Response by TISA to:
Pensions consumer journey

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About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry.** We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings & Investment**. This reflects TISA's commitment to open standards and independent governance.

Executive Summary

TISA welcomes the opportunity to respond to the FCA and TPR call for evidence – Pensions consumer journey.

We agree that the earlier steps in the consumer journey need to be reviewed to establish how these can be improved and consumer outcomes enhanced. However, as retirement is typically a gradual transition from working life, there is no clear cut-off point between steps as there once was, so the journey needs to be reviewed in full to ensure it is joined up, fluid, and the consumer experience optimised.

The pensions consumer journey itself will be vary significantly between cohorts. It would be beneficial to consider these as separate journeys, to ensure that interventions can be identified and considered as appropriate. The self-employed journey for example, particularly during the earlier steps will be completely different to an employee's journey, with a different set of challenges and biases to overcome.

When considering the potential harms that consumers are exposed to, we need to consider the governance frameworks that have been put in place which are designed to mitigate such outcomes. For instance, there has been and continues to be a strong focus on ensuring that pension scheme members receive Value for Money.

The primary reason for consumer harm stems from the lack of engagement that exists. When considering the support available for pension scheme members who are under 50, there is no equivalent of Pension Wise. We know from FCA statistics that only 8% of adults seek regulated advice, so there is a distinct absence of a formal support framework.

Pension providers are often a consumer's initial source for help and support, however the lack of a defined boundary between advice and guidance means that pension providers cannot offer the guidance services that they want, and members need.

There is a strong overlap here with the FCA Care of Duty consultation, which is proposing higher standards of consumer care and a consistent focus on consumer outcomes. The implementation of the final proposals will change the pensions consumer journey, so it may be prudent to wait until these have been issued and the full impact on the journey considered.

Lastly, we welcome the continued focus on the joined-up strategy that TPR and FCA have adopted which will benefit industry, ensure that safeguards and protections are more aligned, and bring consistency to the pensions consumer journey for members of all workplace schemes.

We would welcome the opportunity to discuss any aspects of our response with you.

Question responses

Q1: Is this understanding of the consumer journey an appropriate foundation for regulatory policy making? If not, what other elements of the journey should we be considering and how might the changing nature of retirement and working patterns in the future shape the support required?

The five stages stated cover the pensions consumer journey, however whilst not specific to this consultation, it should be acknowledged that in order to facilitate good consumer outcomes more generally, education is key. Understanding the principles of saving forms the first stage in any consumer journey.

Linking to the above, whilst we are focusing on the pensions consumer journey in this consultation, we recognise that when considering retirement more holistically, there are other products and assets available for consumers to invest in that will also be used for retirement purposes.

In order to build a comprehensive pensions consumer journey, it is challenging to do so focusing on accumulation in isolation. The transition into retirement often takes place over several years and there is no set cut-off where one phase of the journey stops, and another begins. It is commonplace for consumers to be actively accumulating and decumulating at the same time. Furthermore, triggers, engagement and action undertaken in the accumulation phase will be linked to retirement outcomes so there is always an intrinsic link between the two. Splitting the journey for accumulation and decumulation into separate areas of focus runs the risk of there being a disconnect between the two - with the full journey being compromised and disjointed rather than fluid.

The pensions journey itself will vary significantly for consumers, dependent on their personal circumstances. For example, if you consider the self-employed journey compared to an employee who is eligible for Auto Enrolment (AE), there are stark differences. For employees the employer can play an important role in providing communications, arranging guidance sessions and increasing engagement. In the absence of this for the self-employed, we need to consider other ways in which to boost knowledge and understanding

We are currently in a period which is inundated with consultations, proposed change and new initiatives being implemented. The number of moving parts and overlap which exist means the pensions consumer journey will alter, however we do not know what this looks like until final proposals ae issued.

Notwithstanding the above, we have approached the consultation on the basis this is focused on the first two stages as proposed and based only on future agreed changes.

