The 1st July heralds the beginning of the new membership year for TISA. 2009/10 will be the 2nd year of the association and the 19th year since the original association PEPMA was formed.

What has driven me during my 9 years as chairman of the association has been the loyalty of the membership. This loyalty demonstrates the absolute need of an association with the sole aim to improve the saving scope for the retail investor.

Whether our members’ business is focused as a product provider, distributor, administrator or advisor, TISA has, year on year championed the cause of the underlying investor with the firm belief that simplified products and tax incentives investments, which are designed with the investor in mind, will benefit all of the TISA membership.

Every year the TISA membership been very robust and the evidence for 2009/10 remains in line with previous years. Within the first 2 weeks of the new year approximately 50% of the membership has renewed. In the difficult times in which we all currently operate this is an outstanding response.

The TISA team are committed to providing the membership with the same level of service as in previous years. We aim to be the first in delivering quality training and seminars on industry change. We will keep all members informed via our technical bulletins in order that the correct interpretation of change is reported to the membership. We will continue to lobby HM Government in order to reduce the cost of administration and promote the lifetime savings strategy that has been at the core of our thinking since the formation of TISA.

I look forward to your continued support.

JOHN BRASINGTON Chairman
At last we are starting to see the market rise again after a very topsy turvy period. Hopefully these gains will be held onto and we will see further upward movement as profitability returns to the underlying companies. Conditions are obviously still extremely difficult and are likely to remain so for the immediate future. There has been some improvement in the housing market but I think this is mainly a technical recovery based on a lack of available stock which could easily change as unemployment continues to rise.

Some members have told me that in the past month they are getting above average purchases of stock – maybe the retail investor is starting at last to be more market savvy?

I promised in my last review that, unlike most organisations, we would be running more, not less, events and we have – with many more planned. We have been very pleased with the number of attendees to date. Many of our events are also attracting many members of the media – there were seven at our last event on Platform Re-registration - as they also see considerable merit in listening to and questioning the excellent speakers we are able to attract. Do keep an eye out for details of forthcoming events in this publication.

As you will also see in the other reports this has been a very busy time for us on the lobbying front with many discussions with Government prior to the budget and even more afterwards when some of the changes did not align with our expectations and we all thought there was a need to review some of the proposals. The most positive announcement of course was the significant increase in both ISA subscription limits – I won’t comment here on the rest.

Although we knew that when we sent out our membership renewal notices this year that we would lose some members due to the industry consolidation that is taking place, we have so far been delighted with your response which is well up on previous years at this stage – so thank you very much for your continued support in these difficult economic times – and be assured we will do all we can to provide excellent value for your commitment. The TISA membership grew substantially last year and despite having above average losses at the start of this year, we are expecting to end this financial year with at least the same number we ended the last one with. The good news is we already have one new member this year and have a number of others who have expressed a strong interest.

We are unique in enabling and promoting discussion and representation across the whole of the retail savings and investment industry, something which is being increasingly recognised by its participants, government, regulators and the media. We of course engage with your sector trade bodies on many issues and encourage their participation in most of our events and activities.

If you feel that there are any ways in which we can support you or your firm in further developing the market or your business do please let us know – we are here to help – and to listen.

Best wishes for the future and thank you for your continued confidence and support...

TONY VINE-LOTT
Director General
ISA Subscription limits – a most welcome increase

In our submission earlier in the year, TISA called on HM Treasury to consider seriously raising ISA limits in the 2009 Budget and then index linking them to increase in line with earnings on an annual basis. When the Chancellor announced his proposals for increases in the subscription limits, we were very pleased that the overall limit is to be increased to £10,200 – roughly equivalent to the original £7,000 adjusted for inflation - although our suggestion of annual indexing going forward has not yet been adopted. We will continue to press HM Treasury to embrace this principle in our next Budget submission later in the year.

As part of the Government’s policy objective to target action to help people aged 50 and over with their savings, the increased subscription limits will be introduced from 6 October 2009 for savers and investors who will have reached the age of 50 by the end of the current tax year, a welcome modification which resulted from TISA-led industry lobbying.

ISA Managers are now busily engaged in preparing their systems and procedures for the two-tier ISA landscape which will soon take effect. Some are upgrading their IT systems whilst others are introducing manual procedures. Subscription limits for those born on or before 5 April 1960 will rise to £10,200 overall from 6 October 2009, of which up to £5,100 can be put in a Cash ISA. For everybody else, the limits will remain unchanged until 6 April 2010 from when the new £10,200/£5,100 limits will apply to all eligible investors irrespective of their age.

