TISA

Response by TISA to: CP25/39: Adapting our requirements for a changing pensions market

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **three distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the investing and saving landscape.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here:** https://www.tisa.uk.com/about-tisa/

Executive Summary

TISA welcomes the opportunity to respond to the FCA consultation - Adapting our requirements for a changing pensions market.

We currently have a highly fragmented DC pension scheme market. At the time or writing there are 31 authorised Master Trusts, over 25,000 trust-based DC schemes, approx. 30 contract-based Group Personal Pension schemes and dozens of personal pension schemes including SIPPs. There is a significant pipeline of change which is being brought in to significantly reduce the number of workplace schemes operating, with Value for Money, Small Pot consolidation and scale requirements being brought in for relevant DC workplace schemes.

We have Targeted Support and a Pensions Dashboard being brought in, which will provide consumers with a more holistic view of their pension wealth and access to meaningful support. We have Guided Retirement coming, which will provide members with an appropriate default pension benefit solution, to simplify the retirement decision making process. And we also have CDC and Retirement CDC coming through as new scheme types, which could potentially enhance member outcomes and remove the need for complex decisions.

In workplace DC pensions, members are largely homogenous to the extent they are all auto enrolled, have low engagement, are exposed to the same risks, need the same level of support and typically accrue several pension pots spanning across both regimes. The pipeline change mentioned above recognises this, which is why most of it covers both DC trust-based and contract-based schemes. However, where change only covers a single regime, this creates inconsistent outcomes and an unlevel playing field for this homogenous group.

We can expect to see a very different DC landscape by 2030, with more engaged and informed members, and a highly consolidated market run by schemes which all provide good Value for Money. This has to be borne in mind when considering the layering of additional change, which is designed to improve engagement, understanding and simplify the decision-making process. As such, we believe the transfer proposals should be deferred until such time as the existing schedule of change has been implemented and fully evaluated. To fully test and implement the proposed transfer changes would likely require an implementation date of no earlier than 2028, by which time many of the pipeline changes will already be in transition. We would also strongly recommend that any future changes to a high-volume activity such as transfers incorporates both trust-based and contract-based schemes simultaneously. Without this, the asymmetry would create confusing journeys and risks creating inconsistent outcomes and increased member detriment.

The proposals relating to simulations are largely positive and welcome but will need to interact effectively with the existing framework and pipeline change. A Money Helper pension dashboard should be launched in the not-too-distant future, which has great potential to drive up levels of engagement and understanding when combined with other initiatives such as Targeted Support. An emphasis is being placed on dashboards helping consumers view their pension wealth as an estimated retirement income as opposed to a pot of money. Simulations should be looking to align to the same calculation and decumulation assumptions to ensure they are complimentary and do not confuse consumers or are seen as a default decumulation recommendation which would dangerously extend their use beyond limitations and objectives.

The DC landscape is going through a sustained period of transformative change and at some point, government and the regulators will need to take a step back and allow all of it to be implemented and evaluated before layering on further change. This will help build a more stable and consistent DC framework which will promote consumer confidence, engagement and understanding.

We would be pleased to discuss any aspects of our response with you and look forward to continued engagement.

Question responses

Question 1: Do you agree with the application and scope of our proposed regime as set out above? If not, what are the challenges for firms or unintended consequences of this approach?

We agree with the general principles of enabling firms to provide a more engaging experience through their online projection tools by removing some the existing restrictions and allowing more flexibility. However, a balance needs to be struck here to ensure that opportunities for potential consumer harm are mitigated.

