

**AEGON's response to the Corporate
Pensions Questions in
FSA CP 09/18 : Distribution of retail
investments : Delivering the RDR
Executive Summary**

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Since the early stages of the Retail Distribution Review (RDR), AEGON has had frequent engagement with the FSA concerning how we believe the RDR should apply to contract-based corporate pensions (GPPs). We are pleased that FSA is now consulting specifically and openly on this topic.

GPPs offer millions of employees an ideal way of making regular tax efficient savings for retirement, with the major added benefit of an employer contribution. As such, they represent a vital part of our savings landscape and for pensions reforms to be successful, must continue to do so alongside Personal Accounts after 2012. In AEGON's opinion, it is arguably the most important regular premium savings market we currently have within the UK.

The GPP market serves a wide range of employers, from the micro with as few as five employees to the very large with tens of thousands of employees. Understandably, therefore, there is a wide range of advisory needs and models to meet these needs in this market. One size does not, and never will, fit all.

Advisory models in the GPP market are also very different from, and more varied than in, the individual market. The employer is almost always the primary customer. There are also different guidance and advice services offered to potential members. Different adviser firms can favour particular models reflecting their different client bases.

As a direct result of the variety in this market, we anticipate the FSA will receive a wide range of different responses to the CP's corporate pensions questions. We hope the FSA will recognise this as a legitimate reflection of the market's heterogeneity rather than interpret it as an industry weakness.

The GPP market operates relatively effectively, particularly for employees. However, in addition to strengths, AEGON believes it has potential for regulatory-led improvements. The strengths and weaknesses are very different from the individual market. It would be inappropriate to apply solutions designed to address the problems Callum McCarthy identified in his Gleneagles speech to the GPP market.

AEGON is not seeking to retain the status quo. We support appropriate change. However, we believe particularly in this market, there is the potential for unintended consequences to lead to damage to employee interests. We believe it would be very beneficial if the FSA and industry could work together to further analyse the longer-term consequences of any proposed regulatory changes. We are particularly concerned over the adverse impact a ban on provider factoring would have to the pensions savings of many current and future employees.

From a high-level policy perspective, AEGON:

- Agrees that RDR style changes could benefit all parties involved in the GPP market if applied appropriately
- Believes a straight 'copy over' of solutions designed for the individual retail investment market would be counter-productive and a missed opportunity
- Favours a principles-based approach, avoiding unnecessary prescription, to meet the needs of a very varied market in a pragmatic and practical way
- Urges FSA to consult further with industry on areas of detail and to explore longer term consequences

- Would stress that GPPs do not exist in a 'vacuum'. Advisers and employers will have other pensions options including trust-based schemes and personal accounts. The RDR proposals need to fit with the wider pensions landscape and with pension reforms including automatic enrolment.
- Views an approach which works for both regular contributions and transfers as essential
- Regards the whole context of member advice on joining a GPP as very different from holistic retail investment advice to individuals, and believes regulation should allow for this
- Is keen to explore how enhanced member level disclosure can be part of the solution
- Sees it as essential that schemes written on a pre-Adviser Charging basis are allowed to continue to remunerate advisers on an unchanged basis – including new entrants and increments. Any change to existing schemes would undermine the whole concept of a streamlined corporate pension scheme, which relies on standard charges across all members.

We fully understand why FSA has consulted on the RDR in stages and has focussed to date on the individual retail investment market. However, we very much hope FSA will be prepared to review conclusions previously reached if evidence gathered as part of the corporate review brings a new perspective. On this basis, our response does not take the proposed ban on provider factoring as 'final' – either within the corporate market or indeed more widely.

At a more detailed level, AEGON supports:

- Arranger Charging agreed with the employer for 'advice' at employer level.
- Where (and only where) members receive full individual advice, Adviser Charging (AC) at member level. Importantly, the employer should be able to agree with the adviser a pre-determined basis to apply as standard across the scheme. We do not believe AC at member level would benefit any party in the more common situation where some form of presentational guidance on joining the scheme – but not personalised advice - is provided.
- An ongoing facility for providers to offer factoring in relation to regular contributions over a limited period (of say 5 years). We see this as essential for sustaining this market.
- Extending the focus on enhancing professionalism and qualifications to the corporate pensions market where this is relevant, and allowing for the different competencies required.
- Removal of the 'exempting' rule for IFAs advising on GPPs provided there are no unintended burdens of proof associated with this.

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