WHAT WILL THE FCA's NEW RULES MEAN FOR DB TO DC PENSION TRANSFERS?

A joint policy paper between LCP and Royal London

October 2018

EXECUTIVE SUMMARY

More people than ever are transferring their pension away from DB schemes to personal DC pension arrangements.

In March 2018, the FCA announced new rules for financial advisers who advise members on DB to DC transfers. Some of these new rules applied from 1 April 2018 whilst other parts apply from 1 October 2018. A key aspect of the new rules applying from October is a new requirement to provide clients with a "transfer value comparator" (TVC). The TVC provides a way of comparing the transfer value being offered by the scheme with one measure of the value of pension benefits being given up.

In this paper we present research undertaken by both LCP and Royal London in summer 2018 on the new rules and their likely impact on the DB to DC transfer market. Key conclusions include:

- The introduction of the TVC requirement will bring greater transparency to the DB transfer market.

- Scheme members may be surprised at the results of the TVC analysis, which may show transfer values as being less generous than previously thought; this process will also show a wide range of transfer values being offered by different schemes; we explore the reasons for this, including differing pension scheme investment strategies.

- Scheme trustees and sponsors, and the actuaries who advise them, are likely to benchmark the generosity of their transfer values against other schemes in the future – this could lead to reconsidering some of the assumptions adopted for transfer values.

- Financial advisers and their clients are also likely to benchmark transfer values from different schemes, which could lead to transfer decisions being more "price sensitive" than in the past.

- Generally, we expect the apparent relative generosity of a transfer value (as assessed using the TVC approach) to improve through time for any given member; this may mean that some members choose to delay transfers until just before retirement.

- Whilst high TVC replacement costs may put some members off transferring, most financial advisers expect little overall impact on the number of transfers.

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1. Introduction

In the last two years, the number of people choosing to transfer rights out of a Defined Benefit (DB) pension scheme into a Defined Contribution (DC) arrangement has soared. Based on data supplied to Royal London by the Pensions Regulator, the number of such transfers in 2016/17 was 80,000 and the number in 2017/18 was 100,000.[1] This growth is likely to have been driven primarily by the new 'pension freedoms' allowing people greater flexibility about how they use their pension funds combined with a period of ultra-low interest rates which have contributed to exceptionally high transfer values being offered to members. More favourable tax treatment of inherited DC pension rights is also likely to have led to a growth in interest in transfers.

In March 2018, the Financial Conduct Authority (FCA) published its new rules for financial advisers when advising on DB to DC transfers.[2] This followed on from a consultation document published in the summer of 2017. The review of advice around transfers was driven partly by recognition that the previous rules were written before the advent of the pension freedoms and therefore needed to be updated. As the FCA's summer 2017 document[3] acknowledged:

> It remains our view that keeping safeguarded benefits will be in the best interests of most consumers. However, ***the introduction of the pension freedoms has altered the options available and for some consumers a transfer may now be suitable when it wasn't previously*** (para 3.11, italics ours)

The review of the rules was also prompted by a concern about the quality of advice being given. For example, in January 2017, the FCA issued an 'alert' flagging concerns about the way in which advice on pension transfers was being given in some cases. Between the publication of the FCA's consultation in June 2017 and the final report in March 2018, those concerns grew as FCA survey data suggested that a significant proportion of transfer recommendations being made were not demonstrably 'suitable' for the client. Those concerns were only heightened by the specific case of the British Steel Pension Scheme, concerns that were reinforced in a critical report by the Work and Pensions Select Committee of the House of Commons.

The revised advice rules make a number of changes to the way in which transfer advice must take place. One of these changes, which is the focus of this paper, relates to the way in which the comparison is made between the underlying value of the benefits in the DB scheme and the transfer value offered by the DB scheme to give up those rights.

In the next section we explain the difference between the old and new approaches to assessing whether or not a transfer represents good value. After this we report the results of analysis based on around 200 occupational pension schemes which models the sorts of transfer value comparators that clients are likely to be presented with when the new rules come into force in October 2018. We then report on the results of a specially commissioned survey of financial advisers conducted in summer 2018 asking for their views on the potential impact of the new framework. Finally, we assess what impact these changes are likely to have on the transfer market.

[1] Note that this data is derived from annual scheme return data taken from pension scheme annual reports published in the year in question and as such is likely to be a lagged measure of the volume of transfers. The figures also include a small number of transfers between DB schemes.
[2] https://www.fca.org.uk/publication/policy/ps18-06.pdf
[3] https://www.fca.org.uk/publication/consultation/cp17-16.pdf

Alongside the new rules the FCA also launched a further consultation entitled "Improving the quality of pension transfer advice"[4]. This included improving the qualifications for advisers, providing guidance to firms on appropriate triage services that can give factual and generic information without stepping across the advice boundary and requiring a personal recommendation when the advice is *not* to transfer. In addition, the FCA is seeking views on whether to intervene in relation to charging structures including whether to ban contingent charging structures. The FCA is expected to publish their conclusions following the consultation in autumn 2018. Their conclusions on the appropriateness of contingent charging piece, in particular, could have a further major impact on the number of members taking advice and transferring.

