THE MEMBER BACKING PENSIONS AND LIFETIME SAVINGS ASSOCIATION

AN EMPLOYER'S GUIDE TO TALKING ABOUT WORKPLACE PENSIONS

HELPING SAVERS WITH BOTH THEIR PENSIONS AND GENERAL FINANCIAL WELLBEING WITHOUT STRAYING INTO A REGULATED ACTIVITY

Pensions Awareness Week, 2021

CONTENTS

PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

FOREWORD

IT'S A REAL POSITIVE THAT MORE INDIVIDUALS THAN EVER ARE SAVING FOR THEIR RETIREMENT AND MORE EMPLOYERS ARE HELPING THEM TO DO THIS. THIS GUIDE IS DESIGNED TO HIGHLIGHT THE WAYS IN WHICH EMPLOYERS AND SCHEMES CAN SUPPORT THEIR MEMBERS THROUGHOUT THEIR PENSIONS JOURNEY, INCREASING THEIR UNDERSTANDING AND AWARENESS BOTH OF THE NEED TO SAVE AND THE CHOICES AVAILABLE WHEN IT COMES TO SPENDING THE MONEY THEY HAVE BUILT UP.

We are more than six years on from the introduction of pension freedoms in the UK and we have seen that individuals are increasingly looking for advice and guidance to make the most of the options they have at retirement. This timeframe has also seen changes for employers as auto-enrolment has delivered a huge increase in the number of pension savers and employers offering pensions.

We've seen some excellent initiatives to increase awareness and engagement, with the PLSA leading the way with the Retirement Living Standards which help savers picture their futures and our policy work in the development of Guided Retirement Income Choices. All of this is underpinned by the Pensions Dashboard Programme, as helping individuals obtain a holistic view of their sources of retirement income is vital and PLSA has been involved in the development of this programme.

We hope that this report on Workplace Guidance enables schemes and employers to give more help to savers, not just about their pension but also more generally to support their financial wellbeing. Together we can help everyone achieve better retirement outcomes.

Emma Douglas
Policy Board Chair

EXECUTIVE SUMMARY

- The need for advice and guidance in pensions has never been greater with more people having to take on the decisions about how they invest and access their pensions.
- The PLSA's membership has long called for greater clarity on the advice/guidance boundary to enable pension schemes and employers to have more confidence giving guidance and in working with financial advisers. Although the recent clarification document by the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR) is a step in the right direction, it doesn't go far enough to enable the high quality financial wellbeing support that schemes and employers wish to provide to their members.
- The PLSA has held a series of roundtables with members from different types of schemes, Employee Benefits Consultants, Law Firms and the Money and Pension Service. We have also spoken to the FCA about our concerns and some of the ideas we have had for improving clarity.
- In this document we provide background on the current legal and regulatory regime, address some commonly held myths, and provide background on what employers can and cannot say with the intention of helping employers navigate the Advice / Guidance boundary.
- We have also included some case studies from our membership that show what is possible within the current boundary so schemes and employers can do more for savers.

INTRODUCTION

THE PLSA'S MISSION IS TO HELP EVERYONE GET A BETTER RETIREMENT INCOME. THE RETIREMENT LIVING STANDARDS, OUR ADVOCACY OF 12% MINIMUM PENSION CONTRIBUTIONS AND OUR GUIDED RETIREMENT INCOME CHOICES ARE JUST THREE MAJOR EXAMPLES OF WHERE WE ARE PUSHING FORWARD WITH OUR MISSION.

There is however a clear supply gap in the guidance and advice available to savers versus the pent-up demand for help at all stages of the saver journey through accumulation to decumulation. There are also areas where employers and schemes would like to help savers without needing to give guidance or advice, but are concerned about rules around arranging and financial promotions.

