communications award holders will be required to make about the Mark.
 - **Developing a common language:** Respondents agreed with the overall standards proposed in relation to communications. A number suggested that RQM should develop and require a common language to be applied to in-retirement communications. The Board agrees this is important. We are aware of the initiatives underway in this area, to which we will contribute.
 - **PQM Board:** Respondents said that the Governance of the Pension Quality Mark was strong, and that it was supported by a strong Board. However, it was noted that the skill set of Board members was currently skewed towards the accumulation phase. The Board agrees and has already commenced recruitment for non-executive members with expertise in the decumulation market.
- ▶ The Board will undertake further, detailed, discussions with schemes and providers interested in becoming RQM award holders as well as the wider stakeholder community. We will continue to refine the standards and develop the infrastructure to support the RQM with a view to launching the new Mark in the summer.
- ▶ In the meantime, the Board welcomes further feedback and comments. If you have any further comments on the standards, their operation or the positioning of the RQM, please contact Tracey Dawson, Policy and Assessment Manager: tracey.dawson@pensionqualitymark.org.uk.

1. INTRODUCTION

- 1.1 In December 2015, the Board of the Pension Quality Mark decided to investigate the potential for a Retirement Quality Mark. This was in response to the new pension freedoms that were introduced in April 2015 giving savers complete freedom over how they accessed their pension ‘pot’ and the recognition that these new flexibilities placed new responsibilities and challenges on savers and trustees.
- 1.2 Building on the success of the Pension Quality Mark, the PQM Board believed there was potential for a parallel Mark for in-retirement products. The Board believed an RQM could make a real difference by:
 - ▶ providing strong governance to in-retirement products so they operate in the customers’ best interests not just at the point of sale, but on an on-going basis;
 - ▶ ensuring there are high quality, clear and actionable member alerts;
 - ▶ ensuring that default investment options are well governed and appropriately designed; and
 - ▶ providing value for money to savers.

THE CASE FOR A RETIREMENT QUALITY MARK

A Retirement Quality Mark (RQM) would help to meet the needs of savers and trustees.

For savers a quality mark would:

- ▶ Build on current guidance and act as an enabling tool to help consumers make informed decisions.
- ▶ Signal products that had met an independent quality standard in relation to governance and communications. This is significant given continuing consumer mistrust of the financial services industry. 85% of consumers thought it was important for a good retirement product to be independently accredited by a third party.
- ▶ Help build confidence in pensions and retirement saving.


This could be especially important given trustees’ assessment of the need for savers to take advice and savers’ unwillingness to pay for it: 57% of savers say they are unwilling to pay anything for advice to help them through the new in-retirement maze, and only 3% say they would be willing to pay more than £200 for advice about retirement.

For trustees a quality mark would assist them in signposting scheme members to products that have been assessed as being good, based on the quality of their governance and communications.

An RQM could help support the development of a robust in-retirement market that operates in the interests of savers by setting out the standards of what “good” looks like in relation to the governance, default investments, member alerts and the communication of charges and risk.

A Retirement Quality Mark therefore has the opportunity to help savers make informed decisions; help trustees guide them to good outcomes; and support the development of a market that operates in consumers’ interests.

- 1.3 To help frame what an RQM could look like and to gauge support, the PQM Board issued a Consultation Paper in November 2015. This sought views from stakeholders on the key features of a Retirement Quality Mark:
 - ▶ the background to, and need for, an RQM;
 - ▶ the proposed scope of the RQM;
 - ▶ how the RQM would operate;
 - ▶ the principles underpinning the standards contained within the Mark; and
 - ▶ the draft standards and supporting evidence required by applicants.

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- 1.4 Developments since the Consultation Document was published have confirmed the Board's view that there is scope for an RQM. Research from the Pension Quality Mark's parent company published in January 2016¹ showed that whilst there had been no 'dash for cash' amongst the first wave of consumers exercising their new rights under pension freedoms, considerable consumer uncertainty remained: 75% of savers prioritised a guaranteed income for life; 53% of savers agreed that drawdown would provide a guaranteed income in retirement; and a quarter believed that there were no risks to leaving their money invested. Nearly two-thirds of people (61%) were worried they would run out of money in old age; 46% worried that people would be mis-sold; and 38% were worried that people would be victims of 'scams'.
 - 1.5 This document summarises the responses to the Consultation Paper. It sets out the Board's response to the comments, concerns and suggestions received and next steps in light of the views expressed.



