



# Distribution of Retirement Products in a Post-RDR World



## Agenda



EBCs – a SWAT analysis

Impact of automatic enrolment

The upside of RDR



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## EBCs - a SWAT analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Client base</li> <li>Gatekeeper status</li> <li>Technical skills</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Average cost of staff</li> <li>“Light” compliance regime</li> <li>Historical focus on Trustees instead of Corporates</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Auto-enrolment</li> <li>Broader total reward structures</li> <li>Increasing tax and regulatory complexity</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Providers on our lawn</li> <li>IFAs moving “upmarket”</li> <li>Increasing complexity of compliance</li> </ul>

20

## A reminder of our market

### Private Sector Enterprises and Employees

Size of employer by number of employees	Enterprises ('000s)	Number of Employees ('000s)
1-4	811.7	~2,000
5-9	207.6	~1,500
10-19	111.2	~1,800
20-49	55.7	~2,000
50-99	17.1	~1,500
100-199	8.0	~1,200
200-249	1.6	~500
250-499	3.0	~1,000
500 or more	2.9	~8,000

- Plus the Public Sector

Source: BERR

21

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### What affect does RDR have on EBCs?



- Minimal direct impact
- Most EBC advisers have qualifications in abundance
  - though there could be issues over specific exams
- Commission (and even Consultancy Charges) are largely irrelevant
- But for those EBCs that are turning themselves into providers.....
- And we do not advise in a vacuum – our competitive landscape is changing rapidly

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22

### Opportunities from tax and legislative changes



- Automatic enrolment
- Contracting out abolition – DC and DB?
- Abolition of compulsory retirement ages
- Abolition of compulsory annuitisation
- Unisex annuities
- Total reward management
- Tax threshold management
- Mass customisation of investment management

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23

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### Impact of automatic enrolment (DWP research report 753)



- “Likely industry responses to the workplace pension reforms: Qualitative research with pension providers and intermediaries” (<http://research.dwp.gov.uk/asd/asd5/rports2011-2012/rrep753.pdf>)

#### The implications for employer advice

- Intermediaries predict reforms will have little impact on the demand for advice in the long term, but increased demand during implementation
- Few intermediaries expect to actively target employers that currently have no pension provision

#### The impact of NEST

- The impact of NEST on the market is expected to be significant, but providers do not think it will have a detrimental impact on their own business
- There is a general expectation that NEST will have a substantial impact on provider charges, setting the ‘baseline’ level

24

### Will employers have any money left for benefits?



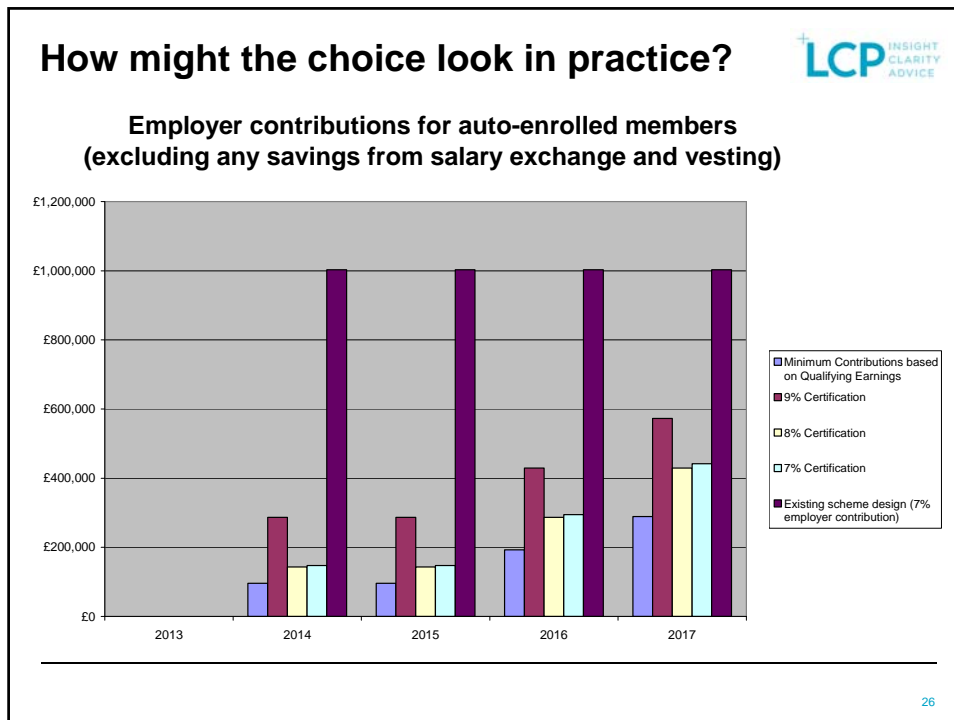
#### DC – alternatives to allow certification

- 7% of pensionable pay (inc minimum of 3% from employer) - subject to 100% of earnings being pensionable
- 8% of pensionable pay (inc minimum of 3% from employer) – pensionable pay can exclude variable earnings subject to pensionable pay constituting at least 85% of total pay bill
- 9% of pensionable pay (inc minimum of 4% from employer) – pensionable pay can exclude variable earnings

**Note: Phasing still applies in all 3 approaches**

25

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### The upside of RDR

- What if it actually does what it says on the tin?
  - improves professionalism and the quality of advice
  - increases public confidence in financial services distribution
- It is almost certain to reduce the numbers of competing IFAs
- All sectors of the industry can benefit – **if** we comply with the spirit of the review
- We will certainly be watching to see where “at risk behaviours” might impact on clients

27

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## Scope



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28