As part of our consideration of general financial wellbeing the PLSA consulted with our members through our policy committees and roundtables. Financial Wellbeing had risen to the top of the desk for many pension schemes and employers, including local authorities, with Covid-19 testing the financial resilience of savers and the Money and Pensions Service (MaPS) designing their Financial Wellbeing Strategy for the UK. Our members had already been innovating in this area with sidecar saving and work with debt consolidators, as two examples. Many of them were keen to go further with giving guidance, linking up with partners and signposting to Independent Financial Advisors (IFAs).

We commissioned case studies of good practice that already exist and took the steer from our members on where different elements lie on the spectrum of risk for the scheme and the employer.

It is possible for trust-based schemes to go further than contract-based pension schemes, but the saver is often a member of both and does not necessarily know the difference. There are circumstances where the employer can also go further with their guidance. With automatic enrolment there are more employers of different shapes and sizes offering pension schemes than ever before and therefore levels of understanding about how far they can go with guidance vary from employer to employer.

We have taken the approach with this guide to simplify guidance and consider areas where all types of schemes and employers could support savers. We do however caveat this to show where those trust-based schemes and employers who want to go further could do so.

This guide looks to increase the supply of guidance to savers by increasing confidence of employers and pension schemes to give support to savers. We also highlight when and where schemes and employers can signpost to advice and guidance and work with partners.

The guide reflects the current boundary between advice and guidance, highlights the need for more guidance, and notes the lack of clarity between the advice and guidance boundary.

The guide then sets out how employer and scheme guidance could fit in with other guidance available to savers, before busting common myths about the advice/guidance boundary.

We then look at our assessment of where example elements of guidance fit within a RAG rated risk table before showcasing scheme and employer best practice in delivering guidance directly and in partnership with others.

THE DEFINITIONS OF ADVICE AND GUIDANCE

IN 2015, THE FINANCIAL ADVICE MARKET REVIEW (FAMR) RECOMMENDED THAT THE GOVERNMENT CONSULT ON THE DEFINITION OF FINANCIAL ADVICE TO HELP CLOSE THE ADVICE GAP THAT WAS DEMONSTRATED BY THE REVIEW.

There were two definitions of financial advice that regulated firms had to be cognisant of at the time, that defined in the EU's Market in Financial Instruments Directive (MiFID) and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO).

HM Treasury consulted on the definition of financial advice in 2017 and sought to adopt fully the EU's MiFID definition of financial advice over the RAO definition[1] .

Previously for advice to be regulated under Article 53 of the RAO, it must have been:

- related to a relevant investment, which includes contracts of insurance
- given to a person in their capacity as an investor or potential investor (or in their capacity as agent for an investor or potential investor)
- related to the merits of them buying, selling, subscribing for or underwriting the investment (or exercising rights to buy, sell, subscribe for or underwrite such an investment)

MiFID investment advice involves the provision of personal recommendations to a customer, either upon the customer's request or on the firm's initiative.

It comprises three main elements:

- there must be a recommendation that is made to a person in their capacity as an investor or potential investor (or in their capacity as an agent for an investor or personal investor)
- the recommendation must be presented as suitable for the person to whom it is made or based on the investor's circumstances
- the recommendation must relate to taking certain steps in respect of a particular investment which is a MiFID financial instrument, namely to buy, sell, subscribe for, exchange, redeem, hold or underwrite a particular financial instrument (or exercise a right to buy, sell, subscribe for, exchange, or redeem a financial instrument)

1. https://www.gov.uk/government/consultations/amending-the-definition-of-financial-advice-consultation/amending-the-definition-of-financial-advice-consultation

HM Treasury landed on the single MiFID definition of financial advice with a personal recommendation being the element that tipped guidance over into advice[2]. This was meant to give greater clarity to regulated firms in where the boundary between advice and guidance lay.

The original consultation did however highlight areas of potential confusion for firms that are not regulated to give advice, such as pension schemes and employers. Rules essentially were kept in place to protect the consumer. These rules reduce the likelihood that conflicts of interest disadvantage the consumer and restrict the sale of products by non-regulated firms. These rules also have the unintentional consequence of making it harder for schemes and employers to know precisely what guidance they can give within the boundary.

