

Guide to

Communicating and reporting

To be read alongside our DC code of practice no. 13

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Also in this series:

1. The trustee board
2. Scheme management skills
3. Administration
4. Investment governance
5. Value for members

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About this guide

This is one of six guides to support trustee boards in meeting the standards set out in our **Code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits** ('the DC code').

- ▶ The trustee board
- ▶ Scheme management skills
- ▶ Administration
- ▶ Investment governance
- ▶ Value for members
- ▶ **Communicating and reporting**

While the DC code sets out the standards we expect you to meet when complying with the law, the guides provide information on how you might meet those standards in practice. You should read the DC code before you read this guide.

The guides aim to provide you with practical information, examples of approaches you could take, and factors to consider. They are not intended to be prescriptive, although in some instances they state what we consider to be best practice. Often, the methods you choose to adopt will depend on the nature of your scheme and its membership.

For the purposes of the guides, AVC arrangements are defined as arrangements that receive only voluntary contributions paid in addition to those due under the scheme rules, whether paid by the member or the employer (for example through salary sacrifice). Monies arising from a transfer in from another non-AVC arrangement in order to secure money purchase benefits do not fall into this category). Where legal obligations apply you should consider the risks to members in the context of the significance of the value of AVCs relative to members' overall benefits in the scheme (as opposed to the size of the AVC arrangement relative to the scheme overall). You should apply a proportionate approach to meeting the relevant standards in our DC code.



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Knowing your members and seeking their views

The DC code sets out a number of areas where having an understanding of your members is key, particularly in gauging member views to inform the design of investment strategies and the assessment of value for members.

There are a number of ways you can find out about their views and needs in relation to the scheme. You should choose methods that are appropriate and proportionate according to the size of the scheme and available resources, and which are most likely to engage the scheme members, or groups of members. Relevant multi-employer schemes might also consider using some of these methods to seek views from their members as required of them in law.

Using existing knowledge and data

Tapping in to the trustees' and the employer's existing knowledge about members should not be overlooked. Member nominated trustees (MNTs) in particular may be able to provide feedback, as might union representatives, other employee representatives or existing staff forums. Information about the scheme's membership provided to you in administration reports may also provide some insight.

It might suit your scheme to focus on alternative methods of research such as monitoring social media and web forums or tracking the use of digital services, such as website visits and the number and type of emails opened by members.

Member surveys

These could be sample-based or otherwise. It could form part of the existing communications, or you may be able to carry out online surveys, eg using existing online member access portals, or where there is no existing mechanism, or less available resource, other available free online survey tools.

Where possible, spending some time with the scheme administrator and listening to calls from members are very effective ways to gain a better understanding of member needs. It might also be possible to introduce an automatic request for member feedback following a customer service call.



The data provided in your administration report (see the 'Administration' guide) about call subjects, complaints and recurring issues can also give you a view of members' concerns.

Other member engagement methods

These might include:

- ▶ running workshops or speaking events through which the employer can give members an opportunity to hear about the scheme and retirement planning generally, and a chance to ask questions and voice their views
- ▶ holding a member AGM or inviting members to the scheme's AGM can provide similar opportunities
- ▶ focus groups or forums to ask for members' views on particular aspects of the scheme and its services
- ▶ larger, more complex schemes could consider setting up a regular member panel to represent the wider membership and provide feedback to the trustee board on particular issues.

None of these methods can guarantee that members will engage in sufficient numbers and provide the information that you need to inform your decisions. The chances of members engaging with the issues that affect them can be greatly improved by communicating with them in the most effective way.

Communicating with members

Good member communications, provided at the right time and in the right format, are vital if members are to engage and make decisions that lead to good outcomes in retirement.

Accurate, clear, relevant and in plain English

Members will need to make informed choices when they reach retirement and trustees have an important role in preparing members to make these choices. You might consider having an overarching and ongoing objective to prepare members for the choices they'll have to make at retirement, and to check that the communications that you (or your administrators or other service providers) send to members contribute towards meeting that objective wherever possible.

As set out in the DC code, we expect you to ensure that all communications sent to members are clear, relevant and in plain English. It's helpful to avoid jargon where possible, and explain any technical terms clearly. It's also important to make sure you're consistent in the language you use.