¹ *Pension Freedoms: no more normal* Understanding Retirement Wave II, Pensions and Lifetime Savings Association January 2016



2. CONSULTATION RESPONSES

2.1 Nineteen responses were received from a wide range of respondents including master trusts, single employer schemes, providers, advisers and intermediaries and industry bodies. In addition, a number of conversations were held with providers and schemes which also fed into the conversation. A list of respondents is set out below:

- ▶ Aegon
- ▶ Aviva
- ▶ BlueSky Pensions
- ▶ Capita
- ▶ Ensign
- ▶ GJH Pensions
- ▶ Intelligent Pensions
- ▶ Jim Churcher FPMI*
- ▶ JLT
- ▶ Kingfisher
- ▶ Legal & General Workplace DC Pensions
- ▶ Merck Group
- ▶ NEST
- ▶ NOW:Pensions
- ▶ Sacker & Partners LLP
- ▶ Saga
- ▶ Standard Life
- ▶ TISA
- ▶ Quietroom

* Mr Churcher responded in a personal capacity.

2.2 The Board is grateful to all those who took the time to respond.

3. THE NEED FOR A RETIREMENT QUALITY MARK (QUESTIONS 1-2)

3.1 The Consultation Paper asked the following questions:

Question 1: Do you think we have correctly identified the benefits of an in-retirement PQM?

Question 2: Are there any additional benefits of an in-retirement PQM?

3.2 There was general agreement that there was a need for a Retirement Quality Mark. Respondents shared the view that such a Mark could help support savers and trustees.

“The ability to signpost customers towards good quality products at retirement is critical if as an industry we are to help our members navigate the new choices they make. We therefore agree with the consultation’s recommendation that the development of basic or enhanced quality standards for products could be a means of providing added protection for consumers.”

NEST

“...There is definite benefit in an in-retirement PQM. Trustees and members alike would benefit from the mark to help build confidence in products that have achieved an assurance.”

BlueSky Pensions

“We believe that the introduction of an RQM is an appropriate and proportionate measure for the post Freedom and Choice world...”

Capita Employee Benefits

3.3 Respondents helpfully identified a number of additional benefits of an RQM. These included:

- ▶ bringing an additional ‘governance bonus’ to in-retirement products;
- ▶ improving consumer confidence;
- ▶ creating a better link between the accumulation and decumulation phases of the retirement savings and pensions journey;
- ▶ deterring “less safe” product manufacturers from entering the market; and
- ▶ encouraging better product regulation that would, in turn, lead to better member outcomes.

3.4 In addition, respondents said it would be necessary to be clear that an RQM was not providing a guarantee of a saver’s income. The Board will take forward this point in the RQM’s own communications about the Mark as well as the communications award holders will be required to provide to customers/ scheme members and trustees. As part of the Terms and Conditions of the RQM, award holders will be required to display in a prominent place on all communications pertaining to the Mark a statement that the RQM is not a guarantee of savers’ income, or that the Mark can be relied upon to provide a view on the security of the provider. Rather, the Mark is an award for certain products that meet certain standards relating to their governance and communications. The Pension Quality Mark Board will also make this clear in all its communications relating to RQM.

3.5 It was suggested that alongside the introduction of an RQM a framework of signposting for trustees, supported by trustee safe harbours, should be introduced. This work is being taken forward by the Pension Quality Mark’s parent company, the PLSA.

- 3.6 A minority of respondents suggested that the RQM was too heavily focused on product regulation (ie a standard to help people to select between particular products) and that it should, instead, be focused on the process which leads a saver to select one of the options now available to them through the new pension freedoms (ie cash, multiple UFPLS, drawdown, annuity etc).
- 3.7 The Board agrees that the process which supports savers to make the right choice is important. Indeed the Board is concerned that consumers may make poor choices that could lead them, for example, to face a significant tax bill which could have been avoided. However, that it not the purpose of the RQM which is focused on helping people select the right product.
- 3.8 We acknowledge that more needs to be done to support informed consumer choice and we will work with the Regulators and Pension Wise to support this, particularly in the wake of the Government's response to the Financial Advice Market Review (FAMR). The Pension Quality Mark Board will also consider whether it is appropriate to strengthen the standards for the Pension Quality Mark and Pension Quality Mark READY in light of the responses to its own consultation.
- 3.9 To make it clear to providers and savers what the RQM is and is not, the Terms and Conditions of the RQM will require holders to display in a prominent place on all communications pertaining to the Mark a statement that the RQM is not a guarantee of savers' income, or that the Mark can be relied upon to provide a view on the security of the provider. Rather the Mark is an award for certain products that meet certain standards relating to the governance and communications. The Pension Quality Mark Board will also make this clear in all its communications relating to RQM.

