TISA

leading on investments and savings

Response by TISA to

RESHAPING WORKPLACE PENSIONS FOR FUTURE GENERATIONS

December 2013

TISA is a not-for-profit membership association operating within the financial services industry.

TISA's membership comprises over 145 member firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including banks, stockbrokers, asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers and pension providers.

Having a legacy of focusing predominantly within the tax incentivised products area, TISA has in recent years moved into the broader savings and investment world, extending our status of 'trusted advisor' to the authorities over a much greater remit. This has been welcomed by our members and the authorities as a natural progression.

TISA has a highly successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for consumers. Policy and regulation continues to be the major focus for our members with regard to corporate responsibility.

TISA and its members' remit is evolving into a clearer focus on pro-active consultation in the regulatory world in order to influence policy and associated regulation before its creation, rather than reacting to issued policy directives. This will help to ensure a more considered policy creation from the authorities.

What makes TISA unique is that we cover the entire industry, incorporating cross sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improves industry performance and puts us in the unique position of being able to constantly challenge the status quo to bring about material improvement. At the forefront in all of our recommendations and actions is to consider national and consumer outcomes.

CONSULTATION RESPONSE

TISA is pleased to have the opportunity to respond to this Consultation. Whilst we would not propose to respond in detail to all the consultation questions, we would wish to make the following observations.

1. We believe that employers and employees should be free to agree between themselves the shape and type of retirement savings vehicle that best suits them. It follows therefore that any regulations standing in the way of the creation of any kind of "risk sharing" pension scheme, whether a modified form of Defined Benefit (DB) or an enhanced version of Defined Contribution (DC), should be removed. The same should be true of any other form of pension vehicle, with a "permissive" regulatory regime being the starting point.
2. This having been said, we suspect that the real appetite amongst employers for an enhanced DC pension proposition may be limited. Although no-one today is suggesting that any kind of "guarantee" might sit on the employer's balance sheet, we believe that many have been so scarred by experience with DB, that

they will look with trepidation on anything that MIGHT, through future regulatory change, do so.

3. Equally, we would suspect that, were the regulations to permit it, we could see quite a large migration from existing DB schemes to the new DB "lite" pension. This might therefore have the effect of arresting the very rapid decline in DB provision, but at a relative cost in scheme quality. This may, of course, be the price we have to pay to keep any kind of DB provision in the market. Without action, we believe that private sector DB will soon be a thing of the past with one or two exceptions, possibly. We would not expect many new DB "lite" schemes to be established, for the reason given in 2 above, and many others.
4. We believe that, rather than necessarily inventing new forms of pension scheme, we need to focus on making DC pensions work better for consumers in terms of outcomes. DC has pretty much "done what it says on the tin", we think, it's just that the writing on the tin is pretty unattractive. In particular, we think that the current rule set around how retirement income is taken no longer supports reality. Income needs in "retirement" are much more variable than they once were. "Retirement" itself as a concept is changing, with more people working longer, phasing down or working part-time or flexibly. Similarly, needs for care in later life are more prevalent than they were, and the retirement income regime we have now does not adequately respond to this. We think this whole area needs to be urgently addressed.
5. Finally, we would point out that creation of these new forms of pension may have the effect of complicating an already fragmented market and potentially frustrate the "pot follows member" initiative. It would not be good advice, on the face of it, to move from a DB "lite" or enhanced DC scheme, to a plain vanilla DC arrangement. So, this might have the effect of proliferating small "pots" rather than reducing them in number.

We will be happy to discuss these observations further.

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