Useful resources



There are various resources that provide good examples of ways to help you communicate to members, such as NEST's golden rules of communication: <http://bit.ly/GoldComms1>¹

Where resources permit, and particularly if you have a large membership, you may find it beneficial to take advice or use the services of a specialist communications firm. Or, your existing advisers or administrators may be able to provide you with similar advice and services.

¹ Link provided with the kind permission of NEST Corporation. This document is provided for illustrative purposes only, any form of reproduction of all or any part of this document is not allowed. Visit NEST's website at: www.nestpensions.org.uk

Communications sent to members should contain accurate content, and information to help members understand the various processes that may impact on them. See the example below.

Example

If a member has requested a transfer from the scheme, communications about the transfer should make clear the steps that must be taken to complete their transfer request, so they have realistic expectations about the length of time it may take.

You should consider the format of communications sent to members, and tailor them to the audience as far as possible. For instance, if the membership is known to be technologically savvy, then electronic communications may provide a more effective and engaging way of communicating, and vice versa. You can check preferred methods of communication by asking your members, MNTs or member representatives, or by looking at available research and considering how it aligns to your own members.

You should think about the tone and language of any member communications in light of the demographics and other characteristics of scheme membership. For instance, if most of your members are in their twenties, then a communications campaign based on cultural references from the 1970s is probably not going to deliver the results you want. However, a campaign based on smartphone apps, social media or text messaging may be effective.



See the guide on '**Administration**' for information about Data security.

Consider that different communication styles and formats may be effective for different segments of your membership.

You should consider the role that technology can play in communicating with members. This can be particularly helpful where you are encouraging members to continue saving and perhaps save more, and where the benefits might be better illustrated through interactive tools. It can also help you to use member communications as an opportunity to improve the accuracy of member records.

Channels and tools

Some things you could consider offering are:

- ▶ online tools modelling outcomes and the effects of different choices, eg how it affects outcomes if a member contributes more. Even where your scheme is unable to provide such tools directly, signposting members to available, free tools can be helpful, eg the Money Advice Service pension calculator:



<http://bit.ly/MASCalc>

- ▶ innovative ways of getting members to think about pension savings. Some large schemes have had success by incorporating online games into their messages on pension savings
- ▶ allowing member administration eg updating personal details, requesting fund switching or changes to contribution rates to take place online (noting the need to ensure adequate security).

If your scheme is small and has fewer resources available to it, and you think your members would benefit from more innovative methods, you may want to consider what third parties, eg platform providers, could potentially offer your membership. Even if you have concluded that adopting more innovative means of communicating would not represent value for your members, regular reviews of your communications should prompt you to revisit that conclusion and assess whether it remains the case.

Reviewing your communications

How often you should review your member communications will depend on a number of factors, including:

- ▶ member engagement (if your members are engaged and continue to be so then it may not be necessary to review your communications as often)
- ▶ changes in the demographic of your members (this affects whether the language and format of your communications remains appropriate)
- ▶ changes in legislation
- ▶ changes in your scheme's design (eg change in contributions or investment options)
- ▶ innovations in technology that become available, or more accessible.

At all times, it is important that the communications members receive contain all the relevant information to help them make good decisions about their retirement saving throughout their membership period, including as a deferred member.

Key information

You should provide ongoing communications throughout membership to help members prepare for the choices they'll have to make at retirement. One of the most important ways of supplying this information is through the annual benefit statement. There are a number of key areas that you are required to cover in the benefit statement itself, which are set out in legislation. Some of the key components relate to:

- ▶ **contribution levels:** how much the member and employer have contributed to their pension over the last year, and what the contribution levels will be in the future. This should also show the tax relief that has been received on behalf of the member in a relief at source arrangement
- ▶ the **current value of the member's pension savings** and an illustration of future pension entitlement using assumptions prescribed in law.

You'll need to identify the correct times to engage as required by the law and have a clear communication plan. It's also important that members have enough information to make good decisions. You may need to provide this even if it's not prescribed by legislation.