4. WHAT IS THE RETIREMENT QUALITY MARK? (QUESTIONS 3-5)

- 4.1 This section of the Consultation Paper focused on the scope of the proposed Retirement Quality Mark. It was proposed that the RQM should cover the following product types: multiple UFPLS, drawdown and blended products. Annuities and single UFPLS were proposed as being out of scope. The Consultation Paper asked the following questions:

Question 3: Is it right to restrict the range of products in scope for the RQM to multiple UFPLS and drawdown?

Question 4: Do you think other products should be considered as 'in scope'? If so, which products and why?

Question 5: Are we right to exclude annuities and single UPFLS from the scope of the RQM?

- 4.2 Respondents agreed that it was appropriate for the RQM to apply to multiple UFPLS and drawdown.
- 4.3 Acknowledging the nascent state of the in-retirement market, a number suggested that this should be seen as a starting point, but that the RQM would need to grow and evolve as the market for in-retirement products grows and evolves.

"You need to start somewhere and this is a sensible place to start...Over time the RQM should be extended to cover all simple retirement income products that non-advised customers of average financial wealth are likely to be considering."

TISA

"We think it is right to restrict the range at least initially, to those types of products but as the market evolves over time and additional options emerge (such as flexible annuities), the scope should be reviewed."

Legal and General Workplace DC Pensions

- 4.4 The Board agrees that the RQM will need to evolve as the market evolves and as more consumers start to use the RQM. This has been our experience with the Pension Quality Mark, where standards have changed in line with market and regulatory developments and to ensure they continue to be – and be seen as – a mark of quality.
- 4.5 There was a strong view that annuities should also be covered by the RQM. Respondents expressed concerns that failure to do so could risk giving the impression that RQM viewed annuities as unsuitable and poor value products. It was also suggested that the Board consider how good value for money could be signalled in a single UFPLS.

"We do not think the exclusion of annuities and single UFPLS is appropriate. We are aware that even following the introduction of the new Pension Freedoms, many people are still choosing to purchase an annuity."

Standard Life

"...annuities should be included as, although there is no on-going interaction, the communications and initial rates can be assessed."

Ensign

“We believe annuities should be in scope. For trust and contract based schemes it would seem appropriate to measure the quality of the trustee or IGC governance over the quality of the annuity options open to the members.”

Aviva

- 4.6 To support the view that the RQM needs a sensible starting point that should not initially include annuities, it was suggested that RQM communications material should refer to single UFPLS and annuities being retirement income options that may be suitable for many in communications materials issued by the Pension Quality Mark and RQM and their respective award holders.
- 4.7 The Board acknowledges these arguments. The Board also recognises that annuities will be an appropriate retirement income product for many savers. Indeed, research from the Pensions and Lifetime Savings Association² reveals that 53% of savers favoured a guaranteed form of retirement income that would last throughout their retirement.
- 4.8 The Board is clear that it wants to see a well-functioning annuity market that provides good value and appropriate outcomes for consumers. It has considered where, and how, annuities could fit into the current proposed RQM standards, which are designed to provide some quality assurance around the on-going investment, longevity and ‘spending down’ risks and challenges consumers face with drawdown and multiple UFPLS. Annuities would require a somewhat different set of standards from those currently proposed. Therefore, the Board proposes to press ahead with an RQM that focuses initially on UFPLS and drawdown. It will return to the coverage of annuities in due course. However, we will take account of the comments about the value of annuities and their appropriateness for many consumers in our communications.

² *Pension Freedoms: no more normal* Understanding Retirement Wave II, Pensions and Lifetime Savings Association

5. RQM STANDARDS AND THE ROLE OF IGCs (QUESTIONS 6-8)

- 5.1 This section of the Consultation Paper sought views on the proposed standards – governance and communications. In relation to the proposed governance standards, views were sought on the suggestion by the Pension Quality Mark Board that IGCs should assume responsibility for the monitoring and oversight of the RQM in contract-based arrangements. The Consultation Paper asked the following questions:

Question 6: Are governance and communications the right standards against which the quality of in-retirement products should be assessed?

Question 7: Are we right to assume that the responsibility for the monitoring and oversight of in-retirement products for non-trust-based providers should rest with IGCs? If the IGC is not the appropriate body, which is?