Consistency is an outcome we continue to strive for in the DC pensions framework. It helps build consumer confidence, understanding and engagement. Conversely, inconsistency helps build the opposite. For contract-based schemes we currently have Key Features Illustrations and Statutory Money Purchase Illustrations (which will be used for Estimated Retirement Income on Pension Dashboards). Both currently have different requirements for growth rate calculations and assume that at the selected retirement date, the accumulated pot will be used to provide an income through annuity purchase using standardised assumptions. For online simulations, the proposed flexibility could result in yet a different growth rate being used and a high likelihood that a different decumulation option to an annuity would be modelled. Pension Dashboards have great potential, with the Estimated Retirement Income shown to be the most highly valued piece of information from a member perspective. To have this based on different assumptions to an online simulation creates a high risk of member confusion. The misalignment between the two may very well cause members to lose confidence in Dashboards, their providers and the pension system more generally. Whilst having a robust methodology in place to justify growth assumptions would mitigate gaming the system through overly optimistic rates, it cannot remove the potential harm caused through inconsistency. If this proposal remains in place, we recommend a cap is applied as a precaution which aligns to KFI requirements. At a higher level, we would recommend that consistency for modellers and projections exists across a defined set of products. Consumers will typically rely on other forms of saving for retirement, in addition to pensions – often all available through a platform. Having a framework comprising a single set of projection/simulation requirements for a suite of products including ISAs and GIAs would be positively impactful on the engagement journey.

We have strong concerns over the proposals relating to the initial scenario requirements for Decumulation options and believe these go beyond what a simulation should be providing to consumers. The emphasis being placed in this area, requiring firms to illustrate an appropriate decumulation solution, which includes determining an appropriate level of withdrawal for flexible options, means what started out as an online illustration becomes something more akin to Targeted Support or Robo-Advice. The inclusion of options to allow consumers to input other income streams, to enable the calculation of a more accurate net income position creates an even more personalised journey which would lead to consumers perceiving the output as a recommendation. For younger cohorts, this becomes less relevant but for those close to retirement, there is a very real possibility that this goes beyond supporting a retirement decision to becoming the retirement decision. Consumers can obtain free decumulation guidance from Money Helper and hopefully their pension provider. Some may also be able to access Targeted Support for decumulation, where a recommendation of a particular solution may be given. And of course, they may have access to full regulated advice (and perhaps simplified advice). The Decumulation requirements for simulations blurs the lines between these services and we start to lose sight of what the purpose of a simulation is. We want these to compliment engagement and help members scenario plan with a clear understanding of their limitations.
As such, we strongly recommend the initial simulation includes the Decumulation option aligned to that shown in a SMPI (and Pension Dashboards when launched). It shouldn't matter that this is on a standardised basis, as we want consumers to engage with the tools and change the variables to something they consider more appropriate. If this is clearly shown as a standardised assumption which take no personal circumstances into account, this should actually encourage consumer to engage.

Irrespective of what the final proposals are, it would be useful if PERG 8 Annex 1 was updated, as this provides examples of what is and what is not a personal recommendation.

Given the intention for simulations to support decision making, there should be clear signposting to support, guidance and advice services, to increase the likelihood that any decisions made as a result of going through a simulation is made on an informed basis and not based on the simulation output in isolation.

If these proposals were to remain unchanged, integration and alignment with Targeted Support and Guided Retirement would also be required, to ensure members were not receiving misaligned decumulation recommendations. For instance, you would expect an initial simulation decumulation option for an individual to align to their default pension benefit solution (had they been allocated one) and also align to any Targeted Support decumulation recommendation they had received. Changes in one would need to trigger a change to the other to avoid providing conflicting recommendations and information. We also note that despite firms needing to undertake the significant task of deciding on an appropriate decumulation retirement option (including investments and income level for flexible options), there appears no requirement to make the consumer aware of this. If they are not aware the firm has done all of this work on their behalf and is presenting a deemed appropriate decumulation option in the initial scenario, the objective becomes redundant and it seems a somewhat pointless exercise.

Although the expectation is that tools used by advice firms will be out of scope, many advice firms use cashflow modelling tools, which include plan specific charges, allow the client to interact indirectly through the adviser and provide a retirement projection. If plan specific information is used, will these be inadvertently caught by the proposals? The proposed inclusion of known adviser charges also links to above.