[4] https://www.fca.org.uk/publications/consultation-papers/cp18-7-improving-quality-pension-transfer-advice

2. How to compare the transfer value offered with the 'true' value of the rights given up

a) The old method – the 'critical yield'

Under previous FCA rules, advisers were required to calculate a 'critical yield' as a way of benchmarking whether the transfer represents good value or not. In simple terms this is a calculation of the amount by which the transferred sum would need to grow each year up to scheme pension age in order to generate a pot which could be used to buy equivalent benefits to those being given up.

So, for example, an adviser might calculate that a fund needs to grow by 5% per year between the point of transfer and scheme pension age to generate a pot of the requisite size. The adviser might then look at how the transferred funds will actually be invested and if s/he believes that they are likely to outperform that critical yield then this would be one factor likely to influence them in favour of recommending a transfer.[5]

b) The new method – the 'transfer value comparator'

Under the new rules that apply from 1 October 2018, the value of the rights given up will have to be presented in a different way, partly because the FCA believes that clients are unlikely to fully understand the meaning of a 'critical yield'.

A central concept of the new approach is that of the 'transfer value comparator' or TVC. In some ways this is similar to the critical yield approach set out above but instead requires the adviser to present the client with a comparison between two lump sum figures:

a) The actual 'cash equivalent transfer value' (CETV) that they have been offered;
b) The lump sum that would likely be required, if it was invested at a 'risk free' rate up to scheme pension age, to generate a pot of money large enough to buy benefits equivalent to those being given up.

For example, a scheme member may be offered a CETV of £200,000 today to give up their rights in a DB scheme. But it could require a lump sum of £250,000 today, invested at a risk-free rate up to scheme pension age, to generate a pot large enough to buy a pension income equivalent to the DB rights (for example through purchasing an index-linked annuity). We refer to this £250,000 figure as the "TVC replacement cost" in this paper.

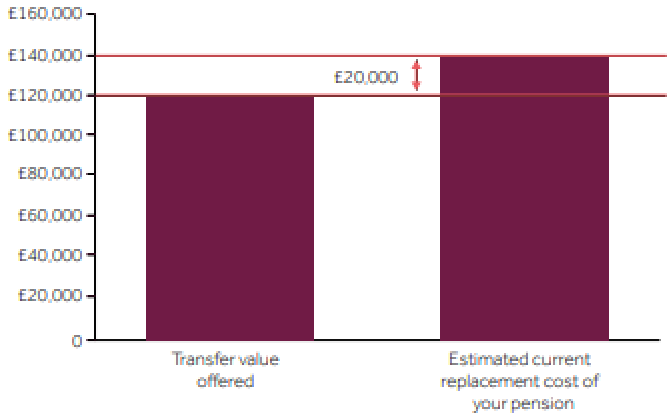
The FCA requires these two lump sum figures to be compared graphically in the form of a bar chart, to help clients see what they are 'giving up' by making a transfer (see box). Another way to think of the comparison is to express the TVC analysis as a percentage. In the example given, someone is being offered £200,000 to sacrifice rights which would cost £250,000 to replicate in the way described, so the CETV on offer is 80% of the 'value' of the pension rights defined in this way. Or, alternatively, this scheme is offering this member a transfer value that is 80% of the TVC replacement cost.

[5] It should be noted however that advisers are encouraged by the FCA to take a more rounded view when advising on transfers and not simply to undertake a crude comparison between a critical yield and an expected return on investment.

Example of transfer value comparison

The transfer value offered instead of your pension income is: £120,000

How does this compare with the amount you need to buy the same income on the open market?



It could cost you **£140,000** to obtain a comparable level of guaranteed income on the open market.

This means the same retirement income could **cost you £20,000 more** by transferring.

Source: https://www.fca.org.uk/publication/consultation/cp17-16.pdf Para 4.19

The financial adviser must take reasonable steps to ensure their client (i.e. the member) understands how the outcomes from the TVC have contributed to the adviser's personal recommendation on whether or not to transfer.

The TVC will take no account of their client's personal circumstances (eg attitude to risk, amount of pension they wish to take as cash, whether they have a dependant etc).

However, the cost of replacing the client's DB income will be tailored to reflect the benefits provided by the DB scheme (e.g. the normal retirement age, level of pension increases etc). Therefore, two different pension schemes providing the same pension benefit to two different members will have the same replacement cost reported on a TVC on any given day.

