

30<sup>th</sup> January 2015

Eve Cinnirella  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

Dear Eve

**MS14/3.2**  
**Retirement Income Market Study**

**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.

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Our response is set out below following the FCA Recommendations

**1. We propose to require firms to make it clear to consumers how their quote compares relative to other providers' on the open market.**

This information could be provided, for example, by using the Money Advice Service (MAS) annuity comparison website to generate alternative quotes for a particular consumer from other providers operating on the open market, based on certain characteristics (age, pot size and some specific health conditions). In addition to the ranking information that the firm provides, it could also state the additional annual income that could be achieved by the consumer should they choose the highest quote. We note that the MAS website illustrates differences in income on a monthly, yearly, and ten-yearly basis.

**TISA Response**

We agree with the spirit of this recommendation.

We agree that firms could also set out the benefits in annual income of doing this compared to staying with their current provider (if that is the case. The provider may be in the top 3).

As the environment in which annuities are purchased has changed so radically, we believe that the FCA and industry needs to rethink the nature of the information presented to consumers.

As a minimum, we recommend that firms also clearly say that consumers may well get a better rate if they have any ill health, or depending where they live. In this case it would be helpful if the firms could provide access to advisers in the customer's locality to see if they could benefit from enhanced annuities. Advisers do a good job for customers in this area and customers should be encouraged to seek their help.

**2. We recommend to both the pension guidance service and to firms to take into account framing effects and other biases when designing tools to support consumer decision-making.**

How options are presented has a strong impact on outcomes. For firms, this means options should be presented in a way that supports good decision-making rather than driving sales of particular products. In the longer term, we recommend that as the Government's work on continual improvement of the guidance service progresses, consideration should be given to appropriate framing, including use of behavioural triggers such as a rule of thumb to use

when withdrawing funds through strategies such as Uncrystallised Fund Pension Lump Sums and income drawdown. This would create a simple guideline for consumers and counter known biases around risk appetite and longevity.

### TISA Response

We agree with the FCA. The difficulty will be in designing guidelines that do not confuse customers or overload them with disclosures that drive customers to avoid decisions.

**3. We will work with Government to develop an alternative to the current wakeup pack. This should be behaviourally trialled to assess the impact on consumers' awareness of their right to shop around, and the proportion of people who switch.**

Our research has shown that consumers find wake-up packs too long, difficult to navigate and full of jargon.

We consider that changes are needed to the existing at-retirement communications in order to ensure clarity and simplicity for consumers, allowing them to exercise choice effectively. As part of this, new at-retirement communications should be behaviourally trialled in order to make them as effective as possible in terms of prompting shopping around and signposting impartial guidance. As stated in our Policy Statement about retirement reforms and the guidance guarantee in November 2014, we will undertake in 2015 a thorough review of our rules in the pensions and retirement area, including at-retirement communications. We also propose to consult on replacing the ABI Code of Conduct with our own rules. This work will build on the standardisation work being undertaken with the Treasury and industry.

### TISA Response

We wholeheartedly support this. But this will have to be done in the light of the comments in 3 above. The industry will need assurance that it won't somehow get punished for failing to set out everything that their compliance officers regard as necessary.

TISA has experience in working with providers of Structured Deposits to provide clear straightforward guidance for customers. We delivered a document that clearly presents risks and benefits in 4 pages. The document was written in Plain English and accredited accordingly. We shared the outcome with the FCA.

We are confident that the FCA's objectives can be met. We, and our members, should be pleased to work with FCA in this area. We have previously discussed with FCA, most recently

at our December pensions seminar, how a pension passport, replacing the existing wake-up pack could deliver significant benefits for consumers.

- 4. In the longer term, we recommend the development of a 'Pensions Dashboard', which would enable consumers to view all their lifetime pension savings (including their state pension) in one place.**

It should set out individuals' entitlements including all of their accumulated DC pension savings, and allow consumers to view all of their other sources of retirement income (such as defined benefit and state pension entitlements) in one place. We are aware that this idea has been raised in the past and we recognise the challenges in implementation and cost for such a project. However it has been successful in other countries, and we believe that the case for introducing it in the UK is getting stronger. As people increasingly have multiple pension pots and other sources of retirement income, there is a greater need for this tool.

#### **TISA Response**

This sounds like a good idea, and we would be pleased to discuss with you how this might interact with the work we are doing with DWP and the development of a Digital Passport through the TSIP project.

- 5. We will continue to monitor the market as it evolves using a combination of consumer research, market data and ongoing sector supervision.**

We may take further steps if we see competition weakening (for example, due to consumer inertia), or if we see inappropriate products, distribution arrangements, or charging structures emerging.

We are also aware that certain consumer segments are potentially vulnerable to scams, including investment scams and pension liberation scams. We are currently running a national consumer campaign on investment scams, and will continue to take enforcement action against such activity. We will remain on high alert for scams targeting consumers at retirement.

#### **TISA Response**

We support the FCA's activities in this area.

#### **Comments on the retirement income market**



It is clear that consumers could do much better in retirement. And that where they receive advice, customers **do** see much better outcomes. So we should like to see the FCA encouraging the provision of guidance or advice to customers, and making written information to customers much clearer. The changes to the market consequent upon the Government's announcement about pension freedoms – which we welcome – bring out the importance of guidance to customers about the decisions they will make for their income in retirement.

TISA would be very pleased to continue to work with FCA in this area.

Yours truly

Jeffrey Mushens  
Technical Director