Question 2: Do you agree firms should have flexibility to present either a deterministic, stochastic or both types of simulation based on the understanding and engagement needs of their target consumers?

Yes, we agree with the proposals.

Question 3: Do you agree firms should have flexibility to present deterministic simulations either individually (with at least a higher and lower option), or multiple simultaneously?

Yes, we agree with the proposals.

Question 4: Do you agree with our proposed approach to the calculation and presentation of growth rates? If not, why not? Are there consumer risks with this approach that should be addressed through further requirements (such as setting a maximum cap on growth rates)?

We do not agree with the proposed approach and would strongly advocate for consistency in growth rate calculations across KFI, SMPI and simulators. With the forthcoming launch of Pension Dashboards and its focus on Estimated Retirement Income, this becomes increasingly important. Please see our response to Q1 for further details.

Maintaining a unform differential between middle and higher/lower rates, is not an accurate representation of volatility. Cash savings rates have, for example, changed by circa 5% in recent years. It may be entirely reasonable using the proposed formula, for a ‘low’ illustration rate ending up being in the negative. If firms are to be responsible for setting growth rates based on robust assumptions, this should also extend to the lower and higher rates.

Question 5: Do you agree with our proposals for stochastic models? If not, why? If so, why?

Yes, we agree with your proposals. Given these can be more complicated to understand than deterministic, we would emphasise the need for providers to be confident that consumers will be able to understand the assumptions and scenarios modelled.

We would also add that guidance is provided to help firms understand what a 'reasonable' number of simulations would comprise.

Question 6: Do you agree consumers should be given the choice to see and interact with the decumulation proposals set out above? If not, why? If so, why?

There is a great deal of regulatory focus currently being placed on decumulation options and as such, agree that this should be an interactive area of the simulation. Options should include the decumulation solutions available to consumers on the open market, to reflect the reality of their choices when actually making a decision. However, communication here will be crucial to ensure the limitations of a simulation is clearly understood. Whilst these should support decision making, they should not be used in isolation - decumulation is much more personalised than accumulation and selecting an incorrect option based on a simulation could have serious and damaging implications.

As such, we strongly recommend the initial scenario uses the standard annuity assumptions used in SMPI, which creates consistency and should encourage a consumer to engage. Please see our response to Q1 for further details.

Question 7: Do you agree with our communications proposals? If not, why? If so, why?

Yes, we agree with the communication proposals.

Question 8: Do you agree with our record keeping and regular review proposals? If not, why? If so, why?

Yes, we agree with the record keeping and regular review proposals.

Question 9: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) strike the right balance between relying on outcomes-focused rules, the Consumer Duty to enable more effective and engaging tools and specific rules to deal with harms? Are there any areas where we need more specific rules to deal with potential harms, such as lack of consistency across different tools or pension projections in the consumer journey?

As stated in our response to earlier questions, we believe more consistency is needed for growth rates and the initial scenario decumulation option. Without this, we believe there is a much higher potential for consumer confusion and harm.

Given retirement planning is more holistic than pensions and often involves other products such as ISAs and GIAs, we would also reiterate the need to consider consistency across products, so consumer can easily and effectively plan for their futures.

Question 10: Does our proposed regime (for pension simulations in interactive, digital tools as a whole) support the adoption of technology, including AI? Are there any proposed rules which may inhibit technology adoption?

Yes, we agree this supports the adoption of technology and are not aware of any rules which may inhibit this.

Question 11: Do you agree with our proposed approach for simulations in a PDS digital tool? If not, why not?

Yes, we agree with the proposed approach.

Question 12: Do you agree with the proposals for how the new regime will apply to digital tools that include a broader range of retirement income? If not, why not?

