

# OUTCOME OF THE REVIEW OF THE OPERATION OF THE OPEN MARKET OPTION

Under the Open Market Option (OMO) an individual can shop around to get the best annuity deal. The Government announced in *The Annuities Market* at the 2006 Pre-Budget Report<sup>1</sup> that it was a good time to work with key stakeholders to review the workings of the open market. The joint HM Treasury and Department for Work and Pensions (DWP) led review has worked with a range of stakeholders to agree a proportionate package of measures to improve the OMO for both personal and occupational pension schemes.

- The Pensions Advisory Service (TPAS) will set up a web-based structured choice tool to guide people through their retirement income options, including choosing the best annuity for them such as a single or joint life annuity. The tool will be appropriately linked with the Financial Services Authority (FSA) comparative tables. Stakeholders will be involved with TPAS in developing and publicising the tool.
- The DWP will lead on facilitating the development of better-focused information on the lines of the structured choice approach, again with the close involvement of stakeholders.
- The FSA will obtain relevant management information from the alleged worst performing providers in terms of delays in transferring OMO funds, assess this against its Treating Customers Fairly (TCF) principle and review firms' progress next year. The FSA will make clear that all providers should collect and monitor management information on performance in transferring funds under the OMO, as an integral part of ensuring their compliance with TCF principles.
- The FSA will review pension saving providers' maturity literature against its TCF principle to see how effectively the OMO is being communicated to consumers and as part of this will collect information on the rates offered by providers.
- The Association Of British Insurers (ABI) will encourage initiatives to share best practice amongst their members including a re-vamp and promotion of their existing Statement of Good Practice on Pension Maturities. This may later be submitted to the FSA with a view to gaining confirmation as "Recognised Industry Guidance". The Pensions Ombudsman will state it will have due regard to the ABI Statement of Good Practice when deciding complaints.
- HM Revenue and Customs to clarify with industry that tax legislation allows pension schemes to offer an annuity under an open market option without having to provide a pension themselves. This will help remove any misunderstanding that might prompt some pension providers who are reluctant to accept annuity business to offer uncompetitive rates.
- HM Treasury will report annually at the Pre-Budget Report on a basket of relevant indicators to assess how well the OMO is operating.

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<sup>1</sup> "The Annuities Market", HM Treasury, December 2006.

- Stakeholders are continuing to work together on the development of communications products resulting from the review, which will help to inform decisions about the future of the protected rights survivor benefit rule.

**1.1** Stakeholders will now work on the details and practicalities involved in taking this package of measures forward. The monitoring commitments in these measures will enable the Government to assess the operation of the OMO for consumer outcomes going forward.

**1.2** Finally, the Government would like to thank all organisations involved in the OMO review.