Best practice

We consider it best practice to include in the annual benefit statement:

- ▶ statements which highlight the relationship between member contributions and good member outcomes
- ▶ information about the member's rights in respect of flexible benefits, including which benefits are available directly from the scheme
- ▶ information about the charges a member has paid over the year, ideally expressed in pounds and pence, as well as a percentage.

For members approaching retirement, some things you could do include:

- ▶ signposting to Pension Wise (www.pensionwise.gov.uk) when you send out annual benefit statements to members who are aged 50 or over
- ▶ sending additional information about the member's investments in the scheme.

Communications in response to member requests

You have a duty to disclose a variety of other information when it is requested by members, beneficiaries and unions. This includes, but is not limited to, the chair's statement, the Statement of Investment Principles (SIP), the Annual Report and Accounts, and information about scheme processes and service providers.

You are free to go beyond legal minimums and proactively publish this information or give additional information on request. You might wish to consider doing this if you are repeatedly asked for certain information, although when disclosing information you should consider commercial sensitivities and any confidentiality clauses in contracts into which you have entered. Where you have a statutory duty to provide information, you should make sure that any relevant contracts explicitly permit disclosure of such information.

If you are asked to disclose information which could be commercially sensitive, remember that you can consider redaction, delayed or partial disclosure as an alternative to rejecting the request.

Some information, for example voting on equities owned by the scheme, can be dense and complex for members to understand. Depending on the request and your disclosure duties, you might wish to contact the member to understand more about what has prompted their request, and whether a summary or some other information, such as an excerpt from the scheme's annual report may be more accessible.

You can give information by email or via the web where you are satisfied that the member will be able to get access to and store or print the information, and the member has not specifically requested that the information is given as a hard copy.



See the guide on '**Administration**' for information about Data security.

At retirement communications

Our DC code and the related legislation set out the circumstances in which you will need to communicate with members as they approach retirement, and the information you are required to provide.



More detail about these requirements can be found in our **'Essential guide to communicating with members about pension flexibilities'**

You may also want to consider what you communicate to members where legislation doesn't apply – for instance, some of the information set out in the disclosure regulations may be of use to younger members transferring from your scheme. We would encourage you to consider communicating earlier than the legal deadlines where this makes sense.

Retirement options and generic risk warnings

As set out in our DC code, you must tell affected members about the retirement options available under the scheme and provide generic risk warnings, ie tell members about the risks associated with the options you offer in your scheme.

Alternatively, you can provide personalised risk warnings, ie ask members questions to identify any attributes, characteristics, external factors or other variables that increase the risk associated with the member's decision to take benefits in a certain way. If you choose this option we consider it best practice to follow the risk warning process as set out in the FCA Handbook in COBS 19.7. If you provide personalised risk warnings you don't have to provide generic risk warnings as well.

How you communicate the risk warnings is up to you and should align with your existing retirement communications. You may find the example generic risk warning wording in Appendix 1 helpful when developing your own communications.

If you choose to provide generic risk warnings, they should be provided when you give members their application form or another way to access their benefits. You can provide more personalised risk warnings at any time after you have given members a way to access their benefits. In addition, we consider it best practice to provide generic risk warnings on the main retirement options on transfer to an alternative scheme for members aged 55 or over.

At the same time as providing risk warnings, you must give members a statement which sets out the availability of guidance and advice and encouraging members to read the risk warnings. We recommend that you also ask members to sign a declaration to confirm whether they have received Pension Wise guidance or regulated advice, and to confirm that they have read any generic risk warnings. This should help members engage with their retirement choices. How you do this is up to you, but you may find the example declaration wording in Appendix 2 helpful.

You should be careful to avoid giving advice to members (as opposed to providing information). If, having been provided with the generic risk warnings, a member asks further questions about their retirement options you should direct them to Pension Wise for further guidance and/or an FCA-regulated financial adviser for advice specific to their personal circumstances and their selected retirement option.

Attachment orders

Where a divorce attachment order is held and your scheme offers uncrystallised funds pension lump sums (UFPLS) or flexi-access drawdown (FAD), you will need to inform the affected members that an attachment order will be taken into account. They will need to consider how this might affect the way in which they choose to take their benefits. Members who are intending to transfer to another pension scheme in order to take advantage of the pension freedoms should also be informed of the effect of an attachment order.