Non-regulated firms not only have to be mindful of not giving a personal recommendation, but also of the following:

- rules limiting the inducements (such as fees and other benefits) that a regulated firm (for example, a product provider) could make to a third party, including to an unregulated firm (such as a stand-alone guidance service)
- restrictions on how far unregulated firms can directly signpost investors on where to purchase a product without being captured by regulation as they would be arranging deals in investments
- requirements in the financial promotions regime that an unauthorised firm must not promote engagement in investment activity unless either the content of the communication is approved by an authorised person or it is otherwise exempt under the Financial Promotions Order

This has meant a need for guidance about what schemes and employers can and cannot say in relation to a pension. As we look at other areas of financial wellbeing the same need for guidance on the boundary also exists, as schemes and employers consider short term savings, debt consolidation and insurance solutions for savers.

There are lots of sources of information and help; see Appendix III for some examples of references and guidance, some of which we relied on to provide this guidance.

2. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594790/pu2041_amending_definiton_financial_advice_response_2017_FINAL.pdf

OTHER REGULATED ACTIVITIES AND FINANCIAL PROMOTIONS RULES

THE DEFINITION OF THE ADVICE/GUIDANCE BOUNDARY IS NOT THE ONLY AREA THAT IS RESTRICTING EMPLOYERS AND SCHEMES FROM GOING FURTHER IN HELPING SAVERS. REGULATED ACTIVITY ORDERS RELATING TO ARRANGING DEALS AND FINANCIAL PROMOTION RULES ALSO PLAY THEIR PARTS.

The regulated activity of arranging deals in investments is split out into two separate activities of arranging (bringing about) deals in investments and making arrangements, with a view to transactions in investments. With arranging deals, the person is carrying out the buying or selling of investments on behalf of the saver. With the making arrangements, the person is putting things in place that will enable the saver to buy or sell investments.

There is also a Regulated Activity Order on making arrangements for a retail client to bring about a pension transfer or conversion in respect of safeguarded benefits or a pension opt-out. This relates to mitigating measures put in place at the time of the pension freedoms in 2015 to ensure that an individual with £30,000 or more of pension with safeguarded benefits must take regulated financial advice before transferring out of their pension and that any conversations around opt-out must be with a regulated adviser.

The financial promotion rules in effect state that a person must not, in the course of business, communicate an invitation or inducement to engage in investment activity unless they are an authorised person, or they are exempt, or have been approved by an authorised person. The rules now also apply to claims management activity as well.

Rules around financial promotion may make employers and schemes cautious about signposting and highlighting sidecar savings, decumulation options and wider financial wellbeing activity.

MYTHBUSTING

THIS SECTION AIMS TO DISPEL COMMON MYTHS AND UNPICK SOME ASSUMPTIONS THAT EMPLOYERS AND SCHEMES HAVE ABOUT HELPING SAVERS. BY DOING SO WE HOPE TO PROVIDE CLARITY ON THE EXISTING RULES ASSOCIATED WITH REGULATED ACTIVITIES, SUCH AS GIVING ADVICE.

MYTH ONE: EMPLOYERS CANNOT TALK ABOUT THE PENSION

Automatic Enrolment has successfully reduced the friction that existed in the saver joining up to their pension scheme. It has also brought many more employers into the world of pensions. Talking about opting out of the pension in a way that could induce staff to do so is quite rightly prohibited by the Pensions Regulator, but this seems to also put some employers off talking about the pension at all.

In all cases, regardless of whether a trust- or contract-based scheme, it is possible for the employer to present basic facts about the pension scheme and provide generic fact sheets to savers. The employer can also talk about employer and employee contributions and whether there is a matching scheme for increased contributions by the staff member. The employer is also able to discuss such details as the nomination of beneficiaries with staff.

MYTH TWO: IT IS ONLY IMPORTANT TO TALK ABOUT PENSIONS AT RETIREMENT

Savers tend to engage with their pensions closer to retirement and regulators tend to focus on either decumulation or transfers when they produce employer or trustee guidance.