Question 8: Where products are provided by companies that do not have Trustees or IGCs, to whom should the governance and oversight function fall? Are we right to suggest an IGC-like body should be established?

GOVERNANCE STANDARDS

- 5.2 There was overall agreement that governance and communications were the right standards against which the quality of in-retirement products should be assessed.

“They are a good starting point, and can include different characteristics within them.”

NOW: Pensions

“In terms of tangible and measurable standards, governance and communications are useful metrics.”

JLT

- 5.3 There were no suggestions for additional standards.
- 5.4 Some respondents said there should be a smaller number of core standards, others said that the governance standard should be broadened to include the appropriateness of the investment option, and that the communications standard should be broadened to include the appropriateness of the product.
- 5.5 A number of helpful additional comments were made. These included ensuring that the evidence required by the Retirement Quality Mark to show that the standard has been met should be clear and verifiable.
- 5.6 The Board will refine the standards in light of these comments.

THE ROLE OF IGCs

- 5.7 The majority of respondents agreed that IGCs were the right oversight body for contract-based arrangements.

“We agree that IGCs should have responsibility for decumulation in contract based schemes.”

JLT

“We agree that the IGC is the obvious body to provide the necessary degree of expertise and independence to the oversight.”

TISA

- 5.8 However, a small minority disagreed suggesting that it was for the FCA to regulate this market or that IGCs were still finding their feet.

“We don’t believe the time is right to extend the remit of IGC. IGCs are still in their infancy...”

Aegon

“...it is already a requirement of the Board of the provider to offer adequate governance and oversight to help deliver good customer outcomes.”

- 5.9 The Pension Quality Mark Board has considered these arguments carefully. However, the Board remains of the view that the oversight role should remain with IGCs who are best placed to provide independent oversight as to whether products are operated in line with RQM standards and therefore in the best interests of the customer.
- 5.10 Views were split on whether, and how, to include within the scope of the RQM providers that had neither a trust board nor an IGC to perform an independent oversight role to ensure that products were being operated in the customer’s best interests. There was general agreement that an IGC, or IGC-like body, should be required by such firms, and the following quote summarises the views of many:

“An independent body would clearly be beneficial to assess these solutions”

Intelligent Pensions

- 5.11 Others said that the RQM should not be extended to firms that cannot have a trustee or IGC. This would exclude firms which solely operate in the in-retirement market. It is likely that they will be significant providers. The Board would be reluctant to exclude them. However, we recognise concerns about the robustness of any IGC-like arrangement. We therefore propose to undertake discussions with these firms, and the FCA, before reaching a final view.

6. RQM STANDARDS – GOVERNANCE (QUESTIONS 9-14)

6.1 This section of the Consultation Paper focused on the detail of the proposed governance standard and the evidence that would be required to be submitted by prospective award holders to demonstrate that the standard had been complied with. The following questions were asked:

Question 9: Are these the right features of well-governed in-retirement products?

Question 10: Are there other features that should be included?

Question 11: Are these the right standards against which to assess the good governance of in-retirement products?

Question 12: Are there other standards that should be considered?

Question 13: Does the evidence which will be requested meet the Board's objective of being robust enough to allow for an unambiguous assessment of whether the Standard is being met whilst on the other hand, not placing a heavy administrative burden or cost on schemes and providers?

Question 14: Is there other, or alternative, evidence that should be sought?

THE RIGHT FEATURES OF GOOD GOVERNANCE?

6.2 There was general agreement that the Pension Quality Mark Board had identified the right features of what constitutes good governance, ie:

- ▶ meeting the needs of the customer/ scheme member over the lifetime of the product;
- ▶ the existence of a default investment option;
- ▶ value for money; and
- ▶ permitting members to transfer to an alternative product.

6.3 A number of respondents suggested some additional criteria which could be included:

- ▶ signalling what an appropriate level of starting drawdown income looks like;
- ▶ defining terms more tightly (eg value for money and product under performance); and
- ▶ including administration quality and the quality of the provider/ scheme's complaints procedure, and benchmarking.

6.4 The Board views these as very helpful suggestions. It is certainly the Board's intention to provide clear terminology connected with the standards, and will develop this in discussion with stakeholders. It may be too early to develop standards around administration and complaints procedures. However, the Board will return to these issues as the market develops.

6.5 A small minority of respondents said the standards were too focused on product features, arguing that there is too much focus on value for money, and that good governance is not a guarantee of a good outcome. However, the Board believes that poor governance is a powerful indicator of a poor outcome.