Where there is an attachment order you should consider also informing the member's ex-spouse that the member may choose to take their benefits in a form that was not necessarily envisaged when the order was put in place. This is so that the ex-spouse is aware of, and can prepare for, possible changes to the way that they had anticipated the order being implemented, or apply for the order to be varied. You might choose to do this as a general communication to all ex-spouses where an attachment order is in place. Alternatively, you may choose to inform the ex-spouse only if the member applies to take their benefits as an UFPLS or FAD (including the form in which benefit will be taken), or where a member applies to transfer benefits.

Providing information at retirement – example best practice process

The table below sets out a process that we encourage you to follow when providing information at retirement in accordance with the timescales required by the law. The process covers both the minimum legal requirements and additional actions that we consider best practice.

| The retirement best practice process | |
|--------------------------------------|---|
| Step 1 | Member of an age where they are able to access their retirement benefits contacts trustees about taking benefits from scheme OR it is four months before their retirement date. |
| Step 2 | Trustee/administrator sends out information required by disclosure regulations, including estimate of valuation, details of options offered by scheme, ' Your pension: it's time to choose ' leaflet (or equivalent prepared or approved by us), signposts to Pension Wise and our scorpion leaflet. Where an attachment orders exists, the trustee informs the member of the effect of the order on the application. Trustee does NOT send out an application form for any options offered by the scheme at this stage. |
| Step 3 | Member gets Pension Wise guidance and/or financial advice from an FCA-regulated adviser. |
| Step 4 | Member confirms to trustees that they would like to take their benefits or transfer to another scheme to take their benefits. If trustees are providing personalised risk warnings, they are given at this point. |
| Step 5 | Trustee/administrator sends out generic risk warnings or written record of personalised risk warnings and application form for any options offered by the scheme and/or transfer form, along with request for any information needed to pay or transfer the benefits (eg bank details/proof of ID/details of receiving scheme). Alongside the risk warnings there must be a statement to the member on the availability of pensions guidance and regulated advice and encouraging them to read the risk warnings. The application form incorporates a request for the member to confirm whether they have received advice/guidance and confirm they have read the risk warnings. Where an attachment orders exists and the member has applied to take their benefits in the form of UFPLS or FAD, the trustee informs the ex-spouse of the application, or of an intended transfer. |
| Step 6 | Member returns form. |
| Step 7 | Trustee/administrator processes request using their normal procedure. |

Post retirement communications

Where your scheme offers retirement options other than using pension savings to buy a lifetime annuity, eg flexi-access drawdown, you need to consider what information you provide to members to continue supporting them to make good decisions.

As a minimum you should communicate information about:

- ▶ **Investment:** what fund(s) the member is invested in and how they have performed
- ▶ **Withdrawal levels:** how much the member has withdrawn from their pension over the last year
- ▶ What **level of income** their fund could provide in the future

We also encourage you to re-signpost to Pension Wise whenever you communicate with members who are taking benefits from your scheme.

Pension scams

Pension scams are on the increase, and trustees play a crucial role in helping members protect their retirement savings. Scammers use a range of tactics to tempt members to invest their pension pot with them, including directing them to transfer into small (often one or two member) occupational schemes to avoid scrutiny from regulators.

Tell your members to check the facts before they make an irreversible decision. You can help members to protect themselves from becoming victims of a pension scam by giving them regular, clear information about how to spot a scam.



We consider it best practice to include our scorpion leaflet found at www.pension-scams.com when you send annual statements to members and to anyone who requests a transfer.

We also suggest that you encourage members aged 50 or over to contact Pension Wise.

Master trusts (relevant multi employer schemes)

Master trusts may also have additional considerations when communicating with members or potential members. If you are a trustee of a master trust which operates on a commercial basis, you will need to consider whether your communications would fall under the FCA's financial promotion rules (<http://bit.ly/PromAds>). If they do, you'll need to ensure that you either comply or are able to use a relevant exemption. You may want to consider getting professional advice if you think this is a possibility and are not familiar with the FCA's requirements.