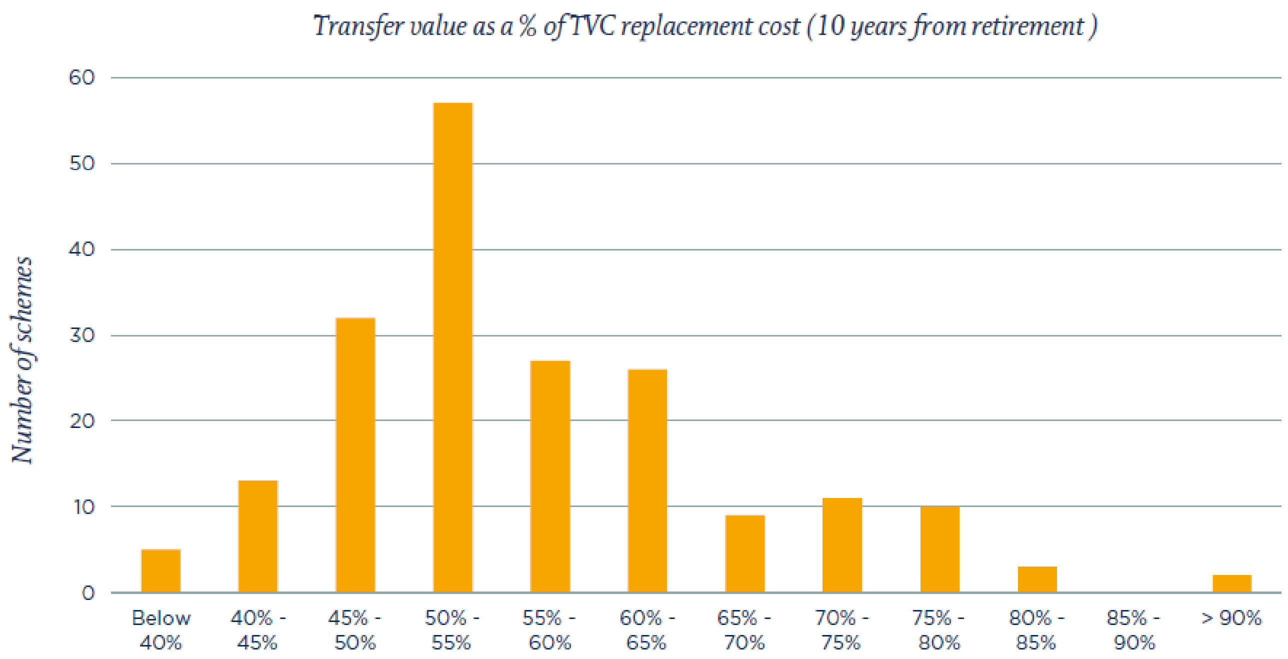
One of the FCA's aims of introducing TVCs is to provide financial advisers and their clients with an objective measure of the relative generosity of transfer values from different schemes, for different benefits, at different ages. It will also give financial advisers and their clients one measure of the "cost of flexibility" - that is, the financial cost (at least compared to the TVC "no-risk" basis) of giving up a promised pension income in order to achieve a member's objectives which may for example be a more flexible income, better provision for dependants, or the creation of a tax-efficient family asset.

3. LCP survey: How generous are transfer values?

Transfer values offered by two different pension schemes are likely to differ. There are good reasons for this, which are discussed further below. But as a consequence, the new TVC requirements will result in some schemes' transfer values appearing to be considerably more "generous" to members than others.

In summer 2018, LCP conducted a survey that looked at how transfer values differ across schemes, when looked at through the lens of the new TVC. Around 200 schemes were included within this survey and represent a wide cross-section of UK pension schemes, across all industries, with scheme sizes ranging from less than £100m to more than £10bn. The survey includes both schemes for which LCP is scheme actuary, and schemes that have scheme actuaries from other firms.

The following graphs shows the distribution of the transfer values expressed as a percentage of the TVC replacement cost for each of the 200 schemes in the survey for members 10 years from retirement and members 1 year from retirement (see the Appendix for detailed assumptions). A few of the schemes reduce transfer values for underfunding but this reduction has been ignored for the purposes of this analysis.

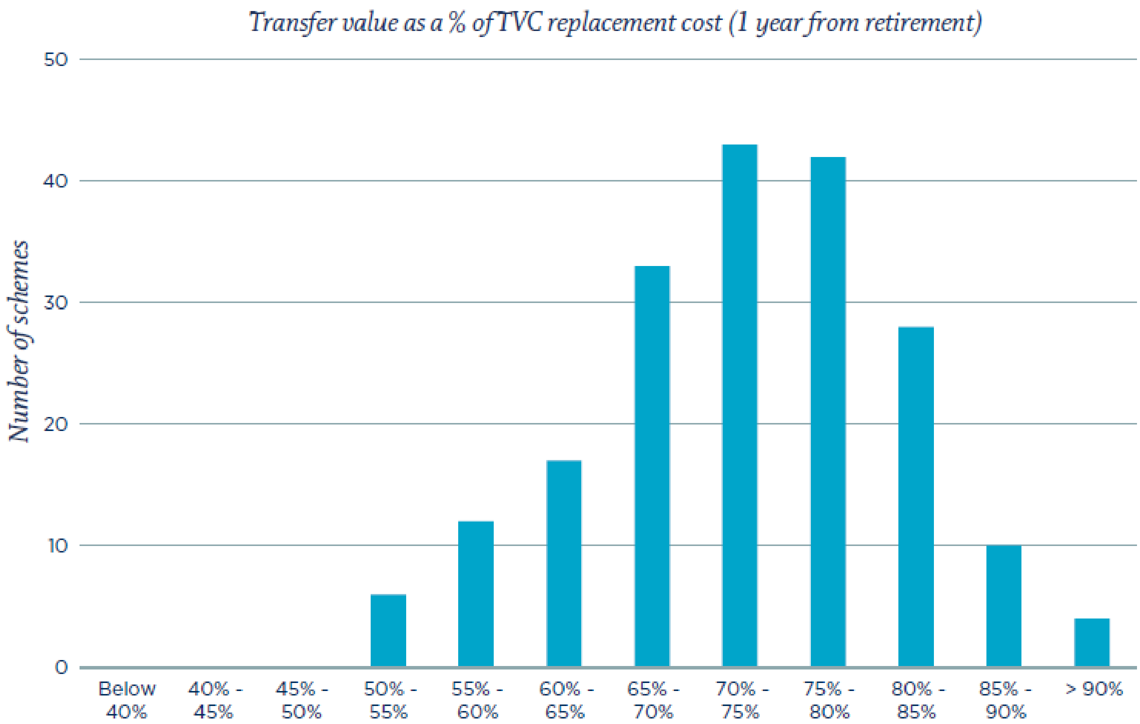


Source: LCP survey of DB Transfer Value Comparators, October 2018

The mean ratio in the LCP survey for members 10 years from retirement is 57%. In other words, the average transfer value across all schemes surveyed provides a member with only 57% of the estimated cost of replacing their benefit by purchasing an annuity at retirement (using the prescribed FCA assumptions).