Fixed-rate Cash ISAs and Structured Products held as Stocks & Shares ISAs

These changes mark the first occasion when alterations to the subscription limits have taken effect in the middle of a subscription year. This may create a problem for some ISA products that offer a single one-off opportunity to subscribe with further contributions specifically prohibited. Whether the ISA Managers who provide these products will be able to accept additional subscriptions from 50+ year olds into this type of ISA after October will depend of how their systems are structured, the nature of the particular investment held and the Manager’s ability to adopt a flexible approach. In some cases, ISA Managers may exceptionally be able to vary their product terms to allow the investor to make a further subscription. In other cases, the manager’s system may accept the additional subscription to be applied to a different product within the same ISA. In a few cases, managers may reluctantly feel that they have to stick to their terms and conditions and refuse additional subscriptions in these very specific cases.

ISA Transfers - Cash to Stocks & Shares

The ability to move from cash to stocks & shares, when the investor feels the time is right, has been a most welcome development to the ISA scheme. We believe that, on approaching retirement, investors should be able to move in the opposite direction – another suggestion we will again be making to Government.

ISA Transfers - Complaints

The level of complaints, particularly about Cash ISA transfers, rose to a crescendo around this time last year. Much effort has been put in by a joint working party, comprising officers and member representatives of TISA, the British Bankers Association (BBA) and the Building Societies’ Association (BSA), firstly to discover exactly what the problems were and then to draw up recommended industry guidelines designed to speed up the transfer of Cash ISAs by removing the pinch points and minimising delays wherever possible.

Contrary to public perception, the crux of the problem was not the fact that many managers currently use cheques to transfer the balance, as opposed to sending funds electronically. In many cases, the problem arose from a virtually automatic request to the previous manager to send the ISA across which was often followed by a refusal to accept what then arrived for a variety of valid reasons.

The solution in the guidelines was to introduce a model skeleton transfer authority form for investors to complete which would mean that the new manager could make a better informed decision about whether he could accept the transfer.

Another recurring issue was the difficulty experienced by managers, when trying to resolve a problem with a transfer, in getting to speak to an appropriate person in the other firm. In many cases, refusal to give any information whatsoever has been blamed on the Data Protection Act. The solution has been to establish an industry wide secure database (run and maintained by TISA) of appropriate contacts in each participating firm so that managers can find out who to contact in the other company.

By and large, the introduction of these guidelines (fully supported by HMRC ) appears to have improved the process of transferring Cash ISAs and the media attention has significantly reduced. However we are not complacent. The working party has recently been reconvened to review the first year of operation of these guidelines and, if appropriate, make proposals for their refinement.

Another group has been working on the feasibility of introducing electronic transfer of funds as part of the ISA transfer process. Even this is not as simple as it seems. Although some of the large banking groups now transfer the cash using BACS, even they still require the ISA paperwork to be sent by the previous manager to the new manager. Undoubtedly full electronic transfer of data and cash is the way to go – particularly as cheques are due to be phased out – but, for economic reasons, systems need to be developed that can be used for all types of transfer [e.g. Current Account, Child Trust Fund, Saving Gateway Account etc.], not just for ISA transfers.
ISA Statistics

During the past year, we have encouraged ISA managers to send us their quarterly ISA subscription returns (as previously submitted to HMRC on ISA25) so that we can gather aggregate data and make appropriate comment. The first year has provided us with a good baseline on which to build.

At the end of July, the HMRC year-end ISA subscription statistics for 2008/09 were published. Look on the TISA website for details of these, along with market value statistics which will follow in October.

Child Trust Funds

The most recent statistics published by HMRC show that in the twelve months up to 15 March 2008, they issued 777,000 CTF vouchers of which 555,000 (71.4%) were used by parents to open a CTF. The remaining children have had a CTF opened for them by HMRC with one of the panel of providers who take ‘Revenue-allocated accounts’.

These figures show, since the start of the scheme in 2005, a slight drop in the percentage of parents who use their vouchers before they expire (12 months after issue). TISA has endeavoured to promote positive coverage of the scheme and has encouraged government to do likewise.

Previously, one of the factors in applications failing to complete was the requirement in the CTF Regulations that the account could only be opened once the provider was in receipt of the original paper voucher. This requirement was withdrawn with effect from 6 April 2009 which should make applications to open a CTF over the internet or by telephone much more straightforward and successful. We will have to wait for a couple of years before official statistics will show whether take-up has actually improved as a result.

TISA warmly welcomes the plans of Llywodraeth Cynulliad Cymru - the Welsh Assembly Government (WAG) - to add a Welsh premium to the Child Trust Fund Scheme in Wales. The WAG proposal is to provide, in 2009/10, a £50 Welsh Premium to all eligible children born between 1 September 2002 and 31 August 2003, with an additional £50 for those children living in low income households. WAG funding is also available for 2010/11 for children born between 1 September 2003 and 31 August 2004. Because, for legal reasons, the Welsh premium cannot be distributed through central government channels, TISA has been active in meeting with WAG officials to try to ensure that their scheme reaches as many eligible Welsh children as possible. Details of exactly how WAG will distribute the money, via the providers to the children, were circulated to all CTF providers just as this newsletter went to press at the end of July.