If your master trust offers decumulation options directly to new members, we consider it good practice to follow the risk warning process as set out in the FCA Handbook in COBS 19.7 or, as a minimum, provide generic risk warnings on the options your scheme offers.

Reporting

Annual chair's statement

Every year, you have to confirm in the chair's statement how the scheme meets certain governance standards. Though the chair is responsible for signing the statement, the trustee board as a whole needs to ensure that the relevant standards are met. Our DC code and other guides supporting the code set out the legal obligations and standards you must meet and how you might do that.

Who needs to prepare a chair's statement?

Some schemes do not have to produce a chair's statement and are not legally required to meet the governance standards on which it reports. In particular, schemes where the only DC benefits provided are attributable to AVCs do not need to produce a statement. In addition other types of scheme to which exemptions apply are:

- ▶ relevant small schemes
- ▶ executive pension schemes
- ▶ public service pension schemes
- ▶ schemes which are not tax registered, provide only death benefits, or is not established in the UK and has no trustees resident in the UK
- ▶ single member schemes.

You should consider taking advice on whether your scheme is exempt if your scheme falls into one of these categories.

Earmarked schemes (a collection of individual arrangements set up under a single trust, where the benefits for each member are secured by separately identifiable insurance policies or an identifiable interest in part of a group policy) are not exempt from the requirement to prepare a chair's statement and to include it in their annual report (though they may be exempt from the requirement to produce audited accounts).

Schemes in wind-up

If your scheme is in wind-up at the point of the scheme year end, you'll need to decide whether it is likely to be completed within seven months of the year end, and therefore whether a chair's statement is likely to be required. If your scheme is still winding up when you complete your scheme return following the end of the seven month period, you'll need to declare that a chair's statement had not been produced.

DC underpins

If your scheme provides DB benefits with a money purchase underpin, you will only need to produce a chair's statement where the underpin actually applies in relation to at least one member. For example:

- ▶ if a member accesses benefits from the scheme, and you calculate that the underpin applies so provide benefits on a money purchase basis, or
- ▶ if a valuation reveals that the underpin applies to certain active or deferred members, such that their entitlement falls to be calculated on a money purchase basis.

In other circumstances, eg where there is no reasonable expectation that the money purchase underpin will apply in practice, we would not expect you to produce a chair's statement. For the purposes of the chair's statement requirement, you will not always need to assess on an annual basis whether the underpin bites for any particular member for whom retirement benefits are not in payment.

Even if you are exempt from the legal requirement, you might wish to consider whether providing information to members covering similar areas to those required in a chair's statement would be appropriate and useful. Where your scheme is required to prepare a chair's statement, you'll have to declare that you have produced this as part of your scheme return.

What should be in the chair's statement?

The chair's statement is the document in which you describe and explain the actions you have taken to comply with certain obligations. You should take steps to ensure you are complying with the standards well in advance of your annual report and accounts so that you are able to produce the chair's statement when the time comes.

Chair's statement

In summary, the broad areas the chair's statement covers are:

- ▶ The default arrangement and its governance
- ▶ The processing of core financial transactions
- ▶ Disclosure of costs and charges (including transaction costs) relating to the default arrangement and other arrangements
- ▶ Trustee knowledge and understanding
- ▶ The trustee board and member representation (for master trusts only)
- ▶ The assessment of value for members

The statement should explain the process and considerations of trustees with further information to be available on request (we may ask you to produce it during an investigation relating to your scheme).

The chair's statement is currently the only way by which members have a legal right to obtain information on costs and charges so you should make sure you write the statement in plain English. We'd also encourage you to publish the statement so members have access to the information without having to make individual requests. You might also consider including the statement, or a summary of it, with the annual benefit statement.

There is no set format or standard template that you have to use for your chair's statement. However, various advisory firms and organisations have produced templates that you may wish to use as a starting point.



For example, the Society of Pension Professionals (SPP) has produced a suggested template, which sets out the areas that must be covered by the statement: <http://bit.ly/SPP-Pub>

The exact content will depend on your individual scheme, and the format you choose should depend on your own scheme's chosen communication style and assessment of what would best suit the needs of your members. You can include more information in the statement than what is required by the law if you wish.