Whilst the significant gap between the transfer value and TVC replacement cost may come as a surprise to some members and financial advisers, this is due to the "risk-free" nature of the required FCA assumptions underlying the replacement cost, including the cost of an individual purchasing an annuity at retirement. In contrast, schemes typically invest in a mixture of assets including equities and bonds, and do not purchase individual annuities when members retire (see below for more discussion on this).

It is also interesting to note how large the range of transfer values is – there are a number of schemes that provide transfer values more than double other schemes. This reflects the wide range of investment strategies adopted by schemes, and the wide range of assumptions adopted by trustees for calculating transfer values.



Source: LCP survey of DB Transfer Value Comparators, October 2018

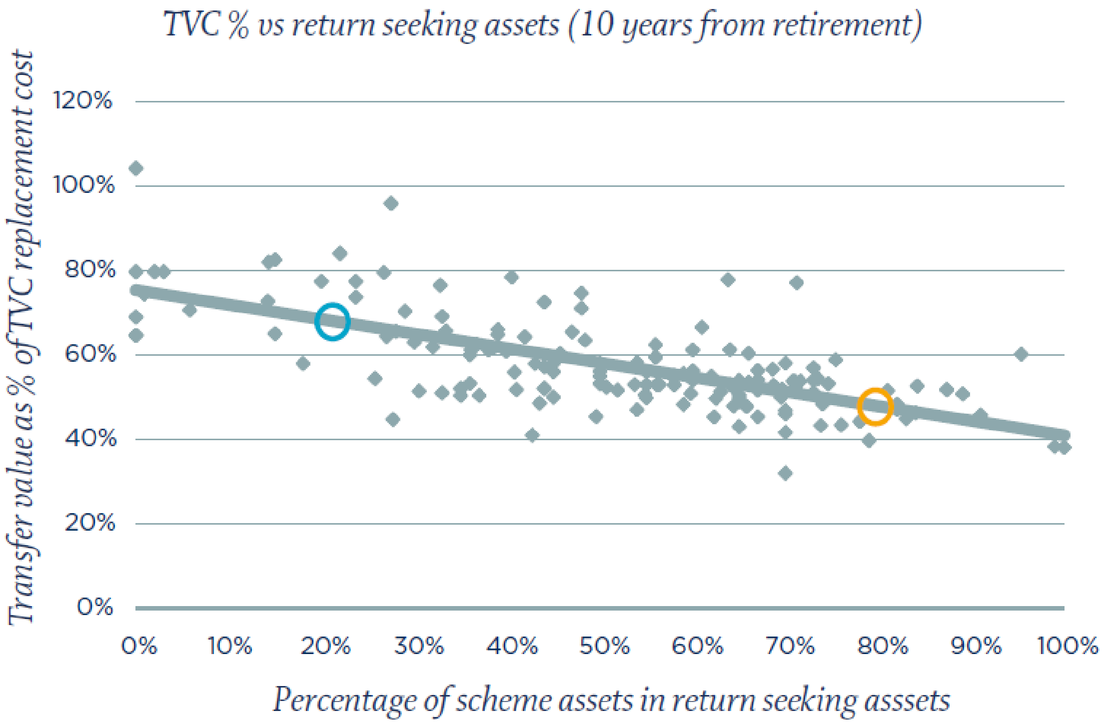
For members who are closer to retirement, the gap between the transfer value and the TVC replacement cost reduces significantly. This is because many pension schemes are expecting to hold return-seeking assets for a shorter period of time in respect of older members. The range of transfer values is also lower for the same reason. The mean ratio, in the LCP survey, for members just 1 year from retirement is 73%.

How does a scheme's investment strategy impact the TVC?

By law, the assumptions underlying transfer values are determined by each set of trustees, having taken advice from their own actuary and, critically, reflecting best estimate returns on their scheme's investment strategy. Therefore, a scheme invested in more return-seeking (and hence more risky) assets, is likely to have lower transfer values than a scheme invested in lower-risk assets[6]. This is because a scheme invested in return-seeking assets hopes to make higher investment returns in the future, and therefore needs less money now, for each member.

[6] In addition, if a scheme's assets are not sufficient to pay transfer values for all members, transfer values may be reduced for underfunding, but this has been ignored for the purposes of LCP's analysis.

The graph below shows that pension schemes investing more in return-seeking assets, such as equities, typically provide lower transfer values when measured against the TVC replacement cost. This is to be expected given the legal requirements that govern the calculation of transfer values.