No, we do not agree with these proposals. The more details a person is invited to include, the more personalised the output will be perceived to be. Whilst communication may mitigate this to a degree, there remains a very real danger that consumers will consider the output as a personalised recommendation and proceed on that basis with no further support. Please see our response to Q1 for further details.

Question 13: Do you agree a transition period is needed to effectively implement the proposed regime for simulations in digital tools? If so, is 12-months an appropriate timeframe?

It is not possible to fully answer this without knowing what date the 12-month timeframe would commence. Given the significant volume of regulatory change that the pension industry is currently dealing with, 12-months would not be appropriate if it commenced April 2026. Further details around an expected trigger date for the timeframe is needed, so we can answer with more certainty.

Question 14: Do you agree with our proposal to exempt projections provided in SMPIs on how pension members can give themselves more money, as set out in DWP's statutory guidance? If not, please explain why.

Yes, we agree with this proposal.

Question 15: Do you have any comments on the proposed scope and trigger for our non-advised transfer rules?

We fully agree with the overarching principle that underpins these proposals, which is that pension scheme members should have easy access to all relevant arrangement information, so transfer decisions can be made on an informed basis. Have other options also been considered, e.g. to provide this information in periodic communications such as an annual benefit statement, so members have this information to hand before considering pension transfer and contacting their chosen receiving scheme?

The transfers and consolidation market is currently served by several technology firms such as Pensions Lab and Raindrop which offer tools that streamline the transfer process through a digital journey. Any guaranteed benefits are identified prior to any consolidation exercise being undertaken, to ensure these are not lost by accident. Whilst no mention is made of these in the consultation, they align well with the objectives and address some of the key risks that consumers are exposed to in the transfer journey. Some providers have these integrated into their transfer journeys and as such, need to be considered as part of this consultation.

The proposals would add considerable friction to the journey and introduce significant cost to industry, but at present we have no idea what consumer value they would introduce to the transfer process and what the opt out rate would be. Indeed, they may also create consumer detriment where consumers who would benefit from consolidation would cancel the whole exercise due to perceived excessive work and timeframes. We note that reference is made to the FCA FLS 2024, where 26% of consolidators did not consider any important factors before transferring. However, this relates to all adults with a DC pension who consolidated in the last three years and includes those which would fall out of scope of these proposals e.g. advised transfers and pots under £1,000. It is, therefore, crucial that a robust and comprehensive cross-industry consumer-testing programme is undertaken before a final set of proposals can be constructed. Ideally, we would also want this trialled in an operational environment prior to a full rollout, in the same way that Stronger Nudge was. This would help determine what the priority information is for people at different stages of their journey, which could influence the format or emphasis that is placed on key pieces information.

Whilst it would be straightforward to test and identify what specific arrangement information would be most valued by members prior to transfer, the testing would be incomplete until we understood how this was valued in the wider context of the transfer process, which would include members experiencing a timeframe extension of circa two weeks. To summarise, comprehensive testing would enable the proposals to be delivered with the confidence that the resulting impact for everyone, is proportionate to the consumer value which would be derived.

Ideally, the level of information needed should be comparable to that which is used by regulated advisers when transfers are being advised on. However, scheme members will not typically have the knowledge to effectively use this information without good quality support, so there needs to be a balancing act to ensure the level of information is not overwhelming, is relevant and can be understood. Decumulation options, for example, will not be relevant to a member in their 20s or 30s but will be crucial to someone very close to retirement. Conversely, fees and charges will not be so relevant to someone close to retirement but will be to younger cohorts. Guidance should be provided to help members make sense of the information provided and to avoid situations where transfers are made using isolated pieces of information, which are taken out of context. This is also a concern for VfM, where framework data will be publicly available and individuals could use uncontextualised data as a basis for transfer decisions. Consumer testing will be invaluable to identify the relevant information and guidance needed to make this information useful to members.