As set out in our DC code, we expect the statement to be written in such a way as to provide a meaningful narrative of how, and the extent to which, the governance standards have been complied with. This means not only stating whether or not compliance has been achieved, but including an explanation of the measures that have been taken to achieve compliance and how you have reached the conclusion that they are compliant, bearing in mind that members are the target audience.

As well as looking at available templates, you could also look at statements that have been produced by other schemes which may have been published online. You may also find it useful to look at statements that are produced by the Independent Governance Committees (IGCs) of providers of contract-based pension schemes, which are available online. Though the requirements of what must be covered in those statements are not identical to the requirements for the chair's statement, there are a number of similarities.

You should make sure that anything you write in the chair's statement is backed up by documented evidence, although you don't need to append this evidence to the statement. There must be an audit trail to enable sign-off and to demonstrate a proper process.

Statement of investment principles (SIP)

The purpose of the SIP is to set out your investment strategy, including the investment objectives and the investment policies you adopt.

The investment regulations² set out the requirements for what must be included in a SIP, but you may include additional information as appropriate for your members. For example, you may choose to provide additional details about the factors or assumptions relating to member characteristics that you have taken into account when setting your investment objectives and strategy, and details about other aspects of your investment governance arrangements.

A SIP covering a default arrangement is required to include particular information, including an explanation of how the default strategy is intended to ensure assets are invested in the best interests of members.

²
The Occupational Pension Schemes (Investment) Regulations 2005.

For default arrangements we consider it best practice to include information as suggested in the preceding paragraphs to help you meet this requirement. We also consider it best practice to include information about your policies in relation to long term sustainability, stewardship and non-financial factors.



See the guide on **'Investment governance'** for more information.

When preparing your SIP, you should consider the guidance on communications contained in this guide and apply it accordingly. In particular you should bear in mind the needs of the members, and the fact that the SIP for the default arrangement in particular needs to be included as part of the chair's statement. You could look at what other schemes have published if you are unsure what level of detail your members might need or how to present the information.



For example, you can look at how NEST communicate to members in their SIP: <http://bit.ly/NestSIP>

Appendix 1: Generic risk warning example text

You can get a guaranteed income for life

A lifelong, regular income (also known as an lifetime annuity) provides you with a guarantee that the money will last as long as you live. You can also choose a guaranteed income that increases with inflation and/or continues to provide an income for a dependant. A quarter of your pension pot can be taken tax-free and any other withdrawals will be taxable.

People who have a medical condition, are in poor health, smoke or are overweight, may be able to get a significantly higher income through taking an 'enhanced annuity'. These people should consider opting into health and lifestyle questions – and it's important to answer these questions honestly. People considering this option should think about whether to provide an income for a partner or another dependant on death and therefore whether to purchase a single life or joint life annuity. Compare what, if anything, we offer to spouses or dependants against what's offered by another scheme or provider.

'Level' annuities provide a higher income to start with than annuities that increase but the payments will then stay the same for life. This means that the purchasing power of the annuity income will reduce over time, due to inflation.

You don't have to take any annuity or other pension we may offer– and different providers might pay a higher income. So it's important to shop around. Remember that annuity purchases are a lifetime commitment, so there's no rush to make a final decision.

You can get a flexible retirement income (flexi-access drawdown)

You can leave your money in your pension pot and take an income from it. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. A quarter of your pension pot can be taken tax-free and any other withdrawals will be taxable.

As with every investment, there's the risk that the value of a pension pot can go up and down. People considering this option should think about how much they take out every year and how long their money needs to last. If too much money is taken too quickly, the available retirement income could fall drastically or even run out, especially if stock markets fall.

Charges can reduce the money received. Check whether there are any charges or other reductions to a pension pot when a lump sum is withdrawn. Providers and schemes may also make ongoing charges on any undrawn money, so it's important to consider the impact of these charges. And if you plan to take the cash to invest somewhere else, check what the charges are before you cash in your pension.

Different schemes and providers offer different types of flexible retirement income. Check what kind of drawdown is being offered. Some might have products where part of your income is guaranteed but charges and conditions will apply. People considering a flexible retirement income should consider shopping around – an FCA-regulated financial adviser will be able to help with this.

