

The logo consists of a teal chevron shape pointing downwards, with a white chevron shape pointing upwards inside it. Below these shapes is a pink triangle pointing downwards. The text "RETIREMENT QUALITY MARK" is written in white, bold, uppercase letters within the pink triangle.

**RETIREMENT
QUALITY
MARK**

STANDARDS & EVIDENCE CRITERIA

GOVERNANCE STANDARDS

HEADLINE GOVERNANCE STANDARD

The Trustees (where the product is under trust) or the IGC (non trust-based arrangements) must have adequate governance arrangements so that the product meets the needs of customers. If there is no IGC, you must set up an IGC-equivalent body (IGC-EB). Further details can be found in appendix 1.

Evidence that Trustees/IGC/IGC-EBs review suitability at least once a year. This evidence could be trustee or IGC minutes (which you may redact) and agendas from the last year.

1. QUALITY GOVERNANCE BODIES

You must satisfy ALL of the following:

- 1a. Governance body to comprise:
- ▶ A single employer scheme, one third must be member-nominated trustees.
 - ▶ A Master Trust must have at least five trustees and either:
 - The independent trustees in the majority; or
 - The independent trustees must have the casting vote.
 - ▶ For an IGC, there are at least five members, with the majority independent (as defined by COBS 19.5.11 and COBS 19.5.12).
- 1b. The Trustee or IGC must provide specific in-retirement training or CPD learning.
- 1c. The Trustee or IGC must regularly discuss the RQM-accredited product (the product).
- 1d. Governance remit, reporting and oversight:
- (i) Yearly Review
- ▶ The Trustee or IGC must carry out a yearly review of the product to ensure it continues to operate in the best interests of customers, and provides value for money.
- 1a) Trust-based schemes – the Trust Deed & Rules (or other relevant document) which set out the composition and powers of the Trustee must confirm:
- ▶ The number of Trustees;
 - ▶ That independents are in the majority or have the casting vote (in the case of master trusts);
 - ▶ That the Trustees have the power to make investment decisions; and
 - ▶ That the Trustees have the power to make, break or vary links with the scheme and its investment managers/administrators.
- 1b) IGCs – the Terms of Reference must make clear:
- ▶ That the IGC's remit covers in-retirement products; and
 - ▶ That the IGC has the power to monitor in-retirement products and to make reports and raise concerns with the provider (and escalate to the FCA where necessary).
- 1c) The Terms of Reference must show that the IGC's remit covers administration, value for money, appropriateness of default investment options and communications for the product.
- 1d) Evidence to demonstrate the Trustee or IGC has done specific in-retirement training or CPD.
- Minutes and agendas showing that the Trustee or IGC regularly check that the product is meeting customers' needs. You may redact minutes.

RQM STANDARD

- IGCs must report to the Board of the provider where this is not the case.
- Trustees must undertake remedial action for continuing RQM accreditation.

- ▶ The conclusions of this review must be included in the Chair's Annual Statement.

(ii) Remit

- ▶ The Trustees must have the power to make investment decisions in relation to in-retirement products (such as drawdown) which have an investment element.
- ▶ The Trustees must have the power to make, break or vary arrangements with the providers/scheme's asset manager and administration providers if they do not think the product is being run in the best interests of customers.
- ▶ IGCs must have the power to review the product and the power to report concerns to the provider's Board (or to escalate to the FCA).
- ▶ The IGC's Terms of Reference must state that the IGC can report concerns about the quality of administration and asset management underlying the default fund to the provider's Board (and escalate to the FCA if necessary).
- ▶ There must be a feedback loop so that customers can provide comments to the trustees/IGC.

EVIDENCE

Minutes of Trustee or IGC meetings demonstrating a yearly review of the product across all the areas covered by the standards. For IGCs this should record any concerns made to the provider's board (or escalated to the FCA). For Trustees it should include any remedial action taken where the product was considered to be failing to meet customers' needs or the RQM standards. You may redact minutes.

A copy of the Chair's Annual Statement. This must include commentary on the yearly review and any remedial action taken. If there is an IGC, it must include any concerns raised with the provider (or escalated to the FCA), recommendations for remedial action and actions taken. [Note: Chair's Annual Statement will not be needed on application, but will be needed on the first and later renewals.]

2. DEFAULT INVESTMENT STRATEGY

RQM accredited products are required to have a default investment strategy where there is an element of continuing investment return to the member. The default fund and its underlying strategy must be appropriate.