Source: LCP survey of DB Transfer Value Comparators, October 2018

For example, for members who are 10 years from retirement, a scheme that is invested 80% in return-seeking assets (equities etc - the orange circle on the chart) will typically offer a transfer value that is only around 50% of a TVC replacement cost, whereas a scheme that is invested just 20% in return-seeking assets is more likely to offer a transfer value that is around 70% of the TVC replacement cost (the blue circle on the chart). The variation around this trend reflects different approaches taken by actuaries and trustees to many of the other assumptions underpinning transfer values, including the critical assumptions of the expected future evolution of the scheme's investment strategy and the longevity of the scheme's members.

As many DB pension schemes continue the journey of reducing risk by switching from return-seeking assets to lower risk assets such as government bonds, it can be expected that transfer values will increase (all other things equal). This effect is in addition to other key factors that can be expected to impact on transfer values, which include:

- A member's age (a transfer value is generally expected to increase as a member gets older);
- Expectations for future interest rates (it is long term expectations that matter, rather than any changes made to short term rates by the Bank of England – generally, interest rates staying lower for longer than expected are likely to increase transfer values); and
- Longevity expectations (generally, if expected improvements in life expectancy slow down, this can be expected to lead to lower transfer values).

How do transfer values and the TVC replacement cost vary across industry sector?

LCP also analysed the transfer values by industry sector and found that pension schemes that are sponsored by companies in the financial sector provide transfer values around 5% higher than average. Banks and insurers have additional reserving requirements that can result in them having a preference for their pension schemes to take less investment risk; this, in turn, appears to be leading to higher (more generous) transfer values (as a percentage of TVC replacement costs).

4. Royal London survey: What do financial advisers think of the new rules?

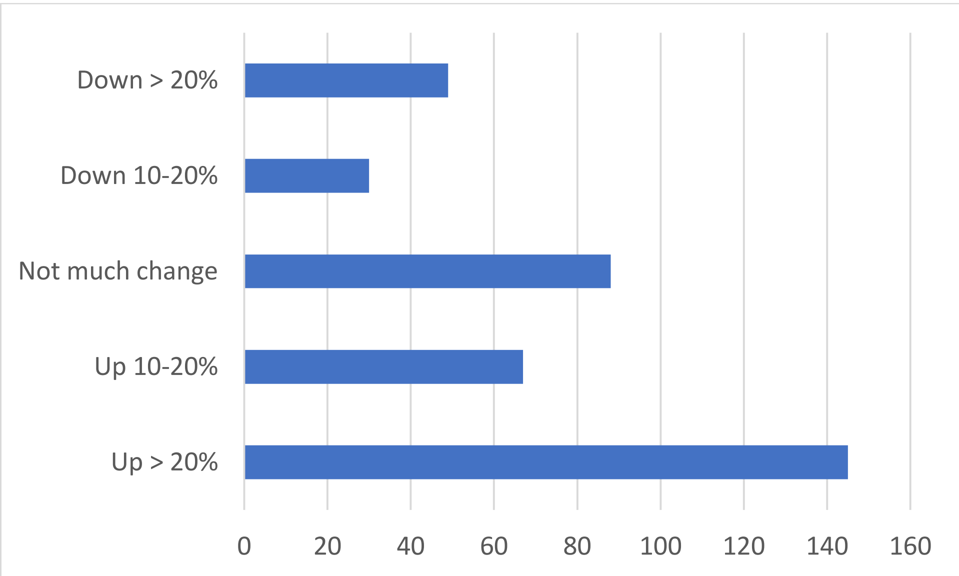
In summer 2018, Royal London undertook a special survey of financial advisers involved in advising on pension transfers and received nearly 400 responses. They were asked a range of questions about the state of the DB to DC transfer market and specifically about their views on the new transfer value comparator approach. The results are presented in this section. Note that the advisers did not have the benefit of seeing the results of the LCP modelling which suggests that TVCs, particularly for those further away from pension age, may be interpreted by clients as demonstrating that a transfer value offers relatively poor value.

a) The overall state of the transfer market

Anecdotally, there has been a perception that the DB to DC transfer market may have peaked, partly because of negative press coverage around the British Steel case, and wider coverage suggesting that some people who have transferred have experienced poor outcomes. There is also a suggestion that some advisers are struggling to obtain affordable Professional Indemnity insurance, without which they cannot continue to offer transfer advice.

The survey therefore began by asking advisers to estimate how the volume of transfers they were handling compared with the same period a year ago. The results are in the chart below.

What has been the change in the volume of requests for advice on transfers compared with a year ago?



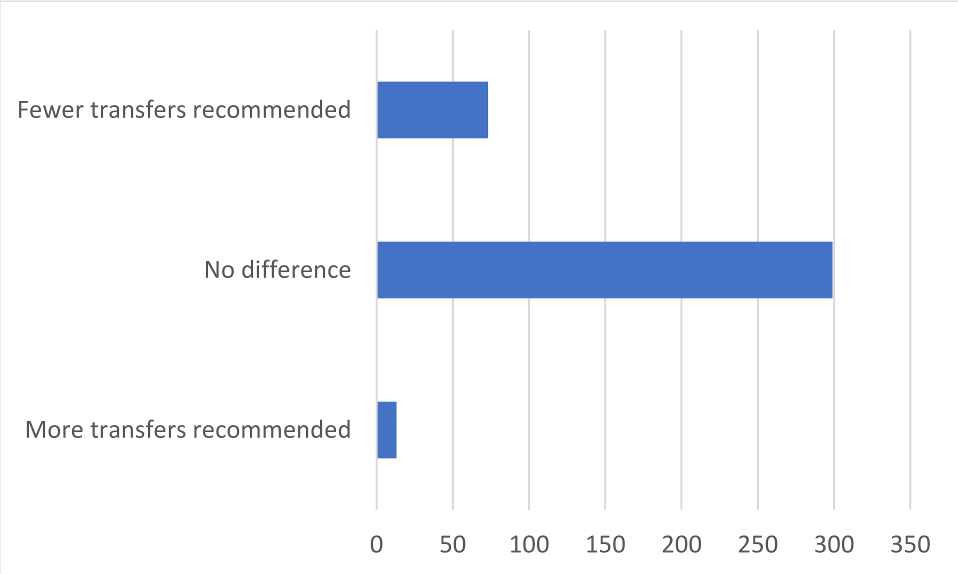
Source: Royal London adviser survey, summer 2018