We are also unsure if this relates only to arrangements in accumulation or also includes decumulation? It the latter, this brings in another set of complexity and requirements, whilst the former will also introduce additional considerations and complexities. Where members close to retirement are considering consolidation as the first step in their retirement journey (which is common), information on investment pathways and decumulation will be needed. This is currently not included in the proposals.

The issues associated with dual regulation within the DC framework are well acknowledged and we welcome the more collaborative approach that DWP/TPR and FCA have undertaken in recent times. Individual transfers frequently involve both TPR and FCA regulated schemes, so for these proposals to stand a chance of succeeding, they must be mirrored within DC occupation scheme legislation for workplace schemes and implemented simultaneously. Whilst we appreciate you are in discussions with DWP, this only takes collaboration so far and a divergence in the consumer journey across regulatory regimes for a high-volume activity such as transfers would be a classic example of members receiving inconsistent outcomes. Not mandating this across all DC schemes would also create significant operational issues and needless delays e.g. where a PP is the receiving scheme and DC occupational schemes are among the potential ceding schemes, they have no obligation to respond to the information request but the information request will still be sent. Some may respond, others may not – but it will be an unknown and creates confusion and delays for everyone involved.

If the roles were reversed, a ceding FCA regulated scheme would not even receive the request for information. Protected benefits are also commonplace within DC occupational schemes. To summarise, we strongly recommend this is not introduced until such time as regulations are laid to enable this to be implemented across the board for DC schemes.

Some additional input into the proposals and scope are:

- An engaging firm may not know what investments the consumer is going to invest in and may have hundreds of funds to select from. How would this scenario be approached?
- Receiving schemes may operate AMC based on the value of the accrued pension pot. At the time of presenting the information, they will not know which plans the member will transfer across. What assumption would they have to make on AMC?
- If ceding scheme information is not received by the engaging firm until after the required timescale has expired and the transfer has already taken place, what is the process – is the information ignored?
- Whilst there will be a restricted use for Targeted Support in the transfer area, those consumers who have received it in relation to an individual transfer to a new provider will be exempt from these proposals but will not have received the low-level arrangement information for comparison. What makes this mismatch acceptable?
- The DC landscape will be changing significantly in the next few years, with the rollout of Pension Dashboards (perhaps as soon as 2027), targeted support, a considerably contracted market through VfM, Small Pot consolidation and scale requirements for multi-employer schemes. It would be prudent to give schemes the opportunity to effectively meet all of these requirements, implement robust propositions and for the regulators to monitor the impact of these changes, to understand the impact this has on consumer engagement and understanding before considering the layering of further change.
- Exempt transfers may be de-prioritised to enable schemes to successfully meet the timelines for in-scope transfers.
- The rules around the protected pension age of 55 means an individual in an arrangement which has that protection can transfer all of their other pensions into it and benefit from an NMPA of 55 on everything. The arrangement itself may be a small, deferred pot, which the member is deliberately keeping open in case that pension age flexibility is needed in the future. However, under the existing proposals, if the arrangement is under £1,000 it would be exempt – how would this risk be mitigated?
- Currently where a member has guarantees held within an arrangement, this is highlighted by the ceding scheme before the transfer proceeds. However, under the proposals, if the member were to opt out then they may forego receiving these warnings.
- Where an employer is advised to switch to a new GPP workplace pension scheme, would members who subsequently transfer their old GPP to the new one remain in scope for these proposals?
- The handbook wording states the requirements are triggered 'as soon as reasonably practicable after it becomes aware that a self-directed client is considering a transfer to a proposed receiving scheme.' In practice, the requirements will typically not be triggered until the member has decided to transfer. Whilst this may seem a minor comment, subtleties in the wording can create ambiguity.

Question 16: Do you agree with our proposed approach to obtaining the consumer's consent?

- **Is consent the appropriate lawful basis for processing the data?**
- **Do you foresee any practical challenges with our approach? If so, how might they be overcome?**

LOAs have created much discussion and frustration within the industry, due to the inconsistent requirements that firms have in what is acceptable. We would need a standardised LOA template put in place, to ensure that delays would not be incurred through refusal of unacceptable forms. Some schemes still insist on paper copies so acceptance of electronic forms would need to be mandated.

