

Regular Review of an Appointed Independent Financial Adviser



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The appointment of a firm (or panel) of independent financial advisers (IFAs) has become increasingly common over recent years. As these arrangements have become longer established and the IFA market has continued to evolve, focus is turning to ensuring that any appointed IFA firm continues to meet trustee and sponsor requirements.

IFA support for pension scheme members has also come under the spotlight in recent Financial Conduct Authority and The Pensions Regulator consultations. More recently, The Pensions Ombudsman's guidance for sponsors and trustees was clear on its expectations of trustees and sponsors facilitating access to an IFA. A key feature of this guidance was ongoing monitoring of appointed IFAs and we now expect this to become standard practice.

What The Pensions Ombudsman Said

Like the Financial Conduct Authority and The Pensions Regulator in their March 2021 joint guide for sponsors and trustees on providing support with financial matters, The Pensions Ombudsman recognised that sponsors and trustees might want to provide members with access to a reputable IFA to help them make an informed decision about their pension benefits and reduce their exposure to pension scams.

The Pensions Ombudsman's statement sets out guidance for trustees and sponsors to follow in appointing an IFA. This noted that where IFA support is facilitated:

- The IFA(s) should cover the whole of the market and not be restricted to certain types of products or providers (this was also highlighted by the FCA and TPR)
- You should carry out and be able to demonstrate appropriate due diligence
- You should monitor the chosen IFA regularly

The Pensions Ombudsman also provided guidance on criteria which should be considered when selecting (and monitoring) the chosen IFA. These can be viewed in their entirety [here](#).

How Aon Can Help

Aon has a tried and tested IFA governance update service that provides sponsors and trustees with an annual process for assessing the ongoing suitability of their chosen IFA(s) and the competitiveness of the services. The report helps sponsors and trustees review key decision areas and assess whether the appointed IFA remains the most suitable support for their members.



Given pension freedoms were introduced in 2015, some IFA appointments have now been in place for a considerable time and no trustee would have made such an appointment on a 'hire and forget' basis. Having an annual review framework to help monitor key areas for an IFA is a good governance practice, which also ensures that both the trustees and sponsor are comfortable with their ongoing appointment.

Kelly Hurren
Head of Member Options
Aon

Key features of Aon's IFA governance update service include:

- An update on the key details that were taken into consideration at the time of the IFA appointment and the impact of any subsequent changes
- Consideration of factors which are now relevant but may not have been considered at the time of appointment; for example, due to regulatory or market change
- Aon insights into the competitiveness of existing fee arrangements, impact of any regulatory changes and amendments to the IFA firm's service or member advice journey
- Competitiveness of existing fee arrangements
- Management information and member feedback, where available



Aon's IFA governance update service enables sponsors and trustees to efficiently review the appropriateness of the ongoing appointment, document their considerations and provide a focus for any actions required. Clients using the service to date have opted to undertake their review annually. However, we are also able to support clients who wish to review their IFA more or less frequently.

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