

Proposal to change FCA pension transfer rules

Financial Conduct Authority (FCA)

RPC rating: validated

Description of the measure

Under the Government's new flexible pension regime, the FCA expects more members of Defined Benefit (DB) schemes to transfer their benefits to DC schemes. To protect consumers, the Government requires that scheme members take advice from an adviser authorised by the FCA prior to the transfer proceeding. FCA rules state that any advice must be provided or signed-off by a Pension Transfer Specialist (PTS) and a Transfer Value Analysis (TVA), comparing the benefits of the DB and DC schemes, must be completed. The measure extended this requirement so that it also applied to transfers for the purpose of immediately crystallising benefits.

The assessment explains that the FCA has consulted on its rules on pension transfer and concluded that they were significantly more complex than they needed to be. The FCA has therefore amended its rules to require advice from a PTS on all transfers from DB schemes to DC arrangements, regardless of when the transferred benefits are crystallised.

Impacts of the measure

The assessment explains that the changes will have an impact on Pension Transfer Specialists (PTS) and the FCA expects that the measure will lead to an increase in the number of PTSs (by 130). The FCA, supported by Office for National Statistics and HM Treasury estimates, assumes that 35,000 individuals will require advice, which will need to be provided by PTS. The FCA estimates the one-off costs of the additional PTS, including the time and resource costs obtaining the relevant qualifications, at £1.1 million. These estimates are supported by an earlier, more detailed cost benefit analysis which is referred to within the IA. That analysis in turn draws on estimates developed by the Chartered Insurance Institute.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.1 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

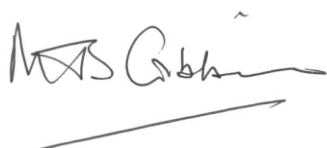
The FCA has provided sufficient evidence to support the estimated costs of the measure. Following discussion with the RPC, the FCA has also provided clarity concerning how the EANDCB figure has been calculated.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£0.1 million
Business net present value	-£1.1 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated ¹	£0.1 million
Business Impact Target (BIT) Score ¹	£0.5 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.