TISA is committed to encouraging anything that promotes saving for the next generation, whether it be additional payments into a child’s CTF by parents, friends or even local government or in the area of much better financial education from an early age. We believe the CTF scheme is a significant step in the right direction. [I wonder will premium payments follow for Scottish, Northern Irish or English children? – Ed.]

Saving Gateway

Following a period of consultation, the Bill finally received Royal Assent at the beginning of July and became the Saving Gateway Accounts Act 2009. However the Regulations, which are currently contained in two draft Statutory Instruments which require positive resolutions of the Houses of Parliament, will now remain as drafts until after the summer parliamentary recess. Unfortunately this does not provide the surety that potential providers are looking for to develop their procedures and systems in good time prior to the launch of the scheme which is still scheduled for April 2010.

TISA hopes that the Saving Gateway account option to ‘roll-over’, on maturity, into a Cash ISA will maintain the saving impetus and encourage continued saving after the SG comes to an end. The provision of a maturity certificate, if requested, remains in the draft Regulations and, once they have been finalised, a consequential change in the ISA Regulations will no doubt follow sometime before the first SG account matures in April 2012.

Looking ahead

As always, TISA is here to aid and support member firms with technical support, meetings and training. Watch out for technical bulletins on issues that concern you – remember if you search the bulletins on our website you can easily filter out the ones you don’t want! Please do use your membership by ringing the technical helpline on 01642 666999 or viewing the website at www.tisa.uk.com. However you make contact, we look forward to supporting you and your business.

PETER SHIPP Technical Director (Savings Schemes)
ACTIVITY AND ACHIEVEMENTS: JULY 2008 – JUNE 2009

Saving Schemes
The ISA changes are now bedded in, but in the middle of 2008 providers faced a major problem relating to the transfer of Cash ISAs. Working with other trade associations, TISA led an initiative to develop a set of guidelines which the industry is now adopting and which improves the process. One of the key outcomes of this work has been the development of a contact database for transfer queries, which is being managed by TISA, and which has been of major benefit to a large number of managers. Work is now underway on improving stocks and share ISA transfers.

TISA worked closely with HMT and HMRC to define the process of securing savings in ISA accounts for all the clients affected by the impact of Northern Rock and Icesave. Our work on the processes involved has ensured that clients have been able to move their savings to other providers with as little difficulty as possible.

TISA worked closely with HMT and HMRC to clarify implementation of the changes announced in the April 2009 Budget. These new subscription limits have caused issues across the industry and we have been able to secure some changes to the initial proposals making the implementation more easily achievable. This has also been changes with CTFS. We achieved a notable success on behalf of member firms in the change to CTFS procedures whereby it is now allowable for a CTFS provider to open a CTFS account without having to physically receive the voucher. It is anticipated that this will help increase the number of accounts which are actively opened by parents.

Saving Gateway is a new saving scheme scheduled to be launched in 2010. TISA responded to the consultation paper earlier this year and we were delighted to see that the Government has adopted our recommendation that on maturity funds can be transferred into an ISA by treating it as a previous year subscription.

TISAs involvement in retirement issues has continued to expand. The Retirement Advisory Council has been heavily engaged with issues related to Personal Accounts, developing strong channels of communication with the regulators, PADA and government. TISA has responded to a number of consultation papers and the dialogue continues including, among other things, a call for early adoption of auto-enrolment. Liaison with HMT has continued to grow, resulting in some of our Advisory Council members being put forward to join some of the HM Treasury Consultative Committees. There has also been some specific work undertaken on identifying issues for lobbying activity regarding Pension Risk Transfers.

In other areas, the government has been looking at a variety of options to encourage saving and TISA has been a major contributor to these discussions.

Platform Transfers
TISA is taking the lead in bringing all sectors of the industry together to discuss the matter of platform-to-platform transfers. This work will incorporate the introduction of electronic communication and will link in to the work we have already done on ISA transfers. We will undertake this initiative in conjunction with the IMA and other trade associations and will start the debates with an open forum in July where we will look to identify the issues and form a working group to take the process forward.

Training
Our training courses on ISA administration continue to be very well subscribed. The recently introduced half-day workshops on Transfers, Qualifying Investments and Repairs & Void have grown markedly, proving particularly attractive through our Regional Courses route, which means they can be delivered on-site anywhere in the country. We introduced a Tax Year End specific course which was very well received and will become a regular session delivered in the run-up to 5 April in future years. We have also introduced a course aimed specifically at Cash ISAs. We believe this is a unique opportunity for Cash ISA providers to obtain comprehensive technical information for all aspects of their administration.

New training sessions on compliance issues have been introduced and this theme will be expanded in the forthcoming year.

Events
On Wednesday 19th November the 2008 TISA annual conference was held at PwC’s offices in London. The conference provided members with a wide range of speakers who covered the various aspects of our industry. Once again, it was judged to be a huge success by the 230+ delegates.

Our first Retirement Conference was also held in November. This was also a highly successful event, with top-line speakers and attended by nearly 100 members and guests.