You must meet either the A or B:

A. DEFAULT INVESTMENT STRATEGY

- 2a. Your default strategy must be in writing and must set out the investment objectives and how the default investment strategy addresses the following:
- I. The suitability of the investment objectives and strategy for the customer;
 - II. The suitability and transparency of charges; and
 - III. The appropriateness of the balance between investment risk and return for customer.

- 2a. You must provide a copy of the default investment fund strategy, including its investment objectives. Also, you must send the following for standards 2a, 2b and 2c.

- I. Evidence that the suitability of investment objectives has been considered and is monitored (minutes from trustee/IGC meetings). You may redact minutes.
- II. Evidence of how charges are expressed for the product, and evidence (minutes of trustee/IGC meetings) that

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- 2b. You must carry out a yearly review of the default investment strategy. For trust-based schemes, the Trustees must carry out any remedial action. For products overseen by an IGC, this will include a report to the provider's board detailing any concerns and recommendations for remedial action.
- 2c. The review should be in writing and must:
- I. Review how the strategy has delivered against the suitability and appropriateness of the default [points in a) above];
 - II. Examine the performance of the investments against their objectives;
 - III. Consider whether any changes are required to the on-going strategy; and
 - IV. Be reported in the Chair's Annual Statement.
- 2d. The default investment strategy must recognise that customers may have different needs, with some investing for the short-term, some for income and some with a view to keeping funds invested for a number of years.

B. QUALIFIED DEFAULT INVESTMENT STANDARD

Where a product does not have a single default investment strategy, it must have a procedure which guides the customer through a process which arrives at a qualified default investment strategy appropriate for them. The product will therefore have a number of default investment strategies that apply according to customers' circumstances.

- 2e. The procedure for guiding the customer through a qualified default investment strategy must be documented in writing.

you have monitored the suitability and transparency of charges. You may redact minutes.

III. Evidence that you regularly monitor the performance of the default fund. For trust-based schemes, this will be by the trustees and evidenced in trustee minutes. For products overseen by IGC/IGC-EBs, the IGC/IGC-EB will check that product provider regularly reviews the investment to check it runs in the customer's best interests. For IGC/IGC-EBs, evidence must include any concerns and recommendations for actions raised with the provider (or escalated to the FCA) and any actions taken.

- 2b. Minutes showing that the Trustees/IGC/IGC-EB monitor the performance of the default.
- 2c. A copy of the Chair's Annual Statement. This must contain commentary on the yearly review of the product and any remedial action taken. For products monitored by IGCs, this must include any concerns raised with the provider (or escalated to the FCA). [Note: Chair's Annual Statement will not be needed on first application, but will be needed on the first and later renewals.]
- 2d. A document which explains how the differing needs of the various groups of customers have been addressed.

- 2e. A copy of the process documentation including all literature supplied to members.

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2f. You will carry out a yearly review of the procedure for guiding the customer through to a qualified default investment strategy. For trust-based schemes the Trustees must carry out remedial action if required. For products overseen by an IGC, this will include a report to the provider's board detailing any concerns and recommendations for remedial action.

2g. The review must be in writing and must:

- I. Review how the procedure has worked for the benefit of customers;
- II. Consider whether any changes are required to the procedure and
- III. Be reported in the Chair's Annual Statement.

The procedure for guiding the customer through the selection of a qualified default investment strategy must take into account that customers have different needs, with some investing for the short-term, some for income and some with a view to keeping funds invested for a number of years.

3. VALUE FOR MONEY

RQM products must provide value for money so that customers can maximise their retirement income.

You must meet ALL of the following:

- 3a. Demonstrate that you have assessed that what customers have paid for the product is fair and provides value for money. The analysis must include whether the services provided are relevant and helpful to the customer, whether the payment for the services is fair and what the position of the product is relative to the rest of the market.
- 3b. The product must provide the right for customers to transfer to another arrangement – including with a different provider or scheme. The transfer must provide fair value to the customer.

[NB if a product loses its RQM status or it is withdrawn, it is expected that firms will offer customers a penalty-free transfer.]

EVIDENCE

2f) & 2g) a copy of a report or minutes which shows that the review has been carried out, which elements were reviewed, what the findings were and which gives details of remedial action scheduled or taken,

3a. Copies of the minutes of Trustee/IGC/IGC-EB meetings demonstrating that the governing body has considered charges each year. You may redact minutes. For products with an IGC, this must include reports made to the provider and recommendations for actions (or escalations to the FCA) and any remedial actions taken.

3b. Product features documents (such as Key Features Documents). These must show that there is a right for the customer to transfer. The transfer terms must be clear, as must the charges involved, which must be reasonable.