There are other life moments that are crucial to retirement outcomes for the saver and work on the Gender Pension Gap, from CII's Insuring Women's Future[3], has been crucial in highlighting those. Work patterns over a lifetime, such as taking time out for caring responsibilities or beginning to work part time, can ultimately effect saving for a pension, and so arguably this is an even more critical time for employers to support their staff. Other important life moments could include forming a new relationship, a relationship breakdown or divorce or suffering the bereavement of a partner.

Employers and pension schemes may be well placed to offer guidance at these life moments as they are more likely to be aware of them happening and they are trusted sources of information. In the first instance they may be able to act as Pensions 'First Aid', and then signpost to guidance services or sources of regulated financial advice.

3. https://www.insuringwomensfutures.co.uk/

MYTH THREE: PENSIONS SCHEMES SHOULD ONLY TALK ABOUT PENSIONS

There is a lot of information to convey to the saver about their pension scheme so it is not surprising that many schemes will focus on providing help with pensions. However, schemes are not limited to supporting savers only on their pension. In fact, there is a case for looking at wider financial wellbeing as part of the overall sustainability of pension saving. A saver free of unmanageable debt and with savings for a rainy day is more likely to be able to keep saving into their pension. They are also more likely to use their pensions at the decumulation stage to fund their long-term retirement and as a result more likely to have their desired Retirement Living Standard. Schemes could, for instance, signpost to a debt charity for debt advice or explain available in-house options for short-term savings such as pensions sidecars.

MYTH FOUR: GIVING A MEMBER ANY HELP COULD BE FINANCIAL ADVICE

In simplified terms, and in most circumstances, the key to not inadvertently providing regulated financial advice is avoiding giving a personal recommendation. It is possible to stray into providing a recommendation by saying “people like you usually do X” or “I decided personally to do Y” because this is clearly an endorsement for one option over another and therefore a recommendation.

By presenting both the pros and cons of particular options and leaving it up to the saver or staff member to work out the best course of action, you would likely have helped them more than turning them away at the door, and they may feel better equipped to make a decision without straying into giving financial advice. See Appendix I for an example list of the kind of pros and cons you could consider sharing on different areas where we know employers and schemes receive frequent questions.

MYTH FIVE: THE WORD “ADVICE” IS TABOO

For most people the terms advice and guidance are interchangeable. For employers and schemes trying not to give regulated financial advice, there is a natural temptation to keep correcting the saver and tell them they just received guidance and not advice. Sometimes this may unnecessarily confuse people and get in the way of the guidance that the employer or scheme is trying to give.

Some of our members have decided to offer and give “help” instead of guidance to avoid confusion over the name. In a similar way, it is notable that the Money and Pensions Service’s new brand for their customer facing proposition is called MoneyHelper.

Employers and schemes should not be unduly alarmed where savers use the word 'advice' in a colloquial sense. Instead it is important to make clear to savers and employees, both at the start and the end of the conversation, what kind of support they have received, and - where relevant - that they did not receive regulated financial advice.

RAG RATINGS ON ADVICE/GUIDANCE

TO HELP EMPLOYERS WORK OUT WHEN AND HOW THEY CAN PROVIDE GUIDANCE AND SUPPORT ON PENSIONS TO THEIR EMPLOYEES, WE HAVE IDENTIFIED THREE CATEGORIES OF COMMUNICATION:

- Green rated elements of guidance sit comfortably within the boundary of guidance.
- Red rated elements may appear to be guidance at first sight but would be classified as crossing the boundary.
- Amber rated elements are those where more care has to be taken not to stray into advice or other regulated activities.

It is worth noting that all employers and schemes are responsible for their own compliance with the rules and it may be worth seeking advice when designing communications or guidance.