We have had a number of very successful events in the first half of 2009 including Shaping the Future Distribution – the Future; a Wrap/Platform seminar; a Pension Risk Transfers seminar; a Financial needs of an ageing population; Looking to the future; our regular Discussion Forum and Risks, Outcomes & Solutions –Financial Crime across the industry.

TISA has also provided a number of opportunities for senior industry executives to gather, exchange information and network with their peers. Lunches and other events have been held at the House of Commons, including a particularly entertaining drinks reception where Anne Widdecombe was the speaker. Feedback suggests these have been considered particularly useful and are therefore very well received.

Website
TISA’s website undergoes continual review and expansion. We have introduced a newsletter where visitors can see relevant articles which have been published online from a wide range of sources. These articles are also included in newsletters on specific topics which are circulated regularly to members. The latest addition is a blog; and we encourage everyone to input thoughts and comments.

Following that will be additional information on pensions and other new content which we are currently working on.

Coming up in 2009/2010

Benchmarking
It is apparent that there is limited data available regarding investments in ISAs and nothing available on any operational or cost matters. The lack of such data means that ISA managers have no way of a) identifying their position in any market b) assessing the effectiveness of their processes c) assessing their client base against the norm or d) gathering any other comparative data which might be of use.

In addition, there is a range of data which would be of real value to TISA for lobbying purposes and to provide a more accurate representation of the scheme to the press.

To this end, TISA is working with Cimetric and a small steering group of ISA managers to establish an on line mechanism to collect and provide a range of data which would be of use to the industry. We anticipate roll-out of the first tranche of data will be late 2009.

Events
We have a busy autumn planned. We kick off with a seminar looking at the future of Distribution on 16th September, a few days later at Corporate Wrap – the future for workplace benefits which will be held on Thurs 1 Oct. Following our highly successful Retirement Conference in 2008, this year’s event takes place on 7 Oct with a very varied and interesting line-up of speakers. We are in the process of confirming speakers at a seminar focusing on Personal Accounts on 5 Nov. Our flagship event, our Annual Conference, will be on Wed 18 Nov. We have a great range of speakers (subject of course to any ministerial change before then) and for the first time will be incorporating a panel session to encourage lively debate. I suggest you book your seats early! Details on all of these events can be found on our website. And of course more will be added in the coming months.

In conclusion
2008/2009 has been a very successful year, with TISA being able to continue to support firms through this challenging time. We were delighted to welcome 10 new member firms during the year and look forward to continuing this trend in 2010. The downturn of the economy probably has some way to go, but by working together and supporting each other, we can look to minimise the impact and work to come out of this in the best possible shape for the future. With this in mind, if there is any way you think TISA can better support your business – please let me know!

CAROL KNIGHT
Head of Members Services, TISA
2009 has been another hectic year for those interested in matters relating to Retirement, Distribution and Wraps and Platforms. Our Advisory Councils in these areas have been very busy responding to relevant Consultations and considering the strategic direction these markets will take. They have also organised Seminars and, in the case of Retirement Advisory Council, a highly successful Conference – the Retirement Savings Challenge 2008 – which will be repeated on October 7th this year. We look forward to this, so please note it in your diary now. Some Advisory Councils are planning 2 Seminars for the year ahead looking at topical matters, and the very broad membership of the Councils, from right across the retail financial services industry, means that the perspectives TISA is able to bring to the Seminars are holistic. This makes them increasingly popular with regulators and civil servants, as well as representatives of trade bodies within the industry. As ever, TISA seeks to work closely with representatives of the sector bodies such as ABI, IMA and NAPF on relevant issues.

Here is a snapshot of some of the issues we have been engaged with over the last year:

- Personal Accounts and Auto Enrolment – we have been working closely with the Personal Accounts Delivery Authority (PAD), the Department for Work and Pensions (DWP) and the Pensions Regulator (TPR) on these huge developments in the world of retirement planning. For the first time, in 2012, all employees will have access to, and be automatically enrolled into, a pension plan. We are working to ensure that these major developments deliver for consumers, in terms of good outcomes and simplicity of operation. Concerns remain about some aspects of the proposals. We have been active in responding to relevant consultation papers around both initiatives.

- The Retail Distribution Review – we have been very heavily engaged with HM Treasury Ministers and officials in seeking simplification of the new rules and the anti-forestalling measures supporting them in recent weeks. Much of this work has been behind the scenes, but we have had the opportunity to help co-ordinate the pensions policy response, and to work collaboratively with other bodies such as CBI, NAPF, and ABI amongst others to present a united front to policymakers.

- Wraps and Platforms – TISA has been instrumental in considering the way in which platforms disclose charges and has worked with FSA to help their understanding of the issues. We held an open meeting to identify the next steps on the road to achievement of seamless platform-to-platform re-registration and are now looking at the way forward. Much good work has already done, and will continue to be done, at product level. More could be achieved at fund level, and appropriate system tools developed to ensure that re-registration can be automated.

