

29th September 2014

Maggie Craig
Policy, Risk and Research Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Maggie,

Response to Consultation on Retirement Reforms and the Guidance Guarantee.

Firstly, I would like to thank you for allowing TISA an extension to your deadline for submitting our response. I am now pleased to attach TISA's response to this important Consultation.

About TISA

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.

What makes TISA unique is that its membership covers 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.

Summary of response

TISA welcomes the retirement reforms announced in the budget. We believe the instinct to trust people with their own money is a good one and are enthusiastic about working with all interested parties to ensure that the reforms work for customers, the industry and the wider national interest.

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We recognise that the Guidance Guarantee is vital to the success of these reforms to ensure that customers are aware of the flexibility and greater options now available.

Although the implementation date of April 2015 is very challenging, it is, in our view with a sensible degree of pragmatism over what is possible from Day 1, achievable and we are very keen to play a full part in ensuring that this date is met.

We would encourage that rather than referring to 'retirement' as being the event that triggers access to the guidance service, reference is made instead to 'when considering taking your money'. Today, retirement for many isn't the cliff-edge event it once was and many people now transition from full-time employment, into part-time employment, before finally 'retiring' in the traditional sense many years later – taking benefits from their various pensions in a phased approach over time. As such the concept of retirement is unfamiliar to many and will become increasingly so. Referring to 'when considering taking your money' will be better understood by customers and also reinforces the Treasury's stated position that the guidance service is available on a per pot basis. (It's recognised that some caution is needed here to avoid confusion with state benefits.)

Contractual annuitisation – we are concerned where some customers could be automatically annuitised at a certain age. Even if an annuity was the appropriate vehicle for their income needs the likelihood is that the shape of the annuity purchased for them (i.e. payment frequency, spouse's provision, escalation etc.) is not. We recommend that there must be a statutory override which allows firms to ignore the contractual annuitisation provision in their pension contracts and allows their customers to have freedom and choice in the selection of a suitable retirement income option. Compulsory annuitisation provisions are a legacy from the past and have no place in the modern pensions world. Furthermore, TISA believes that there would need to be some form of protection in place for any firm who chooses not to contractually annuitise a customer, so that the firm is not left exposed to the risk of complaint and potential redress payments where the annuity rate available at the contractual annuitisation date was better than that available at the time an annuity was ultimately purchased.

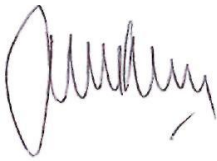
There must be a slick hand-off between the guidance service and FCA regulated firms, ideally supported by the electronic transfer of data so that customers aren't inconvenienced and therefore lose engagement through having to provide information again that has previously been supplied. Furthermore FCA regulated firms must be able to rely upon the accuracy of the data supplied to them without repercussion in the event that it is subsequently established to be incorrect.

We also believe that 'wake-up' packs issued at selected retirement dates should be replaced with a 'pensions passport' that contains the signpost towards the guidance service. This should be a single page showing the value of the pot, together with other important information such as any

guarantees. It would act as the trigger for customers to access the service and to choose their preferred service provider.

If you have any questions on this response, or more generally, please let me or my colleague Jeremy Lee know.

Yours sincerely,



Jeffrey Mushens
Technical Director