

Chapter 13

Preparing product information

Charges information for a personal pension scheme and a stakeholder pension scheme

(where adviser charges or consultancy charges are facilitated by the product)

This annex belongs to ■ COBS 13.4.1 R (Contents of a key features illustration)

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Charges

1 Appropriate charges information

1.1 *Appropriate charges information* comprises:

- (1) (a) a description of the nature and amount of the *charges* (including, where applicable, any retained interest *charges* under (4), below) a *client* will or may be expected to bear in relation to the product and, if applicable, any investments within the product;
- (b) if applicable, a description of the nature and amount of the *adviser charges* and *consultancy charges* a *retail client* or employer has agreed may be taken before investment into the product;
- (c) if applicable, a description of the nature and amount of the *adviser charges* and *consultancy charges* a *retail client* or employer has agreed may be taken after investment into the product;
- (2) an 'effect of charges' table;
- (3) 'reduction in yield' information; and
- (4) in relation to a *personal pension scheme*, the amounts (or if the amounts cannot be given, the formula by which the amounts can be calculated) of the *charges*, if any, which a *personal pension scheme operator* or *pension scheme trustee* will receive as retained interest in relation to money held within the *personal pension scheme*.

Exceptions

1.2 An effect of charges table and reduction in yield information are not required for a *stakeholder pension scheme*, where *adviser charges* or *consultancy charges* are not being facilitated by the scheme, if the following is included instead:

"There is an annual charge of y% of the value of the funds you accumulate. If your fund is valued at £500 throughout the year, this means we charge [£500 x y/100] that year. If your fund is valued at £7500 throughout the year, we will charge [£7500 x y/100] that year."

1.3 An effect of charges table and reduction in yield information are not required for a *personal pension scheme*, *stakeholder pension scheme* or *drawdown pension* where the *client* elects to withdraw their funds in full, reducing the value of their rights to zero.

1.3A Where 1.3 applies, if a *client* subsequently does not withdraw the funds in full from their *personal pension scheme*, *stakeholder pension scheme* or *drawdown pension* reducing their rights to zero, the *firm* must provide the *client* with an 'effect of charges' table and 'reduction in yield' information.

1.2A The information described in 1.1(4) must be disclosed alongside information about any other *charges* the *client* will be expected to bear, and information about any interest that will be paid to *clients* on money held within a *personal pension scheme* bank account.

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- 2 Effect of charges table
- 2.1 Each effect of charges table must be accompanied by:
- (1) an explanation of what the table shows;
 - (2) a statement that all relevant guarantees have been taken into account (if there are any); and
 - (3) [deleted]
 - (4) the rate of return (after price inflation, where appropriate) used to calculate the figures in the table.
- 2.2 An effect of charges table must be in the following form:

Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
At end of year	The payments into your plan	Withdrawals	Before charges are taken	If only plan and investment charges are taken	After all charges are taken from this plan
	£	£	£	£	£
1					
...					
5					
At age [xx]					

- Note 1 This column must include at least the first, third and fifth year and the intended date of retirement.
For a *drawdown pension* or *uncrystallised funds pension lump sum* payments, figures must be included for each of the first ten years, or less if the value of the fund is projected at the *intermediate rate of return* to reach zero before then.
- Note 2 This column must show the cumulative contributions paid to the end of each relevant year.
- Note 3 This column must show the cumulative withdrawals intended to be taken to the end of each relevant year. The column may be omitted if withdrawals are not anticipated or allowed.
- Note 4 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules* in COBS 13 Annex 2 (Projections) at the appropriate *intermediate rate of return*, to the end of each relevant year, but without taking any *charges* into account.
- Note 5 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules* in COBS 13 Annex 2 (Projections) at the appropriate *intermediate rate of return* to the end of each relevant year, but taking into account only the *charges* described in COBS 13 Annex 4 R paragraph 1.1(1)(a).
- Note 6 This column must show a *standardised deterministic projection* of the benefits, calculated in accordance with the *rules* in COBS 13 Annex 2 (Projections) at the appropriate *intermediate rate of return* to the end of each relevant year taking into account all *charges* described in COBS 13 Annex 4 R paragraph 1.1(1)(a) and (c).
- Where both *adviser charges* and *consultancy charges* are being facilitated from a product this column should show the combined effect of those charges.
- This column may be omitted if there are no *adviser charges* or *consultancy charges*.

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Exception

- 2.3 An effect of charges table and its title can be amended, to the extent that it is necessary:

- (1) to properly reflect the nature and effect of, for example, the adviser charges, consultancy charges or the charges inherent in a particular product; or
- (2) to ensure that the column labels and any explanatory text reflect the nature of the product and to make it clear whether price inflation has been taken into account; or
- (3) to ensure consistency with the terminology used in relation to a particular product.

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2.4 [deleted]

2.5 An effect of charges table must be appropriately titled, for example, 'How the charges reduce the value of your pension fund'.

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3 Reduction in yield

3.1 Product reduction in yield ('A') is 'B' less 'C' where:

- (1) 'B' is the *intermediate rate of return* (net of price inflation, where appropriate) for the relevant product; and
- (2) 'C' is determined by:
 - (a) carrying out a *standardised deterministic projection* to the *projection date*, but without taking any *adviser charges* or *consultancy charges* into account, using 'B'; and then
 - (b) calculating the annual rate of return ('C') (rounded to the nearest tenth of 1 %) required to achieve the same projection value if *charges* are excluded.

3.2 Total reduction in yield ('D') is 'B' less 'E' where:

- (1) 'B' is the *intermediate rate of return* (net of price inflation, where appropriate) for the relevant product; and
- (2) 'E' is determined by:
 - (a) carrying out a *standardised deterministic projection* to the *projection date* taking all *charges* into account, using 'B'; and then
 - (b) calculating the annual rate of return ('E') (rounded to the nearest tenth of 1 %) required to achieve the same projection value if *charges* are excluded.

3.3 (1) A *firm* must present the product reduction in yield as 'A%', as part of statements which explain that:

- (a) 'product charges reduce investment growth after price inflation from 'B%' to 'C%', or in some other appropriate way; and
- (b) the information about the reduction in investment growth can be used to compare the effect of charges with similar products.

(2) If *adviser charges* or *consultancy charges*, or both *adviser charges* and *consultancy charges* are to be facilitated by the product, a *firm* must also present the reduction in yield as 'D%', as part of a statement which explains that 'all charges reduce the investment growth (after price inflation, where appropriate) from 'B%' to 'E%', or in some other appropriate way and explain the difference between the two reduction in yield figures.

3.4 If contributions will be invested in more than one fund in a single designated investment or made by an initial lump sum payment that is followed by regular contributions, the reduction in yield must be:

- (1) calculated separately for each fund or for the single contribution and the regular contributions, as applicable; and
- (2) presented:

- (a) on a fund-by-fund, or single contribution and regular contribution, basis, together with a statement which explains the nature and effect of a reduction in yield, the reason for the inclusion of more than one reduction in yield figure and the reason for the differences between them; or
- (b) (if the reduction in yield results are so similar that one figure could reasonably be regarded as representative of the others) as a single figure together with a statement which explains the nature and effect of a reduction in yield, and that the reduction in yield figure given is representative of the reduction in yield figures for each of the funds or for the single and regular contributions, as applicable; or
- (c) through a single figure combining the separate figures for each fund or contribution in a proportionate manner, with an appropriate description.