You can take your pension pot as a number of lump sums

You can leave your money in your pension pot and take lump sums from it as and when you need, until your money runs out or you choose another option. You can decide when and how much to take out. Any money left in your pension pot remains invested, which may give your pension pot a chance to grow, but it could go down in value too. Each time you take a lump sum, a quarter of it is tax-free and the rest will be taxable.

People considering this option should consider their own personal tax circumstances, and the impact of taking a taxable lump sum on the tax they pay – including the possibility that they may have to pay a higher rate of tax than normal depending on the amount withdrawn. As with every investment, there's the risk that the value of a pension pot can go up and down. People considering this option should think about how much they take out every year and how long their money needs to last.

Charges can reduce the money received. Check whether there are any charges or other reductions to the pension pot when a lump sum is withdrawn. Charges will continue to be taken from any money left in the pension pot, so it's important to consider the impact of these charges. And if you plan to take the cash to invest somewhere else, check what the charges are before you cash in your pension.

Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. People who are concerned about this aspect can contact Pension Wise, the Citizens Advice Bureau or the Money Advice Service.

You can take your whole pot as cash in one go

You can take the whole amount as a single lump sum. A quarter of your pension pot can be taken tax-free – the rest will be taxable. You do not need to stop working to take this option, but you need to plan how you will provide an income when you stop working.

On average, people aged 55 today will live to their mid-to-late 80s. It's important not to underestimate your own life expectancy. People considering this option should think about how to use the money to provide an income throughout retirement.

There will be tax implications if an entire pension pot is taken as cash in one go. These will depend on an individual's personal circumstances. In most cases there will be a tax-free amount available (normally 25%). People considering this option should consider their own personal tax circumstances, and the impact of taking a taxable lump sum on the tax they pay – including the possibility that they may have to pay a higher rate of tax than normal. Some providers and schemes may have charges for taking a pension pot as cash, so check this before committing. And if you plan to take the cash to invest somewhere else, check what the charges are before you cash in your pension.

Taking cash withdrawals may have implications for people with debt or who may be entitled to means-tested benefits. People who are concerned about this aspect can contact Pension Wise, the Citizens Advice Bureau or the Money Advice Service.

You can choose more than one option and you can mix them

You can also choose to take your pension using a combination of some or all of the options over time or over your total pot. If you have more than one pot, you can use the different options for each pot. Some pension providers or advisers can offer you an option that combines a guaranteed income for life with a flexible income.

You can keep your retirement savings where they are

You can delay taking money from your pension pot. Reaching age 55 or the age you agreed with your pension provider to retire is not a deadline to act. Delaying taking your money may give your pension pot a chance to grow, but it could go down in value too.

Appendix 2: Example declaration wording

Example of the type of declarations you may want to include in your retirement documentation for members to complete

This does not replace the requirement to signpost to Pension Wise. These should be adapted as you see fit, to align with your existing retirement documentation and the specific circumstances of your scheme. We suggest the declarations are included in other documents that members have to return in order to get their benefits paid or transferred (ie the final retirement options form or request for bank account details or proof of ID), to ensure they engage with the declarations.

| Retirement options declaration Please tick the relevant box | Yes | No |
|--|------------|-----------|
| I confirm that I have received guidance from Pension Wise. | | |

| Retirement options declaration Please tick the relevant box | Yes | No |
|--|------------|-----------|
| I confirm that I have received advice from an FCA-regulated financial adviser. | | |

NB: If you have not received Pension Wise guidance or financial advice from an FCA-regulated financial adviser, we strongly suggest that you do this before proceeding.

| Retirement options declaration Please tick the relevant box | Yes | No |
|--|------------|-----------|
| I confirm that I have read the risk warnings in this document and am happy to proceed with taking my retirement benefits or taking a transfer to another arrangement to access my retirement benefits. | | |

How to contact us

Napier House
Trafalgar Place
Brighton
BN1 4DW

www.tpr.gov.uk

www.trusteetoolkit.com

Free online learning for trustees

To be read alongside our DC code of practice no. 13

Guide to Communicating and reporting

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