Q2: Have we identified the correct overarching harms in the consumer journey? If not, what others are there?

Some of the harms identified relate to poor governance of pension schemes, with consumers not receiving Value for Money (VfM), due to personal or employer selections. This is an area which has been addressed, for all pensions and in particular, workplace pension schemes.

IGCs and Trustees responsibilities are to ensure that schemes are delivering good VfM for their members. The governance framework that is in place (together with further requirements pending from other consultations) should mean that the risk of an employer choosing an inappropriate workplace scheme is not a risk that should generally exist.

Processes are in place to address any instances where schemes fall below required governance levels and if this becomes more widespread, it would be an issue to be addressed outside of this consultation.

Nevertheless, many employers do face the dilemma of choosing an appropriate provider from an array of contract and trust-based arrangements. Some provider propositions are more appropriate than others – this will be dependent on the underlying employee demographic and whether a bespoke scheme charging structure can be agreed.

However, the potential harm in remaining as a deferred member following a change of employer is valid and is an area which is being addressed to a degree through Pension Dashboards and the Small Pot initiative.

The overarching harm that links to all others is the absence of a support framework which can help consumers through all stages of the pensions journey. Whilst in a perfect world, everyone would receive regulated advice, this is not currently a realistic outcome that can be achieved.

We believe that providers are well placed to provide more assistance in this space, however they are hampered by FCA advice regulations. The boundary between guidance and advice is not clear - as a result, firms who are approached by their customers for support cannot provide the service that is required due to concerns of straying into advice. Instead, for those over 50 the journey can be broken through a referral to Pension Wise, which whilst performing a good quality service, is not taken up in most instances due to the timing of the nudge. If the individual is under 50, no formal guidance services are available, and they will need to seek regulated advice.

Research shows that a degree of personalisation is required to make guidance meaningful, and if clear guidelines existed which enabled firms to provide this service at all stages of the journey, decisions would be made on a more informed basis and the risk of harm would be greatly reduced.

The gender pensions gap needs to be considered as currently we see large disparities and retirement outcomes. Statistics also show us that women are more likely to take career breaks or work on a part-time basis to raise a family and/or take up caring responsibilities.

Harms will also exist for those who are not even on the pensions journey. This will include those employees who have ‘opted out’ or not eligible to join, and the Self-Employed.

Q3: Have we identified the main behavioural biases which influence saver engagement with pensions? If not, what others are there?

Other reasons or biases which influence engagement are:

- A lack of trust – constant legislative changes increasing steps in the access process and general media ‘bad news’ articles can lead to disengagement
- A lack of knowledge – generated through the lack of support available to those under 50
- Fear of missing out / Herd mentality – where a group is influenced by the actions/comments of others

Short-termism is documented in the consultation and is linked to a lack of knowledge and support. Some areas of pensions could be repositioned to address this. For instance, few consumers understand what tax relief actually means. If it were positioned as a ‘bonus’ or ‘buy four get one free’ then this represents a form of instant gratification, as it is a tangible benefit which is added either immediately or within a few weeks of making the contribution.

Conversely, whilst transparency is important, having a focus on charges and ensuring these are well documented and available for comparison does not encourage consumers to invest in a product.
This encourages selection on a ‘less bad’ basis. The beneficial characteristics of a pension should have more prominence, so positive comparisons can be made which is more likely to lead to a more positive perception of pensions and in turn, higher levels of engagement.

Q4: Have we identified the right structural issues impacting pensions and do others also have a material impact? How can the pension consumer journey be improved to address poor outcomes caused by structural issues?

We believe that these have been identified. We recognise that language barriers could lead to poor outcomes as English is not necessarily the first language for many UK citizens. Provider documentation (in particular for AE) could be made available in other languages to cater for these groups.

Q5: Are there other barriers to engagement that we have not identified? Are there solutions to the barriers to engagement that regulators, industry or others should consider?

The inability for firms to capture the marketing permissions for group scheme members restricts the type of communications that can be sent.

