



Pension reviews

The FSA's 'thematic review on the quality of advice on pension switching' has re-established the standard for what's expected from pension reviews, and underlined the need to evidence and justify the recommendations you make.

As a result, you need to be doubly confident that your processes are robust and will evidence:

- A full review of the features and benefits of both the current and new pension product against your client's needs
- Justification for any increase in product costs
- An assessment of your client's current attitude to risk and their investment objectives.

Our simple six step process can help you map out and manage this process:

Step 1 – Advice considerations

When carrying out a pension review, you need to take into account complex environmental issues which could impact on the products you recommend, including:

- RDR – will the product continue to be appropriate in the future, is it free from provider bias for remuneration and investment decisions?
- RU64 – is the product you're recommending at least as suitable as a stakeholder? How are you evidencing this?

Step 2 – Prioritise client base

You'll need an efficient process which lets you add the most value for your clients and for your business.

Focus on a manageable number of cases by:

- Efficiently segmenting your client base
- Prioritising clients based on their present circumstances and needs.

Step 3 – Initial assessment

After prioritising, you'll need to determine whether the current product and investment solution is still suitable, or whether a detailed review is required. The initial assessment should:

- Efficiently evaluate each case to identify where a more detailed review is needed.
- Align clients with the right service/value proposition
- Provide evidence, even when no further action is required.

Step 4 – Product suitability review

To help decide whether a client can benefit from a product switch, a review of the existing product features and benefits is needed, including:

- A comparison of the features and benefits available through alternative solutions and how well these meet your client's needs
- An assessment of the underlying technical issues and options including loss of benefits or guarantees from the ceding plan.

Step 5 – Product charge review

For both existing and new business you may need to consider whether:

- The product represents good value in accordance with the client's needs
- Is this supported by independent third party software? Are you using this to provide unbiased evidence of analysis?

Step 6 – Investment review

Are you demonstrating best practice in line with the FSA's thematic review by:

- Evidencing a robust and unbiased process for determining your client's attitude to risk
- Making use of a stochastic modelling tool if you're adopting an asset allocation approach, to ensure investments are aligned with your client's attitude to risk
- Providing clear client reporting explaining the investment approach and the need for ongoing investment reviews.

Our supporting material can help you assess opportunities, and build a robust, consistent process. You can then be confident that good practice is followed and evidenced in your client files.

For further information please speak to your Scottish Widows Account Manager.