Although around one fifth of advisers said that they had seen a drop off in inquiries, the majority were continuing to see growth, with more than one in three having seen an increase of more than 20%. This suggests that although there are headwinds in the market, the number of people considering DB to DC transfers remains relatively buoyant.

b) *Impact of new advice framework on volume of transfers recommended*

Next we asked advisers whether they thought that the new framework for transfer advice would make a difference to the proportion of cases in which they recommended a transfer. The results are shown in the next chart.

Do you think that the new advice framework will affect the proportion of cases in which you recommend a transfer?



Source: Royal London adviser survey, summer 2018

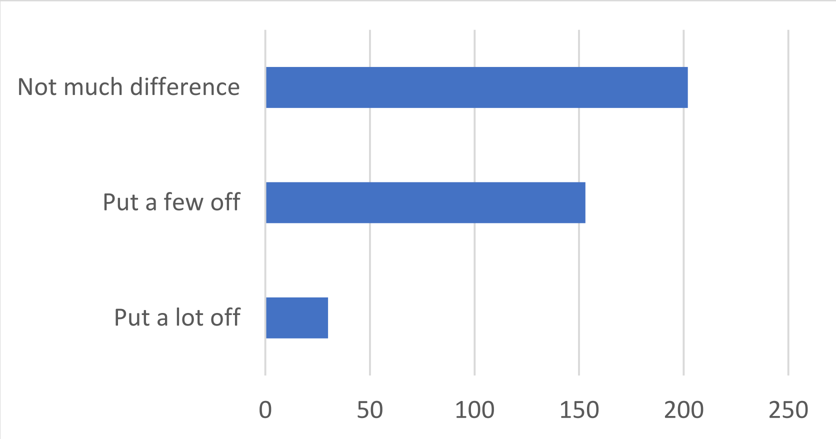
As chart above clearly shows, the large majority of advisers felt that the new framework would not make any difference to their overall recommendations as to whether or not to transfer. One reason for this would be that advisers are in general trying to offer 'holistic' advice to their clients taking account of a wide range of factors, rather than simply checking whether the 'critical yield' on the transfer is above or below a set figure. The fact that advisers will now have to present the transfer value analysis in a different way ought not really to affect whether or not they judge a transfer as being in the client's interests or not.

It is however noteworthy, that around one fifth of advisers thought that the package as a whole was likely to lead them to recommend fewer transfers than at present. The additional comments supplied by advisers suggest that these may have been primarily those advisers for whom the 'critical yield' was a central part of their advice process. Removing this calculation and requiring a more rounded view of the client's needs and aspirations may mean that some transfers which 'make sense' numerically (in terms of having a realistically attainable critical yield) are no longer recommended.

c) *Impact of the 'Transfer Value Comparator' approach, replacing the 'critical yield'*

Although advisers had not had the benefit of seeing the analysis in the previous section of this paper, we thought it worthwhile asking what they thought would be the impact of the new requirement to present the 'value' of the CETV as a lump sum rather than as a percentage critical yield. The results are shown in the next chart.

The new advice rules are based around a 'Transfer Value Comparator' (TVC). Where the TVC is significantly higher than the CETV, what effect will this have on a client's willingness to transfer?



Source: Royal London adviser survey, Summer 2018

The chart above shows quite a sharp divide in adviser views about whether the new TVC approach will have any effect on the demand to go through with pension transfers. Slightly more than half of advisers reckoned that the new approach would not make much difference. This will no doubt reflect cases where clients are determined to transfer and where a different presentation of the value for money they are being offered by the DB scheme is unlikely to deter them from seeking a transfer.

However, a significant minority of advisers did think that the new approach would put people off. If the FCA is correct, it would be expected that a graphical comparison of two lump sums would be clearer to clients than a target critical yield. At the very least, the new approach should prompt clients to be asking questions as to why they are not being offered the 'full' value of their DB pension (as measured in this way) and should help them to understand more about the risks that they are taking if they do transfer.

d) *Overall views on new advice framework and advising on transfers*

Although we are focused in this paper on one specific aspect of the new advice framework, namely the transfer value comparator, we thought it would also be useful to see this in the context of adviser views about the new framework as a whole. We therefore asked an open question about what advisers would change if they could change one aspect of the way DB to DC transfer advice takes place.