- Budget Tax Relief Changes for Pensions – we have been very actively engaged with HM Treasury on these initiatives. The impact of the new rules on growth of pension saving is of particular interest to TISA, as our members represent the mass market – how will they access, or be supplied with, the financial products they need? We are preparing a “scenario plan” for engagement with interested parties.

Over the next year, we aim to develop this collaborative approach further, whilst maintaining the distinctive voice that TISA has developed as an industry-funded body with, uniquely, a focus on consumer outcomes first. Now that the Advisory Councils are established, we will be looking to them for agreed policy recommendations to the TISA Board, and we expect these to emerge over the coming months. There is certainly much to be done.

In conclusion, I would like to extend my thanks to the Board and the Administration team in Stockton, without whose support we would not be gaining the increasing presence and reputation in the fields of retirement, platforms and distribution that we are.

I would also like to record my thanks to the Chairs, Deputy Chairs and members of the Advisory Councils, whose hard work drives our thinking and output in Retirement, Platforms and Distribution.

MALCOLM SMALL
DIRECTOR OF PORTFOLIO AND RETIREMENT PLANNING, TISA

TISA would like to thank the following companies for their support through sponsorship, exhibiting and/or providing venues throughout the year

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RETIREMENT AND DISTRIBUTION UPDATE

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The famous adage that nothing can be certain except death and taxes could be turned on its head within our lifetime, with a devastating effect on the concept of pensions and long-term savings, a TISA seminar heard.

Adrian Boulding, wealth policy director at Legal & General, told the Tax Incentivised Savings Association’s “Looking to the future” seminar: “Increasing longevity is the elephant in the room for financial services".

He said that the position that the industry was currently in was analogous to being the driver of a large London bus where the front windshield was totally blacked out and the driver had to steer by looking in the rear-view mirror. This was not an uncommon thing for actuaries to have to do, he said, and although past data had its uses, scientific developments would increasingly render past data redundant.

“Oops, sorry!”

During his own career, Boulding said, he had seen at least three “oops, sorry” moments in the pensions industry. Most of these, including the problems with final salary pension schemes, were based on “out-of-date mortality assumptions”. Last autumn, the Pensions Regulator intervened and issued guidance on improving longevity assumptions, but Boulding suggested that scientific advances, such as those in nanotechnology, could make even the wildest assumptions redundant. “It is essential to step out of the cosy world of actuarial models and look at the pioneering technology that is now being developed,” he said.

Nanotechnology, which to date has been used to create record-breaking aerodynamic cycling suits and catalytic converters for cars, could soon be used to send nanorobots through arteries to clear blockages or to repair liver damage, Boulding said. The sort of increased longevity figures that most people have started to accept are those that L&G’s mortality risk actuary Joseph Lu quoted. Lu told the seminar that life expectancy for UK males aged 65 in 2005 was 82. For those aged 65 in 2050 this will have jumped to 88.

150 or 1,000 years?

Scientist, or “biomedical gerontologist”, Aubrey de Grey, who believes that ageing is just a disease that can be cured, said: “The first 1,000-year-old is probably less than 20 years younger than the first 150-year-old.”

Nick Bostrom, director of the future of humanity institute at Oxford University, reminded the audience that in the Bronze Age, the average life expectancy was just 18. He said that even wiping out all cancer and all cardiovascular disease would probably add no more than seven years to average life expectancy; however, breakthroughs in slowing down the ageing process had the potential to increase it by an order of magnitude. Clearly, even the conservative estimates of increased longevity have a profound effect on people’s ability to fund their retirement and on the industry’s ability to manage its longevity risks. If the prospect of people alive today living to 150 was truly credible, however, then most existing models would be turned on their head. Boulding said that longevity deficits in final salary pensions had been estimated at £188bn and £242bn by the National Association of Pension Funds and the CBI respectively. He said that the reality was probably even worse than this, and that the problem was “not being addressed”. Boulding said that these deficits could not be allowed to all fall into the pension protection fund. It was “temping” for firms to try to “dump” their liabilities by “dumping” pensions, he said. General Motors in the US had done just this and had been “washed clean”. He likened pensions to Ponzi schemes, however, where “others have to pay”.

Boulding lauded the “bold” move that Peter Lilley, former Tory social security secretary, made back in the 1990s in introducing the idea of raising the state pension age for women initially from 60 to 65. Boulding said this was a “safety valve” that companies also needed. They should be allowed to raise the pension age and this should be “in line with longevity increases”, he said.

Even without massive strides in technology, life expectancy was continuing to rise, he said. A promise from the shadow health secretary Andrew Lansley that were the Tories to get into power he would want to raise standards in the National Health Service to make it the best in Europe could add two years to longevity, Boulding suggested. This alone could cause another “oops, sorry” moment for the pensions industry.

There were mitigating factors to increased longevity, Lu pointed out. On the downside there were factors such as rising obesity, the risk of pandemics such as the one just declared for swine flu, the risk of other, as yet unknown, diseases attacking the population and the climate change risk, with more very hot summers and very cold winters. Lu also demonstrated the different life expectancy of different socio-economic groups. In a 2005 study by the Office for National Statistics, male life expectancy in social class one, the professional group, was around four years higher than that of group five, the unskilled group at around 83.