COMMUNICATIONS STANDARDS

4. INITIAL COMMUNICATIONS

- 4a Initial communications from the provider at the point of sale must be given to customers and include:
- I. The key features of the product, including any flexibilities built in, and any actions the customer must take.
 - II. Appropriate risk warnings, for example of drawing down too quickly.
 - III. The cost of the product, including initial charges and those for switching products such as entry or exit fees.
 - IV. Information on how to exit the product and any costs incurred for doing this.
 - V. Guidance on an appropriate amount of initial drawdown income.
- 4b. The Trustees or IGC must carry out a yearly review to assess the success of the initial in-retirement communications.
- 4c. Customer communications must be based on consumer research on engagement.

Customers must be signposted towards other sources of information. There must be a focus on pre-retirement education.

- 4a. You will need to provide the following:
- I. Samples of personalised communications;
 - II. Samples of generic information; and
 - III. Screenshots etc of mobile applications and web-based information.

These must show:

- ▶ Appropriate risk warnings, prominently displayed;
- ▶ The costs of the product (including on-going costs and any set-up fees); and
- ▶ Information about charges on exit and entry; the customer's right to transfer.

- 4b. Copies of Trustee or IGC/IGC-EB minutes which show there has been a review of the success of the initial communications. For trust-based schemes this must include records of remedial action undertaken if quality issues have arisen. For IGC/IGC-EBs, it must include reports made to the provider's board (or escalated to the FCA). You may redact minutes.

5. ON-GOING COMMUNICATIONS

You must meet ALL of the following standards:

- 5a. Customers must receive information about their own position (including the amount of 'pot' left) and any other relevant information on such as statistics relating to life expectancy and changes to tax legislation at least yearly. You must signpost customers to other information resources on a regular basis.
- 5b. Provide communications in special circumstances and for particular products. These include:
- I. When the customer appears to be taking too much from the scheme for income to be sustainable.

- 5a. Provide examples of:

- I. Personalised communications;
- II. Samples of generic information;
- III. Screenshots etc of mobile applications and web-based information.

- 5b. The information supplied in respect of 5b must show: how customers are warned that they may be drawing down too much or too little; information relating to adverse market conditions; special conditions in the scheme including the point at which the options available to

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| <p>II. When markets are particularly volatile and customers could reduce their income.</p> <p>III. When the customer's pension 'pot' has grown for some time and they could take more.</p> <p>IV. Products that include an element of annuitisation such as drawdown, with an annuity purchase at older ages, so that the customer is aware of their options.</p> <p>V. At an age where the customer's cognitive abilities become impaired. Once customers have reached the age of 75, you must remind them about the need to either fix their income in a non-discretionary way or to appoint a power of attorney before they become incapable of managing their affairs themselves.</p> <p>5c. You must display risk warnings clearly and prominently. For example, providing information on the impact of drawing down too quickly, life expectancy information and amount of 'pot' left.</p> <p>5d. On-going communications must explain the options available to members, including the ability to end the product and switch to an alternative (where appropriate). Communications must clearly set out the costs involved in exiting the product or switching to another one.</p> <p>5e. The Trustees/IGC/IGC-EBs must carry out a yearly review on the success of the on-going in-retirement communications.</p> <p>5f. The Trustees/IGC/IGC-EB must use the industry's recent work on creating a common lexicon of pensions terminology when producing communications for customers and take into account any research into communications.</p> | <p>customers; and communications to older customers. You must demonstrate that you give information to members at least once a year.</p> <p>5c. Examples of communications material including risk warnings.</p> <p>5d. Examples of material showing information on how, and under what conditions, customers can end their product.</p> <p>5e. Copies of Trustee or IGC/IGC-EB minutes which show there has been a review of the success of the in-retirement information. For IGCs, this must include any reports made and concerns raised with the provider (or escalated to the FCA). You may redact minutes.</p> <p>5f. An explanation of how the industry's recent work and other research has been used when producing communications.</p> |
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GLOSSARY

At-retirement decumulation.	The point at which a member/customer moves their savings from accumulation to
Drawdown	A feature of a personal pension which allows customers/members to take an income from their savings while the remainder remains invested.
In-retirement	The period during which a member/customer is in the decumulation phase.
‘Markets particularly volatile’	When unit prices fluctuate by more than 5% in either direction in any given month.
‘Adverse market conditions’	When unit prices have fallen for three months in a row.
ICG-EB	Independent Governance Committee – Equivalent Body
COBS	Conduct of Business Sourcebook

The logo for the Retirement Quality Mark is a square divided into three sections. The top-left section is white with a teal triangle pointing towards the center. The top-right section is teal. The bottom section is pink. The text 'RETIREMENT QUALITY MARK' is written in white, bold, uppercase letters on the pink background.

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