Many schemes receive speculative LOAs from scammers. These have no policy numbers on them, so the LOA would need information on it which made it specific to the policies/arrangements it was intended for.

Question 17: Is our proposed acknowledgement process an unnecessary administrative step? Can issue and receipt of the information request be considered instantaneous? Are technological solutions available to make this possible?

For digital processes, we consider this an unnecessary step, as confirmation of receipt should be instantaneous. However, where a paper process is undertaken, the receiving scheme/engaging firm will not know which date the 10 working days commences until the ceding scheme confirms this.

If confirmation receipt is also sent through a paper process, it could be a period of several working days before receipt confirmation is sent. If the information itself is also sent on paper within the required 10 working days, it could be at least a further week until the engaging firm/receiving scheme would receive this (SLA for second class post has been reduced).

We would expect most firms to adopt a digital approach and as such, would consider this step unnecessary. However, the issues and delays associated with a paper-based process (which could be of no fault of either firm involved) needs to be considered further, as potentially different timeframes would need to apply.

In the interests of transparency, there would be a benefit however, for a member communication to be sent from the ceding scheme when the transfer request has been received.

Question 18: Do you consider 10 working days a reasonable timeframe for ceding schemes to respond to information requests? If not, why not?

There are several variables which could influence the response to this question:

- The timeframe for implementing this process. There is a considerable amount of regulatory change that schemes are currently dealing with and this will continue for several years. Timeframes are often unsympathetic; however, we strongly recommend this is seen as a significant factor when determining implementation deadlines.
- How many schemes a provider has on its books. For modern schemes and a digital process, 10 working days is reasonable and perhaps easy to achieve. However, some providers have dozens of legacy schemes, where the information may be difficult to extract and equally difficult to convey in a way in which consumers would understand. These are likely to be manually undertaken – especially if implementation timeframes are tight and as such, 10 working days may be unreasonable.

- For smaller schemes with fewer transfers, it may not be cost effective or possible to implement a digital approach and will be reliant on manual processes. 10 working days may be challenging for these schemes.
- Consumer testing should check what consumers view as a reasonable timeframe.

Question 19: How might technology affordably support adoption of this timeframe?

Technology would greatly assist schemes in meeting this timeframe. However, factors mentioned in our response to Q18 would impact on the ability of providers to digitalise the requirements.

If these proposals are implemented, we are strongly in favour of an industry-wide technology solution, involving common data standards, to ensure maximum efficiency. Over time, these could be incorporated into the data displayed on Pension Dashboards, which would drive efficiencies and ensure dashboards remain central to consumer engagement and the provision of information.

Question 20: Do you agree with our proposed approach to presenting information back to consumers?

There are pros and cons to the approach which we outline below:

- Waiting for information from all schemes could result in members receiving reams of information, where several schemes are involved. This would overwhelm most people, who may well switch off and either opt out or decide to pull out of the whole process. However, as members need to make comparisons, then having all of the information side by side would be more helpful. They may decide to select a different receiving scheme and having the ability to see which can accept transfers in one view would be of help.
- From a system build perspective, it would be easier to send on the information as and when it is received. The member would not be overwhelmed with information, however this piecemeal process compromises to some extend the ability to make comparisons across all schemes.

As mentioned in an earlier question response, consumer testing will be required to identify what works best for members.

Question 21: Do our proposals capture the appropriate benefits and features for consumers to consider ahead of transfer? Should any be added or excluded? If so, please explain why.

Schemes may not know what investments a new customer may be considering, so it will not be possible to provide specific costs and charges.

Where AMC is based on the value of the pension, an assumption would have to be made on the value of the total transfers that would be received. Members, when in receipt of the relevant scheme information may only decide to transfer one or a subset of their entitlements, however a receiving scheme will not know this when providing their information.