There were not surprisingly also significant variations in life expectancy between those with illnesses and the healthy. People with cardiovascular problems were three times more likely to die, those with cancer six times and with renal or liver problems seven times more likely. Other risk factors included smoking, obesity and high blood pressure.

Better underwriting opportunities

Lu said that there was, therefore, “enhanced scope for better underwriting” and “different levels of sophistication”. The different longevity profiles clearly worked differently for those writing, say, protection policies or term assurance than for those selling annuities. Healthier consumers would pay less for a protection policy but would get a worse deal on purchasing annuities. Firms needed to “tap into scientific research” to better understand the changing profiles and risks and to improve underwriting and risk, Lu said.

Robert Gardner, a partner at Redington Partners, demonstrated one version of longevity risk with the story of Jeanne Louise Calment, a French woman who lived to the age of 122 and 164 days. She died in 1997, much to the chagrin of the widow of the man who offered her equity release on her property when she was aged 90. He died in 1995, two years before Calment, leaving his widow to continue to pay Calment’s money. For Calment’s part, she had not done the deal she would no doubt have run out of cash, Gardner pointed out, hence why it was compulsory still to purchase an annuity. Aside from the longevity risk, Gardner said the biggest challenge that pension funds faced was “governance”. Pension funds presented increasingly complex risks, he said, and governance of these funds needed a significant “step up”.

Gardner also urged the industry to engage with “generation Y”, those born between 1976 and 1991, who were raised in prosperity and who had a completely different language and way of communicating to their predecessors. Generation X was at least thinking about pensions and its future; however, generation Y was not, and the industry would need to use innovation and new technology to communicate with the generation that would, after all, be funding the pensions “Ponzi scheme” for current generations.

JOANNE WALLEN

Complinet
The emergence of workplace advice delivered through platform technology, or ‘workplace wrap’ as it is being coined, is an obvious new market for platform providers. It clearly provides a huge opportunity for the advisers and employee benefit consultants in terms of distribution channel, fee earning and asset gathering potential, as well as deepening employer/employee relationship and staff retention. But the main benefit should be for the employees, with the workplace platform driving real change in their behaviour towards saving for retirement and provision for lifestyle changes.

It is well documented that consumers still struggle with today’s UK financial services jargon; many have also become sceptical of the role of advice and also of traditional providers and have taken to educating themselves, researching and making their own decisions. Unsurprisingly, for office-based workers much of this activity is also carried out in the workplace, with the internet readily available and email used as a communication method to request further correspondence.

With the web providing so much financial information, this desire to improve understanding and ‘do-it-yourself’ is a natural evolution. However, we should also be mindful that what is being created may in fact cause wider confusion and misinterpretation when this knowledge is subsequently passed on to others - typically to colleagues, friends and family using email and again in the workplace. If a cross section of today’s consumers was asked to explain an ISA, stakeholder or company pension, would they provide the same or several different answers? Is this down to interpretation? In due course, the time for advice will be recognised and this will be argued that the adviser is the main alternative vehicle to deliver first-hand advice to the consumer.

Intermediary focused wraps and fund platforms have successfully demonstrated the concept of open architecture across multiple tax wrappers and the unbundling of product charges. They also provide an alternative vehicle to deliver first-hand advice to the consumer. However, it can be argued that the adviser is the main beneficiary through increased administrative efficiency, cost savings and ongoing asset based income streams over time. Corporate wraps and workplace platforms will further this concept around and put the employee/consumer in a more favourable position, with the technology solution and provider proposition focused primarily on their needs, packaged by the employer with their employee benefits consultants accordingly.

In terms of accessing a corporate wrap, the positioning of any user experience shifts away from intermediary focused planning tools and provides for the employee through news, information, training and education. Tools and calculators will be important, but will need to be simplified with greater online help and user guides available. The employee should also have access to benefits beyond those of the company pension scheme, itself showing a complete benefits package including arrangements like death-in service provision, health care, bonus, salary and share save schemes.

The real value to employees is delivered by leveraging the core wrap technology underpinning most intermediary wrap platforms. The employee will be able log in via intranet or internet, see company pension scheme arrangements (administered by the platform) alongside other employee benefits via interfaces with specialist software packages, and also have access to personal investments held on the platform in other tax wrappers (ISA, PEP, Bonds, SIPP). Other non-platform products like previous employer schemes can also be reflected for valuation purposes or transferred to the platform as appropriate. The employee can transact/switch into a range of investments which have been ‘approved’ by the company for the pension scheme, and/or be given a wider choice for other tax wrappers. This can all be supported through tools, literature and basic advice decision trees which may be provided by the platform provider to the employer. However, the employee can also seek full advice at any time from their own adviser and/or corporate adviser. The platform’s technology will provide access, smooth hand offs, controls and audit trails to ensure activity is monitored and compliant.