THE RIGHT STANDARDS?

- 6.6 There was overall agreement that the Board had identified the right standards by which to assess whether good governance was being applied. Respondents recommended that the standards are monitored and regularly reviewed to ensure they are appropriate and to take account of market developments. As with the Pension Quality Mark, it is the Board's intention to review and monitor the standards.
- 6.7 A small minority of respondents said that they thought standard setting should be left to the Regulator and that it was not possible to have a one-size-fits-all approach to standards. The Board disagrees. Whilst it will be for individuals to select the retirement option that is right for them under the new pension freedoms, the Board believes there are standards of what constitutes good governance that can be commonly applied. The Regulator's role is to set minimum standards. The RQM seeks to set best practice standards. As has been proved through the Pension Quality Mark, this has influenced scheme behaviour and has also driven regulatory and legislative responses.

THE RIGHT STANDARDS?

- 6.8 There was general agreement that the proposed items of evidence required from prospective award holders to demonstrate that they were acting in accordance with the governance standard were correct.
- 6.9 In asking for these items of evidence, it was cautioned that it would be important not to 'oversell' RQM to customers/ scheme members. The Board accepts this point and the positioning of RQM and its scope will be made clear to award holders and to customers/ scheme members.
- 6.10 It was suggested that it would not always be practical for trustees to share their full minutes with the Pension Quality Mark executive for assessment purposes, even on a confidential basis, and that minutes may need to be redacted. The Board accepts this helpful point and will amend the evidence requirement accordingly to allow redacted minutes to be submitted.
- 6.11 It was also suggested that much of the required evidence could be obtained from Trustee Chair/ IGC Chair reports. The Board notes this point but also notes that it is too early to say at this stage as Chair reports are only just being published and will need to be assessed. The Board proposes, therefore, to require the proposed items of evidence, but will revisit them in response to the development of Chair reports.

7. RQM STANDARDS – COMMUNICATIONS (QUESTIONS 15-20)

7.1 This section of the Consultation Paper focused on the detail on the proposed communication standards and the evidence required for their evaluation. The following questions were asked:

Question 15: Are these the right features of good communication for in retirement products?

Question 16: Are there other features that should be included?

Question 17: Are these the right standards against which to assess high quality communication standards for in-retirement products?

Question 18: Are there other standards that should be considered?

Question 19: Does the evidence which will be requested meet the Board's objective of being robust enough to allow for an unambiguous assessment of whether the standard is being met whilst on the other, not placing a heavy administrative burden or cost on schemes and providers?

Question 20: Is there other, or alternative, evidence that should be sought?

THE RIGHT FEATURES OF GOOD COMMUNICATIONS?

7.2 There was general agreement that the Board of the Pension Quality Mark had identified the right features of good quality communications, namely:

- ▶ point of sale communications (including charges, risks, action the consumer is required to take; and where further information can be sought);
- ▶ on-going information (including on-going charges, information about external factors that could impact drawdown, decisions the consumer will be required to make; and additional sources of information; and
- ▶ clear and engaging communications.

7.3 A number of suggestions were made with a view to making the standards stronger and more useful to consumers/scheme members:

- ▶ providers of in-retirement products should use a common language to communicate to consumers. There was an opportunity for the RQM to develop the common lexicon;
- ▶ appropriate consumer communications should be based on consumer research of what has most impact with consumers;
- ▶ the standards should require providers to include a statement of how much money is left in their 'pot'; and
- ▶ more generally, there should be a focus on pre-retirement education.

7.4 Some took a contrary view – in particular, that only specialist individualised advice was sufficient to meet consumers' needs. The Board notes this view. But it also recognises that the vast majority of savers are unwilling to pay for full financial advice. Indeed PLSA research³ has revealed that 57% of savers are unwilling to pay anything for financial advice. Whilst better communication is not a 'silver bullet', it is necessary to support consumers navigate the new pension freedoms – at the point of sale and beyond.

7.5 The Board agrees it would be helpful if there was a common language for decumulation products and how they are communicated to consumers. It is aware that there are a number of initiatives currently underway, and will seek to participate in these. Once the RQM has been launched, the Board will consider publishing an in-retirement version of its successful and popular Pension Quality Mark communications best practice guide.

³ *Pension Freedoms: no more normal* Understanding Retirement Wave II, Pensions and Lifetime Savings Association

THE RIGHT STANDARDS?