The key findings were:

- By a long distance, the most common reply was to improve the quality and consistency of data supplied by DB schemes to advisers; there was strong support for the idea of a 'template' so that advisers had the information that they needed without having to make multiple follow-up inquiries;

- There was still a view that the whole framework – whether critical yield or TVC – has the concept of an annuity at its heart; in both cases, the underlying calculation looks at the cost of buying an annuity compared with retaining DB rights; advisers point out, not unreasonably, that if clients wanted a guaranteed income then they shouldn't be transferring in the first place; it is therefore important for advisers and clients to understand that whilst the critical yield or TVC contains useful information, it is not always a relevant benchmark for a client with different objectives.

- Strong views about 'cowboys' / 'rogue' advisers, with the frequent view expressed that FCA rules only get you so far and there needs to be much tighter control of those who seek to get round whatever rules are put in place;

5. Discussion: What will be the impact of the new TVC approach?

a) Comparison between schemes by advisers, members and commentators

One possible outcome of the new TVC framework is that it will be much easier to compare the relative 'generosity' of the transfer values being offered by different schemes, in a way that was much harder to do when converted into a critical yield. For example, a client with rights under two DB pension schemes might obtain CETVs for both and see that one is offering (say) 50% of the value of the DB pension (as measured by the FCA's methodology) and another is offering 80%, and might start to ask questions as to why this is. Similarly, financial advisers who handle a large volume of transfers will start to see how TVCs vary between different schemes, and it is possible to imagine league tables emerging which show which schemes are generally offering CETVs which represent a large percentage of the value of the rights being given up and those which are offering a low percentage.

We expect that data of this sort will prompt some interesting conversations among the various parties involved in this market. For example:

- Will trustees look at their scheme's place in the league table and be concerned if they are an outlier?

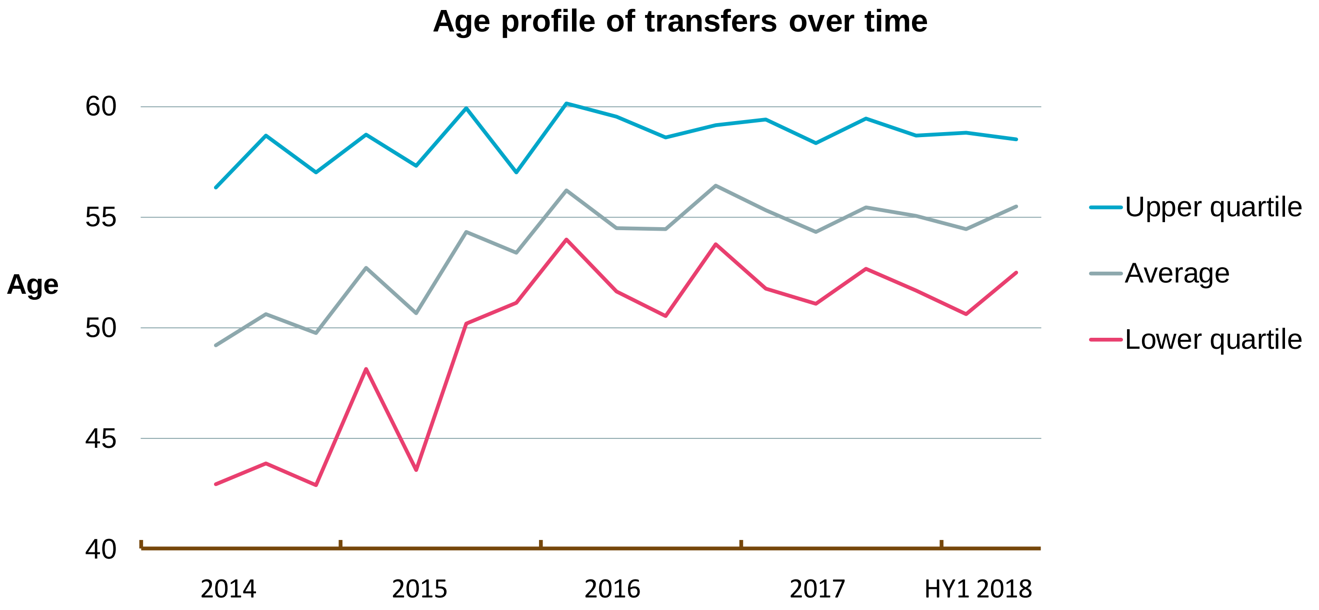
- Will sponsoring employers ask questions if the transfer values being offered by the scheme they sponsor look out of line with those on offer by other schemes in their sector?

- Will advisers encourage a sequential approach to transfers for clients with multiple DB rights, perhaps suggesting that if clients plan to transfer one of their DB pensions they should start with the one that offers the highest percentage of the TVC replacement cost? And will this in turn make the volume of transfers out of schemes much more 'price sensitive' than in the past, in terms of the generosity or otherwise of the transfer values on offer?

b) Age at which individuals choose to transfer

A key finding of the LCP analysis is that clients considering transferring well before scheme pension age are likely to be presented with analysis suggesting they are being offered a relatively low percentage of the 'true' value of their pension. The relevance of this consideration can be shown in the next chart which shows data on the typical ages at which people currently undertake DB to DC transfers:

DB to DC transfer quotes taken by age



Source: LCP survey data of transfer activity from schemes administered by LCP - August 2018

As the above chart shows, a significant number of DB to DC transfers are currently undertaken by those in their mid-fifties, influenced no doubt by the fact that rules on pension tax relief do not allow withdrawals below age 55. If this group of clients is told that they are only being offered 'half the value' of their pension then this is likely, at the very least, to prompt searching questions as to why there is such a discrepancy between the two figures. If this leads to a greater understanding of the nature of the exchange of rights which is being contemplated then this would probably be a good thing, but it seems likely that this could lead some scheme members to put off considering a transfer until they are closer to pension age at which point their transfer value will likely be a higher proportion of the TVC replacement cost.

