TISA RESPONSE TO ‘INNOVATION PLAN’ A TPR CONSULTATION

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About TISA

TISA is a not-for-profit membership association operating within the financial services industry. The focus of our recommendations and actions is improved outcomes for consumers and UK plc with this approach leading to a stronger UK financial services industry.

TISA’s growing membership comprises over 150 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 asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

Having a legacy of focusing predominantly within the tax incentivised products area, TISA has in recent years moved into the broader savings and investments world, extending our standing as trusted adviser over a much greater remit.

TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for the public. Effective policy and regulation and the creation of efficient industry infrastructure continues to be the major focus for our members. TISA is unique in that it represents the entire financial services 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 improve industry performance and consumer outcomes, putting us in the unique position of being able to constantly challenge the status quo to bring about material improvement.
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RESPONSE TO QUESTIONS

1. Have you found us to be supportive of innovation in the pensions industry?

Yes, the tPR’s engagement with Employers and industry alike is commendable. Excellent progress has been made in the support of Automatic enrolment through the regulators tool kits, simple guidance for employers and helpful website offerings.

It is noted that innovation was actively encouraged in the fields of pension freedoms, investment strategy and fund performance, DB regulatory strategy, DC investments etc. through the regulators codes and guidance.

2. What innovations/new technology are you aware of that are not covered in the plan?

The Introduction of the consultation states that your plan wants an assessment of how new technology is likely to shape the sectors being regulated. We support the view that technology will be a game-changer within the field of pensions and understanding how this can be achieved is a core objective of TISA in its desire to increase savings amongst consumers.

Now that Government has abandoned it’s ‘pot follows member’ policy initiative we see scope for a Pensions Dashboard that would enable a consumer to see all of their pension pots on one screen.

TISA has been working with a wide range of pan-industry representatives together with the Government Digital Service, the Open Identity Exchange and Digital Catapult to create a Digital ID that can be adopted across all of financial services and which, to the extent possible, uses similar standards to Government services and other industries as this will improve efficiency and help to enhance take-up of all savings schemes.

The Pensions Dashboard may be the first new initiative to take advantage of this new UK digital ID. We believe that the Dashboard should also include a suite of tools, so that the consumer can determine their likely outcome, its potential adequacy and what steps they might take to keep on target and we would be keen to discuss our ideas with you on how this could be achieved.

3. What more could we do to adapt to new technology/innovation?

Our research identifies low levels of financial security and wellbeing as a result of borrowing rather than saving, failing to budget or plan financial matters and not putting aside enough to create adequate retirement pots. This is at a time when the need for people to take greater personal responsibility has steadily increased.
According to MAS research in 2015, 12 million people are not saving enough for retirement, with two thirds of people not knowing how much they need to save for retirement or if the amount they are contributing is sufficient.

TISA recommend that action be taken on several fronts, including:
1) Increase financial capability
2) Clarify the difference between guidance and advice
3) Define a Kitemarked guidance framework
4) Acknowledge housing as a savings option

The use of technology will help in all those areas.

More specifically, within the pensions world, transfer activity is increasing due to the number of people moving employers, being automatically enrolled, as a means to access the new pension freedoms and due to customers’ increasing propensity to shop around for better deals both before and at retirement.

The current system is not working and is failing individuals. This situation will deteriorate with an increase in the volume of transfers generated due to automatic enrolment, accessing pension freedoms and from employees moving jobs more frequently.

It is therefore critical that we address the issue of transfers immediately to introduce a timely, secure and low cost solution that benefits in different ways all parties involved in the transaction.

The DWP recognised this challenge in their excellent work on the implementation of the Automatic Transfer policy (also known as ‘Pot-Follows-Member’). In their draft implementation paper they described a ‘federated’ model of competitive private technology providers using open standards. This would have provided the catalyst to create an open market for transfers across life offices, occupational schemes, master trusts and SIPP providers, but this policy has now been shelved.

Across the industry, the key issues in the transfer process tend to relate to the lack of standardisation, the use of paper forms and the need to verify the identity of the various parties involved. We believe all of these could be overcome by simply focusing on:

- Standardised documentation which is universally accepted by providers
- Greater adoption of electronic messaging using open standards and enabling providers to choose from a range of competitive messaging solutions provided by a variety of suppliers
- The development of a standardised industry approach that replaces the current and different processes of provider due diligence, to ensure that the identity and integrity of providers is established and maintained.
TISA Exchange Ltd (TeX) was established to help facilitate the electronic transfer of wrappers and assets between fund managers, platforms, wealth managers and any firm which holds assets on behalf of investors. It was developed by a cross industry initiative, provides a common legal framework and adopted the open ISO 20022 technical standards, which together with associated Service Level Agreements (SLA) creates an environment in which multiple technology companies can create innovative, cost-effective and interoperable solutions.

This is now utilised by >95% of assets under administration (across all UK platforms) and Assets under management (managed by TeX members) and has reduced transfers times to below 6 days. This system can be utilised for pension transfers and we would welcome the opportunity to discuss with tPR how this can be driven forward.

In the interests of speeding up transfer times, we believe that cancellation rights should be universally applied from the date of transfer, rather than before the transfer was made (as applied in relation to some schemes now). Where such cancellation rights are exercised after the date of transfer, then the ceding scheme should be required to accept the transfer back and to provide the same benefits that applied before the transfer.

There is no universal format for providing transfer information. This can lead to a delay as the receiving scheme attempts to obtain crucial pieces of information and is a particular problem for transfers from final salary/hybrid schemes to money purchase schemes, where a transfer value analysis system report is required. Therefore, agreeing standard information formats for transfers, particularly from final salary/hybrid schemes would be sensible.

TISA would also like to see the block transfer restrictions relating to scheme-specific pension commencement lump sum and protected pension age cases removed.

Digital ID

As detailed above, we believe that scheme members will increasingly expect digital access to aggregated benefit information, TISA member firms are actively working on initiatives to make this a reality and we would welcome the opportunity to brief you in detail on the progress being made.

Conclusion

Innovation in technology will undoubtedly lead the direction of the pensions industry. Pension Freedoms is the main driver but Auto enrolment now needs a concerted effort to support both employers and savers to navigate through the process. TISA is keen to participate in the summer forum on innovation and could bring to the table its wide experience from within the Financial Services industry. We look forward to hearing from the regulator.
Kind regards

Adrian Boulding
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