Welcome to TISAtalk, this week –

- Malcolm Small, Policy Director at TISA, compares surveys from NEST and RSM Tenon which give opposing views on the prospects for auto-enrolment.
- Jeffrey Mushens, Technical/Finance Director at TISA discusses a new TISA project which will consider the inclusion of pensions within the scope of TISA Exchange (TeX).
- Peter Smith, Head of Distribution Engagement at TISA, debates the extent of the advice gap post-RDR and how the regulator is keen to engage with the industry in addressing it.

AUTOMATIC ENROLMENT – PROSPECTS FOR THE NEXT TWO YEARS?
I’m sometimes surprised, although perhaps I shouldn’t be, at the sheer volume of research and other reports that impact on the world of pensions. Recent weeks have seen a 175 page report into DC pensions from the Office of Fair Trading thump on to my desk and a 60 page effort from Michael Johnson at the Centre for Policy Studies advocating automatic aggregation of pension funds. Further slimmer volumes from the National Employment Savings Trust (NEST) and from RSM Tenon have also arrived, researching the prospects for automatic enrolment into pension saving going forward from the employee and employer perspective respectively.

The NEST work reviews the attitudes of consumers to saving generally and pension saving in particular, observing that opt-out rates have proved to be far lower, at less than 10% so far, than commentators and DWP/NEST research suggested in 2009. It ascribes the reasons for this to be the better-than-expected operation of the inertial factors predicted by proponents of ‘behavioural finance’ theories but also, interestingly, to a change in financial culture which appears to be taking place. We’ll return to this. The report is therefore optimistic in tone about likely consumer behaviour going forward. More downbeat is the RSM Tenon report, which finds alarming levels of unpreparedness or even awareness amongst employers with between 50 and 250 employees, with many believing automatic enrolment only applies to those who already offer a pension! With many of these due to ‘stage’ in 2014, assuming this analysis to be correct, we are indeed looking down the barrel of a gun.

Returning to the NEST work, despite earnings still 3% below pre-crunch levels, and with many families struggling, there is strong evidence of debt being paid down, with a strong majority saying that they will never again spend their money as freely as they did before the recession. Many more than was the case pre-recession are actively managing their finances.

If this is true, then the ground is being prepared for positive messages to consumers which are about the merits of financial self-reliance, and a financial culture based on savings and assets rather than personal debt. This will need to be led and supported by positive policies from government, and will certainly be a cornerstone of TISA’s messaging to all political parties pre the production of their Manifestos.

Maybe something good will come out of this recession after all.

*Malcolm Small, Policy Director*
TeX SCOPE EXTENDS TO INCLUDE PENSIONS

TeX is in the news again, and in a good way. The Board of TeX announced last week its intention to consider the implications of extending TeX transfer services to include pensions and TeX hopes to be in a position to do this from the beginning of next year.

At the same time, membership has jumped to 66 companies with a further 5 associate members. Platforms with assets under administration of over 91% of industry assets are members. Similarly fund managers with over 82% of IMA funds assets are members with another 6% committed to joining.

This is having an impact on timescales. The TeX SLA mandates 6 working days and feedback from the industry and the public indicates that customers are seeing significant improvements. The FCA seems to agree. The latest consultation paper (CP 13/9) says the following in relation to re-registration of assets: "TISA has introduced a new register (TeX), designed to meet this rule and speed up re-registration to six working days from (July 2013), which covers all clients, not just retail clients. So, we do not propose to amend this rule."

This is good news for firms. TeX re-registration facilitates electronic processing, taking cost and errors out of the back office. It is better news for clients and advisers as transfers of portfolios between platforms becomes simpler, quicker and, we hope, cheaper. All of this without needing a new section in the rulebook.

Imagine the impact on pensions transfers if 6 days become the norm rather than the current 60 days average.

Jeffrey Mushens, Technical/Finance Director

WHERE HAVE ALL THE GOOD TIMES GONE?

This week (23rd September) sees a development of sorts around the conundrum of whether an advice gap exists or not. Martin Wheatley, chief executive of the FCA, does at least appear to understand the principles of communication and engagement around providing advice. He confirmed his concerns over the advice gap ostensibly created by the withdrawal of bank sales forces and to an extent the RDR with his Treasury Select meeting. Indeed he’s shown a degree of insight into the cost of providing advice and those services offered by the banks which have recently disappeared.

Whilst making the distinction between the banks’ definition of advice and sales he eruditely explained that a full advice service is at least 5 to 6 hours of work and that also costs. This demonstrates once again the difference between the FCA and its predecessor in that it has an understanding of the mechanics and appears to be willing to work with the profession on resolving the gap.

This seems to be directed mainly at the mass market advice space post-RDR where he emphasised a concern for consumers with portfolios below £100,000 or £50,000 who were not getting the same service delivered. He clearly stated his view is that people below a certain portfolio value appear to have less access. This is further exacerbated by the drop in adviser numbers of some 15%, according to the latest FCA published figures on current regulated advisers.

Interestingly for us at TISA it has opened a dialogue opportunity with the regulator to examine any workable solutions to cover this advice gap and gain a clear understanding of the mechanics and boundaries of advised and non-advised distribution.

Consumers with smaller resources and financial power should not be discouraged from Investing due to the lack of cost effective sources of advice or support. We are likely to see further alternate methods of support or purchasing evolving with electronic and digital capabilities as consumers change their procurement habits in financial services in exactly the same way as they have in other areas.

Peter Smith, Head of Distribution Engagement