Without appropriate guidance and support, it would be easy for members to focus on easily comparable metrics such as costs and charges. However, VfM is trying to move away from this and to consider it from a more holistic perspective. Typical scheme members are not equipped to assess this level of information in the same way that a pension professional could. There is a real risk transfers will be based on isolated pieces of information resulting in poor outcomes being experienced.

As mentioned in a question response earlier, some of the proposed information will be relevant to specific members and some will not, it depends where they are on their retirement journey. Equipping them with the ability to make appropriate determinations and comparisons is going to be crucial.

If the member is undertaking a pre-retirement consolidation, details will be needed on investment pathways but we are unsure how these would be included.

Question 22: Can this information be extracted and returned to the engaging firms in 10 working days? If not, what are the challenges and how might they be overcome?

There are several variables which could influence the response to this question:

- The timeframe for implementing this process. There is a considerable amount of regulatory change that schemes are currently dealing with and this will continue for several years. Timeframes are often unsympathetic, however we strongly recommend this is seen as a significant factor when determining implementation deadlines.
- How many schemes a provider has on its books. For modern schemes and a digital process, 10 working days is reasonable and perhaps easy to achieve. However, some providers have dozens of legacy schemes, where the information may be difficult to extract and equally difficult to convey in a way in which consumers would understand. These are likely to be manually undertaken – especially if implementation timeframes are tight and as such, 10 working days may be unreasonable.
- For smaller schemes with fewer transfers, it may not be cost effective or possible to implement a digital approach and will be reliant on manual processes. 10 working days may be challenging for these schemes.
- Consumer testing should check what consumers view as a reasonable timeframe.

Question 23: Do you agree with our proposed record keeping requirements? Are there any additional types of information that firms should be required to retain as part of this process?

We broadly agree. It may also be appropriate for ceding schemes to keep records of transfers which are made where no information request has been received. If a trend is identified, it may indicate that scheme is encouraging members to opt out or is not meeting the requirements in the way in which they are intended.

Question 24: Do you agree with our proposed approach to incentives? Please explain your answer.

We would like more clarity here. Would offering an incentive to transfer be a breach of the Consumer Duty or not? Or would it depend on the nature of the incentive?

It is also crucial this is aligned to the DWP anti-scam regulations, as any incentives could currently be classed as a red flag, which removes the statutory right to transfer and is likely to force the transfer to be cancelled.

We would welcome further work to be undertaken on incentives, to ensure they are appropriate and are not disproportionately impacting on consumer transfer decisions.

Question 25: Do you agree with our assumptions and findings as set out in this CBA on the relative costs of the proposals contained in this consultation paper? Please give your reasons.

The theoretical harm identified through information asymmetry in the transfers and consolidation process will be even more pronounced, due to the proposed requirements not being extending to DC occupational arrangements. Given many transfers will straddle both regulatory regimes, it is essential that this is brought in across the board simultaneously.

In paragraph 110 we note that reference is made to the FCA FLS 2024, where 26% of consolidators did not consider any important factors before transferring, estimating that approximately 202,800 pension holders will benefit from the proposal. However, this relates to all adults with a DC pension who consolidated in the last three years and includes those which would fall out of scope of these proposals e.g. pots under £1,000 and advised transfers.

Question 26: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

Monitoring and evaluation will always form part of the post implementation process. However, we are currently within a regulatory cycle of change where new changes are being layered on before other change has had the opportunity to be implemented and evaluated. This means that proposals are being implemented when there is a likelihood that had existing change had a chance to become embedded first, the newer proposals would not be needed in their current form.

The current pipeline of change is very much geared to improving member outcomes through enhanced support, easier access to relevant information, robust defaults and generally equipping them with the details needed to make informed decisions. We would recommend we allow time for the impact of these to emerge before significant change such as the transfer proposals are brought in.