- 7.6 There was general agreement that the Board had identified the right standards by which to assess whether good communication standards were being applied. There were some helpful suggestions as to how the standards could be made more robust:
- ▶ there was a need to clarify some of the language proposed in the standards, eg ‘market movements’; and
 - ▶ a number of respondents suggested that quarterly statements could be too frequent, and could prompt consumers to take short-term, knee jerk decisions and actions that could ultimately be damaging to their financial well-being.
- 7.7 The Board agrees these are helpful comments. It will review its proposal for a standard that requires communications to be issued on a quarterly basis.

8. OPERATIONS AND RQM GOVERNANCE (QUESTIONS 21-23)

8.1 This section of the Consultation Paper sought views on the appropriateness of the Pension Quality Mark's own governance and on the processes to support the RQM. The following questions were asked:

Question 21: Is the governance and operational framework for the RQM appropriate and sufficiently robust to give confidence to award holders and consumers that the Pension Quality Mark Board is itself applying high standards?

Question 22: Are there any other features that should be considered in the governance and operation of the RQM?

Question 23: Is the Board right to require providers and schemes whose licence to use the RQM is withdrawn to notify customers or scheme members, giving them the opportunity to transfer to another product or provider?

PQM GOVERNANCE

- 8.2 Respondents were generally of the view that Pension Quality Mark's governance and proposed operational framework was appropriate to support the new RQM. It was generally agreed that the Pension Quality Mark Board was strong and comprised good quality people. However, it was noted that the skill set of those currently on the Board (executive and non-executive directors) was skewed towards the accumulation phase of pensions. It was suggested that it would be helpful to recruit an individual or individuals with experience in the in-retirement market.
- 8.3 The Board acknowledges these comments. There is currently one non-executive vacancy on the Pension Quality Mark Board. Recruitment has already begun to recruit non-executive directors with decumulation skills.
- 8.4 Respondents were also of the view that there would need to be stronger and more robust oversight of RQM standards than Pension Quality Mark standards. This was due to the fact that there would be little/ no opportunity for customers/ scheme members to put right any poor decisions or to rectify any mistakes. The Board has always taken the view that a robust accreditation process will be required and that accrediting products is very different from accrediting schemes. To this end, the Board is already taking steps to develop a more robust application and accreditation process. This will include the development of a panel of expert assessors.
- 8.5 The Board will also develop a more robust appeals and complaints procedure for those providers and schemes who wish to appeal in the event that their initial application or application for renewal is turned down.

TRANSFERS

- 8.6 Finally the Board sought views in relation to products that failed to have their RQM status renewed in circumstances where the product no longer met the standards (as opposed to the provider/ scheme voluntarily no longer wanting the Mark). The Board had proposed that in these circumstances members/ customers should be notified and the provider/ scheme should be required to transfer to another provider with the Mark.
- 8.7 A number of respondents agreed with this view. Others said this would only be acceptable in circumstances where the provider withdraws from the RQM scheme voluntarily.
- 8.8 However, the majority of respondents did not support this proposal. They said it:
- ▶ would be unworkable;
 - ▶ may act as a disincentive to providers applying for the award in the first instance;

- ▶ could send the wrong message to consumers/ scheme members if the award was withdrawn for something “trivial”; and
- ▶ could lead to unnecessary and expensive transfers.

“We do not feel this would be a reasonable or workable requirement of an RQM.”

Standard Life

“May result in unnecessary and expensive transfers.”

Intelligent Pensions

8.9 The Board has considered these views very carefully. In light of these concerns, the Board has concluded that it would not be appropriate to progress the standard requiring compulsory transfers for products that failed their re-accreditation. However, the Board would expect providers, as a matter of best practice, to offer consumers of such products the right to request a transfer without penalty.

9. CONCLUSIONS AND NEXT STEPS

- 9.1 We are grateful to all those who responded to the consultation document and we are encouraged by the high degree of support and enthusiasm for the RQM and the shared vision of the need to make sure that savers can maximise the benefits of the new pension freedoms and that the products brought to market operate in the best interests of savers. Your comments have helped the Board refine its own thinking on the new standard.
- 9.2 Over the coming months the Pension Quality Mark will refine the standards in light of the comments received and will continue the dialogue with schemes and providers as well as government and regulators.
- 9.3 In addition, we will start to build the infrastructure that will support the new RQM, and again we will do that through a discussion with potential award holders with a view to launch the RQM in the summer.



T: 020 7601 1770

E: info@pensionqualitymark.org.uk

W: www.pensionqualitymark.org.uk

Cheapside House
138 Cheapside
London EC2V 6AE