Much of this functionality should be adaptable from existing technology used by today’s platform providers, however those with greater configurability and deeper functionality will also look to leverage asset allocation, model portfolios, and rebalancing hand-in-hand with the employer/corporate adviser relationship to deliver a more complete advice package to scheme members. Cash management facilities akin to online banking services could also prove popular for linking payroll/employer contributions to money movements into and out of the platform. In time providers may also consider reconstructing unitised products for benefit top-ups around life, illness and medical cover transacted on the platform. The chosen platform may also need to be able to deal with and provide ‘Chinese walls’ between multiple employee advisers if the advisers focus is different to those for the ISA portfolio or other financial products.

Any workplace platform solution will need to remain highly focused on usability, but more importantly will need to be delivered at low cost. It is likely that the end-consumer/employee will be a much broader market segment than today’s affluent/HNW wrap client. Therefore, the charging structure will need to be lower with greater flexibility to accommodate different levels of advice and charges e.g. client only transaction (possibly tiered according to the complexity of the chosen assets), client/adviser transaction, client/corporate adviser transaction and any relevant ongoing charging dynamics. Straight through processing and operational efficiency of the platform will be paramount.

Some major providers have already stated their intent to enter the corporate wrap market in the near future, and no doubt their existing wrap/SIPP facilities will provide an initial foundation to build on. However, the road to a true workplace solution will take time if the right system architecture is not already in place. To deliver a workplace platform successfully into the UK market the system must have a robust and adaptable user and account hierarchy which can facilitate the different relationships involved and provide appropriate segmentation of personal and financial information, securely and compliantly.

Providers will look to roll out corporate wrap in the near future to capture the wider distribution opportunity, but this may be a stretch for the underpinning technology designed for the IFA and HNW market which they have in place today. This may involve substantial redesign or even a change of technology partner to accommodate group business or employee arrangements. Time will tell but it may be the newer players who can enter the market by opting for more robust and flexible technology solutions that begin to capture the workplace opportunity sooner.

KIRSTY WORGAN
Head of Sales and Marketing, InfoComp
Introduction

The management axiom that ‘you can’t manage what you can’t measure’ is as true today as when the phrase was first coined. Measurement is a fundamental component of targets and objectives employed by organisations in every industry sector, yet measuring activities that provide meaningful and actionable data remains a challenge for many businesses.

Tax incentivised savings have grown enormously since their inception over twenty years ago. ISAs represent a growing proportion of the UK retail savings landscape, yet little is known about the dynamics of the industry.

One of the enduring issues facing the industry is the lack of comprehensive and reliable data on the comparative performance of ISA managers and the position of the industry in general. Many ISA managers are forced to operate in a data vacuum and are unable to determine the effectiveness of their businesses due to a lack of information in areas such as marketing costs, customer retention rates, average amounts invested by product type, the effectiveness of channels to market (e.g. branch, internet, telephone, post), error rates (i.e. voids, incompletes) to name just a few. We call this the ‘Information Gap’ and impacts ISA managers in a number of ways such as the ability to identify their position in the market and assess the effectiveness of their processes and client base against their peers and competitors.

Bridging the Information Gap

Benchmarking, which is based on the confidential exchange of data between firms in an industry sector, is a well-established and proven method of generating meaningful comparative data. Benchmarking is a strategic as well as operational management process where organisations can evaluate various aspects of their processes and operations in relation to their competitors within a relevant peer group or industry.

Businesses use benchmarking surveys to identify, measure and compare their relative strengths and weaknesses in order to obtain factual evidence as inputs to:
- operational performance management
- marketing strategy
- change management programmes
- strategic decision making

ISA managers operate in a crowded and competitive market place. To compete effectively, firms need to know if their costs are in line with their peers, how fast they are growing relative to their competitors, the productivity of their systems and processes, service quality and profitability. These are not only measures of current operational performance but are leading indicators of future performance.

Some of the uses and benefits of benchmarking are outlined in the table below:

