

Welcome to TISAtalk, TISA's regular commentary on issues affecting the financial services industry. In this edition:

- Peter Smith, Head of Distribution Engagement at TISA, comments on what the practice of pensions liberation could mean for the industry and pension clients.
- Charles McCready, Project Manager of the TISA Savings & Investments Project, provides a progress report from the project's activities in January.
- Kim Holloway, Director of Engagement at TISA, confirms the inaugural meeting of the TISA Technology Innovation Forum is imminent with the aim of identifying which new technology innovations are most attractive to consumers and how these can be successfully adapted to suit the financial services industry.

SAVINGS & INVESTMENTS POLICY PROJECT SEEKS TO ADDRESS UK SAVINGS DEFICIT

The Savings and Investment Policy project, established last September to develop pan industry strategic proposals to take to Government and the regulator, is gaining considerable traction amongst the financial services community. The project now has representation from banks, building societies, mutuals, life companies, asset managers, stock brokers, wealth managers, financial advisors, the key trade bodies, technology firms, asset servicing and consumer groups.

The first stage of work – identifying the challenges that UK savers face - illustrated the complexity of choice that consumers have to make when deciding how to allocate their income and manage their personal finances. It also demonstrated that there are some significant trends that consumers may well be aware of but are not taking the appropriate action to address. For example, we all know that we are living longer but what does this mean in the context of saving for retirement? Whereas someone born in the 1950s had 45 years to save for an average of 15 years in retirement, someone born in 1990 has 48 years to save for an average 23 years or more in retirement. Clearly consumers need to save more to fund these extra years, however the opposite is happening.

Both the State and employers have greatly reduced the amount that they will contribute or pay as income and at the same time we are seeing

the lowest level of personal savings to pay for retirement in 50 years. Add to that high levels of consumption, more personal debt, increasing costs of living and higher house prices and it is clear that our nation is running head first into a crisis. We can avert this but it needs a change of culture and a return to personal financial responsibility. This is what the project is seeking to address.

Work on strategic proposals to help consumers' financial well being is starting in February. 46 pan industry firms and consumer representatives are already committed to working on solutions that help the nation. The project is still seeking additional firms to join and would welcome mutuals, building societies and consumer groups – if you are interested, please contact TISA and offer your support.

Charles McCready, Project Manager, TISA Savings & Investments Policy Project

LIBERATION

One of the constant issues that arise at most industry events involving pensions is the threat of 'pensions liberation'.

Normally a member can only take money from their pension once they have reached their 55th birthday, however some companies are marketing schemes that enable an early 'unlocking of cash'. This may be presented as a loan or access to their member pot before retirement. This is commonly referred to as pension liberation.



However, hefty fees and additional costs will be charged for this privilege which is often not disclosed when the member gets advice. Far more important is the possible tax implications. It is highly likely the payment away from a pension scheme before age 55 will lead to it being classed as an Unauthorised Payment by HMRC and this alone could account for a deduction of 55% tax. Some pension victims have lost 70-80% of their pot through liberating their funds!!

The Pensions Regulator launched a campaign last year to combat pensions liberation but even now their estimate of known transfers to suspected liberation schemes exceeds £420m. The final liberation of funds to non-bonafide schemes could well double that estimate. Many trustees, life offices, pension providers and administrators are currently holding up transfers requests whilst considering the threat to their members. However, the member has a legal right to transfer so pressure is now building for the industry to consider smarter solutions.

An industry-wide group of trustees, trade bodies, legal advisers, consumer representatives, providers and lawyers are now looking to put in place a guide that will protect consumers and proper pension firms alike. A new group - The Pension Liberation Industry Group, led by Margaret Snowdon OBE - holds its first meeting this week and is expecting to launch a robust code of practice by the second quarter of 2014. TISA is pleased to be part of this important initiative.

The new group has been acknowledged by Steve Webb, the pension's minister, who confirmed in a letter to the industry that pension liberation cases reached record levels in 2013. Steve Webb went on to say that liberation schemes threaten to undermine confidence in retirement saving as well as coming at a great cost to many in the industry. Members of the Pensions Liberation Industry Group will work on a voluntary basis, with the ultimate aim of producing a Code of Practice that sets the standard for dealing with requests by pension scheme members wishing to transfer funds from a UK registered workplace pension scheme to another registered pension scheme. It is a Code that will detail due diligence for trustees, employers and their advisors.

It is expected that the Code of Practice will act as a barrier against possible scams, by requiring:

- The transferring scheme to obtain information/evidence to provide reasonable assurance that the receiving scheme is valid

- Reasonable steps to minimize delay and provide reassurance to all parties
- Appropriate discharge forms
- Transparent communication with members and other parties
- The reporting of suspect cases

The scope of the Code of Practice will also include handling of transfers to SIPP, SSAS and QROPS, managing tax liabilities, recommendations for legislative or regulatory change, dealing with straightforward 'white listed' transfers and exploring a 'safe harbour' agreement for trustees and providers who follow the Code of Practice.

In respect of transferring 'pension pots', TISA has already announced to the market that it is now able to proceed with a mechanism to facilitate this on an industry approved basis in the same way that TeX resolved the asset transfer conundrum for asset managers and platforms.

We will be watching developments at the Pension Liberation Industry Group with great interest.

Peter Smith, Director of Distribution Engagement

TECH INNOVATION FORUM TAKES FLIGHT!

Momentum for the newly created TISA Technology Innovation Forum is gaining pace! The forum now has over 8 members and the date for the first meeting to appoint the Chair and agree the terms of reference (ToR) has been set. Although the forum members will discuss and agree the official ToR at the inaugural meeting, in essence the forum will seek to create a report which highlights current global technology trends within both Financial Services and other industries that are typically more advanced in their adoption of new technology. The aim is to identify which of these new innovations consumers use and investigate how these can be successfully adapted to suit the financial services industry, and in turn their client base. We are aiming to make the report available to TISA members in the summer and are looking to hold a corresponding seminar, which will be hosted by Microsoft. More details on both the report and seminar will follow very soon. On a lighter note, we were intrigued to see a very interesting report this week regarding the use of rooftop lasers in the trading world – is this a taste of things to come?

<http://www.gizmodo.co.uk/2014/02/rooftop-lasers-are-the-next-big-thing-for-high-speed-trading/>

Kim Holloway, Director of Engagement