The level of support and guidance provided by employers can vary significantly from those who actively engage on a regular basis, run seminars, issue guidance at annual pay reviews, and arrange 1 to 1 sessions to those that do nothing. Employees generally trust their employer more than the pension provider and those employed by proactive employers have a distinct advantage and higher levels of engagement to those whose employers do not engage with their workforce.

**Q6: What data do you use to monitor and improve engagement by different cohorts of consumers?
How can we encourage the pensions industry to use behavioural insights and biases to engage consumers?**

Providers will often provide scheme specific statistics and data to those employers who wish to use the details in their employee communications. Schemes undertake their own research to identify behavioural trends and insights – these will form part of firm’s respective responses.

Q7: What learnings from other industries could the pensions market use to drive the use of technology as an engagement tool and what would stakeholders find useful for regulators to do to facilitate innovation, for example creating a panel or additional TechSprints?

The benefit that technology can bring in increasing engagement and enhancing consumer journeys should not be underestimated. Personal banking has been transformed through technology in recent years and although pensions is playing catch-up, we need to continue to approach enhancing consumer experiences through the use of technology.

A recent example where we could me more proactive is the Simpler Annual Benefits Statements consultation where the focus is on the paper-based communication. Digital communications are used almost exclusively by younger consumers and an increasing number of retirees are competent in this area. Digital journeys enable consumers to easily access modelling tools and create scenarios to build up realistic expectations of what their retirement will look like. This type of journey cannot be replicated through static paper communications. We are moving towards a time where consumers will demand digital journeys to engage and as an industry, we need to be positioned to meet this demand.

Whilst technology has the potential to increase engagement and simplify decision making, we do need to be mindful that these can have a significant impact on retirement outcomes. Appropriate safeguards need to be in place to ensure that decisions are made on an informed basis and cannot simply be triggered through a 'single click.'

The FCA sandbox provides a useful environment for innovation. We are not aware that there is a comparable service available from TPR at present.

Q8: What guidance and support do employers need when picking a workplace pension for their employees and is more required?

Employers in all sectors and all sizes need support in this area. Many employ Advisers and Employee Benefit Consultants who use their expertise to determine the best schemes available based on demographic and negotiate competitive pricing packages where multi-pricing opportunities exist.

However, similarly to consumers, not all employers can afford or choose to access advice. Many may choose a scheme based on measures such as overall size or prefer to use a well-known brand.

It would be helpful if employer guidance were available to assist and develop an understanding of relevant information that would be appropriate and useful when making comparisons – possibly with a set of example questions.

At a lower level, when scheme comparisons are made, it is difficult to undertake this on a truly like for like basis. Some providers will have thousands of individual employer schemes spanning across their entire book of business. Many of these will be priced on a bespoke basis, determined by the underlying membership profile which is often confidential in nature. It will not be possible to ascertain from a cost perspective whether another scheme would be able to offer better terms without an individual underwriting exercise taking place.

Q9: What help do employers and firms need to be able to give appropriate support to members and how can we encourage employers to share appropriate Money and Pension Service guidance?

Firms should be encouraged to share their employee support packages and employee best practice guidance could be created.

Providers can send product literature and scheme data to firms upon request, which can be used to help employers identify behavioural trends so communications can be tailored and meaningful to their workforce.

Q10: Are there areas of regulatory overlap between TPR and FCA causing problems for the consumer journey? If so, what would mitigate these?

There are various challenges created in the consumer journey which result from members being in schemes regulated by either TPR and FCA, ranging from differences in communications such as illustrations to different levels of protection at retirement with cash warnings and Investment Pathways only applicable to personal pensions.

Members of all workplace pension schemes should broadly expect and have the same opportunities and safeguards in place. In order to identify the differences that currently exist, it would be useful for FCA and TPR to comprehensively run through and document their respective pensions consumer journeys.
Once this is completed, it will enable a comparison to take place and identify where the gaps exist and what needs to be done to move the journeys to a consistent basis.