<table>
<thead>
<tr>
<th>BUSINESS FUNCTION</th>
<th>USES</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Level Corporate Management</td>
<td>Input to strategy</td>
<td>Identifies areas of opportunity Quantitative data to ensure goals and objectives are accurate and relevant</td>
</tr>
<tr>
<td></td>
<td>Management information</td>
<td>Objective external reference point – presents accurate map of industry dynamics</td>
</tr>
<tr>
<td></td>
<td>Target setting</td>
<td>Can identify competitive gaps and confirm progress on closing the gap</td>
</tr>
<tr>
<td></td>
<td>Performance management</td>
<td>Identifies strengths as well as issues often ignored by other sources of management information</td>
</tr>
<tr>
<td>Product Management</td>
<td>Competitive analysis</td>
<td>Data provides supporting case for appropriate action</td>
</tr>
<tr>
<td></td>
<td>Product performance</td>
<td>Competitive performance data</td>
</tr>
<tr>
<td></td>
<td>Product design and development</td>
<td>Identifies opportunities for new products and enhancements to existing products</td>
</tr>
<tr>
<td>Finance</td>
<td>Financial strategy and revenue improvement</td>
<td>Data provides supporting case for appropriate action e.g. profitability modelling, cost effectiveness</td>
</tr>
<tr>
<td></td>
<td>External cost comparisons</td>
<td>Identify competitive variances against peer group. Data to fine tune departmental budgets</td>
</tr>
<tr>
<td>Operations</td>
<td>Productivity assessment</td>
<td>Identify departments, functions or processes which underperform on relative productivity measures</td>
</tr>
<tr>
<td></td>
<td>Operational quality assessment</td>
<td>Analyse operational performance strengths and weaknesses relative to peer groups</td>
</tr>
<tr>
<td>Marketing</td>
<td>Competitive analysis and business planning</td>
<td>Vital data for analysing trends and market segments.</td>
</tr>
<tr>
<td></td>
<td>Market research</td>
<td>Benchmarking provides accurate industry data and is more cost effective than market research</td>
</tr>
<tr>
<td></td>
<td>Market share analysis</td>
<td>Provides accurate data on market share performance. Underpins reviews of marketing strategy and objectives.</td>
</tr>
</tbody>
</table>

How does benchmarking work?

The first and most important step is creating sufficient interest and participation in the benchmarking survey. This will ensure that peer group comparisons can be identified on a relevant as well as confidential basis. Once there is sufficient interest, each participating firm submits data by an agreed deadline and is able to access reports on their performance relative to their peers and the overall industry.

The core of any benchmarking service is a commitment to protecting the commercial sensitivity of the data provided by each firm participating in the survey. All proprietary data provided is treated confidentially. No data which might identify an individual firm is disclosed in the benchmarking reports. All comparisons for benchmarking purposes are based on aggregate or average data for each selected peer group.

Next steps

Cimetric is working with TISA to provide a secure, online benchmarking service to members and other industry participants. The aim is to provide detailed and authoritative feedback to ISA managers on their operational performance relative to other industry participants and identify strengths as well as areas for improvement. The service will be available in November 2009. In the meantime, please contact TISA if you would like more information.

ROGER COLLETTA

Cimetric
DATES FOR YOUR DIARY 2009

• DISTRIBUTION & ADVICE IN THE POST – RDR WORLD SEMINAR
  WEDNESDAY 16 SEPTEMBER

• INTRODUCTION TO ISA ADMINISTRATION
  TUESDAY 22 SEPTEMBER
  WEDNESDAY 21 OCTOBER
  WEDNESDAY 11 NOVEMBER

• ISA QUALIFYING INVESTMENTS W/S
  WEDNESDAY 30 SEPTEMBER

• CORPORATE WRAP SEMINAR
  THURSDAY 1 OCTOBER

• ISA ADMINISTRATION (2 DAYS)
  TUESDAY 6 OCTOBER &
  THURSDAY 8 OCTOBER

• RETIREMENT SAVINGS CHALLENGE
  CONFERENCE
  WEDNESDAY 7 OCTOBER

• ISA TRANSFERS W/S
  TUESDAY 13 OCTOBER

• PERSONAL ACCOUNTS SEMINAR
  THURSDAY 5 NOVEMBER

• ANNUAL CONFERENCE
  WEDNESDAY 18 NOVEMBER

For further information on any of the above, plus details of the many other events which are still on the planning stage, please visit the TISA website at http://tisa.uk.com/events.htm

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TISA ADVISORY COUNCILS

TISA has six Advisory Councils: Cash Savings, Children’s Savings, Distribution, Investment Savings, Retirement Planning and Wraps.

The Councils exist to serve the needs of senior figures from the widest range within the financial services industry in the UK, providing a meeting point where topical issues can be debated in confidence and responses formulated on behalf of TISA to, amongst other things, regulatory consultations. They act as senior level centres of expertise for TISA on matters pertaining to relevant aspects of all retail financial services schemes in the UK. As such, they inform, and participate in, engagement with HM Government, civil servants, interest groups and the FSA.

OBJECTIVES

• To consider, study and report upon to the TISA Board, as required, all initiatives, consultations or developments of any kind which impact retail savings and investment schemes in UK financial services

• To respond in writing or verbally to all such initiatives, after clearance from the Board

• To represent the interests of TISA members in doing so

• To inform the wider TISA membership in written briefings of the strategic and tactical impacts of such initiatives, through the administration team

• To formulate, and pursue, TISA initiatives designed to facilitate beneficial change or to share best practice

• To formulate the content (where appropriate) of at least one Seminar per annum in consultation with the administration team and such other events as may be deemed advisable from time to time

• To report formally upon its activities to the Board once a year

• To have regard, in all its activities, to the best interests of consumers of retail financial services in the UK.

Details of members of each of the Councils, together with the minutes from meetings (you will need to be logged in as a member for access to these) are available at: http://www.tisa.uk.com/councils.html