However, the LCP analysis also suggests that, other things being equal, transfer values are set to rise as schemes mature and change their investment mix. One way of thinking about this is that we expect that sixty year-olds of the future are likely to find that they are offered larger CETVs (compared to sixty-year olds of today) for a given set of DB pension rights (assuming no changes in financial conditions). We therefore find that although the new TVC approach may put off some younger people from transferring, it is not the case that the attractiveness of pension transfers as a whole will necessarily diminish and indeed the attractiveness of transfers may increase in the medium term, as more schemes de-risk and more members reach their retirement age.

c) Is a 'risk-free rate of return' the right benchmark?

It could be argued that the TVC calculation, whilst it is the answer to 'an' interesting question, is not necessarily the answer to the most relevant question. As noted earlier, the calculation assumes that any transferred funds are invested at a (currently very low) risk-free rate and combined with a deduction of 0.75% pa for product charges. For those transferring a decade ahead of retirement, the compound effects of these very low returns mean that a large lump sum is needed to replicate DB benefits.

But the person transferring is unlikely to be planning to buy an annuity and also must presumably have some tolerance for risk, otherwise they would generally not be advised to transfer. On this basis, it could be argued that the TVC result represents an artificially depressed version of the 'value for money' being offered by the DB scheme. Whilst the transferring member is clearly forgoing the certainty of ongoing revaluation of DB rights up to pension age, they are also likely on average to expect to achieve better than the risk-free rate of return on the money that they have transferred. This is a point that advisers will need to discuss with their clients.

6. Conclusions

The seemingly technical issue of whether transfer values are assessed by use of a critical yield or a transfer value comparator might be assumed to be an issue only of interests to actuaries and accountants. But this paper has shown that the new way of communicating the 'value for money' of transfer values could have a material effect on behaviour, especially for those some distance away from pension age.

From October 2018, clients will be shown a graph which compares two lump sums – the CETV that they have been offered and the lump sum that would purchase equivalent benefits on certain assumptions – the TVC replacement cost. Our research shows that those approaching retirement will typically be told that they are being offered only three quarters of the 'true value' of their DB pension, and those in their mid-fifties will hear that they are only being offered half of the value of the pension they are giving up. It is hard to think that this will not affect behaviour.

If the new TVC approach makes it easier for clients to understand the value of the benefits that they are giving up and how they compare to the transfer value they have been offered, then this would be welcome. And greater transparency should lead trustees, sponsoring employers, advisers and commentators to understand more about how transfer values are calculated and to ask more searching questions about why they vary so much between schemes.

We expect that the big difference in the TVC figures for those aged 55, as compared to those approaching retirement will, at the very least, lead those further away from pension age to think hard about whether the time is right to transfer and may lead to a lower volume of transfers, at least in the short term. Where transfers go ahead, notwithstanding the figures we have presented, we hope that it will be on the basis of a better informed conversation between client and adviser on the value of the DB benefits which are being given up and the pros and cons of converting those rights into a DC environment.

Appendix: LCP TVC survey detail

For comparison purposes we have modelled a simplified benefit structure rather than each scheme's actual benefit structure. In particular, we have assumed:

- A pension payable for life from normal retirement date of age 65;
- A spouse's pension of 50% of the member's pension payable on death;
- Pension increases up to retirement linked to Consumer Price Index (CPI) inflation, capped at 5% pa over the period; and
- Pension increases in payment linked to Retail Price Index (RPI) inflation, capped at 5% pa each year.

More generous scheme benefits than this simplified structure would result in both a higher transfer value and higher TVC replacement cost. For most benefit structures we expect that the ratio between the two would be similar to those we have calculated and that the charts shown in the LCP survey would therefore show a similar picture. The most significant impact on the ratios is the period of time between now (when a transfer is being considered) and when a member is due to reach their normal retirement age, and this difference is illustrated with the two charts shown in the LCP survey (10 years and 1 year from retirement).

We have used market conditions as at 31 March 2018.

The TVC rules require a different approach to be taken for someone who is within 12 months of retirement. In particular, the FCA's standard assumptions for illustrating the cost of an annuity are required to be replaced by an actual annuity quotation. This may lead to step changes in TVC calculations at this point in time, i.e. immediately after the "1 year from retirement" figures that we have analysed in this survey.

This is a special policy paper, jointly produced by LCP and Royal London. Royal London have produced a number of previous policy papers.

About Royal London policy papers:

The Royal London Policy Paper series was established in 2016 to provide commentary, analysis and thought-leadership in areas relevant to Royal London Group and its customers. As the UK's largest mutual provider of life, pensions and protection our aim is to serve our members and promote consumer-focused policy. Through these policy papers we aim to cover a range of topics and hope that they will stimulate debate and help to improve the process of policy formation and regulation. We would welcome feedback on the contents of this report which can be sent to Steve Webb, Director of Policy at Royal London at steve.webb@royallondon.com

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8. Pensions Tax Relief: 'Time to end the salami slicing'
9. The Mothers Missing out on Millions
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