ACCUMULATION PHASE

GREEN: COMFORTABLY WITHIN BOUNDARY	AMBER: CLOSER TO BOUNDARY BUT STILL GUIDANCE	RED: CONSIDERED ADVICE OR FINANCIAL PROMOTION
Provide factual information about Occupational Pension Scheme	Guidance on contribution rates to fund career breaks or working part-time in the future	Giving a recommendation on whether to transfer into/out of scheme or not
Provide Key Facts Document for Stakeholder Pension or Group Personal Pension	Guidance on the effects of going part-time on future retirement outcome	Giving a recommendation on whether to contribute into an ISA, LISA or Pension
Highlighting benefits of an Occupational Pension Scheme	Explaining available options including signposting to a preferred provider	Giving a recommendation on investment choices within pension
Guidance on alternatives to opting out of Automatic Enrolment	Signposting to employer/scheme chosen IFA or panel of IFAs	Giving information on pros and cons of investment choices within a pension
Employer giving guidance about joining, stopping/increasing contributions in OPS	Generic guidance on pros and cons of consolidating pensions	Recommendations on consolidating pensions
Signpost to an industry-wide directory of regulated financial advisers	Personalisation of guidance to saver's specific circumstances	Recommending transferring out of scheme when active membership ceases

Signposting to the Money and Pension Service, Pension Wise, MoneyHelper and Citizens Advice	Commissioning guidance around life moments such as a Mid Life MOT	Recommendations relating to PIE or ETV exercise
Disclosures required by law	Targeted guidance	
Provide Statutory Money Purchase Illustration (SMPI)	Tools and modellers	

DECUMULATION PHASE

GREEN: COMFORTABLY WITHIN BOUNDARY	AMBER: CLOSER TO BOUNDARY BUT STILL GUIDANCE	RED: CONSIDERED ADVICE OR FINANCIAL PROMOTION
Generic guidance on how volatility could affect drawdown levels	Signposting to employer/scheme chosen IFA or panel of IFAs	Giving a recommendation on investment choices within pension
Product charges information for drawdown	Generic guidance on pros and cons of consolidating pensions	Giving information on pros and cons of investment choices within a pension
Generic information about different annuity features and the pros and cons of each	Personalisation of guidance to saver's specific circumstances	Recommendations on consolidating pensions
Information on the availability of the Pensions Advice Allowance	Commissioning guidance around life moments such as a Mid Life MOT	Personalisation of guidance for DB to DC pension transfers
Signpost to an industry-wide directory of regulated financial advisers	Giving a balanced and factual view of pros and cons of safeguarded benefits, in respect of keeping them, converting them or transferring out	Recommendations on how to access DC savings
Signposting to the Money and Pension Service, Pension Wise, MoneyHelper and Citizens Advice	Explaining available options including signposting to a preferred provider	
Disclosures required by law	Targeted guidance	
Retirement wake-up packs	Providing unsolicited transfer value	
CETV quote on request and transfer value comparator	Tools and modellers	
	Drawdown guidance around not drawing down quickly and good level of initial sustainable drawdown	
	Drawdown warnings if pot remaining will not sustain past levels of income drawn	

WIDER FINANCIAL GUIDANCE

GREEN: COMFORTABLY WITHIN BOUNDARY	AMBER: CLOSER TO BOUNDARY BUT STILL GUIDANCE	RED: CONSIDERED ADVICE OR FINANCIAL PROMOTION
Signposting to the Money and Pension Service, Pension Wise, MoneyHelper and Citizens Advice	Signposting to employer/scheme chosen IFA or panel of IFAs	Giving a recommendation on whether to contribute into an ISA, LISA or Pension
Generic information on Payroll Lending Partner/Credit Union	Commissioning guidance around life moments such as a Mid Life MOT	Promoting other financial services –e.g. credit cards, secured lending, etc.
Generic information on Payroll Lending Partner/Credit Union Generic Information on Employer Share Save Scheme, Pension Sidecar and other savings vehicles	Guidance on paying down levels of debts and building up savings	
Guidance on alternatives to opting out of Automatic Enrolment	Guidance on levels of personal protection	

CASE STUDIES:
GOOD PRACTICE AND INNOVATION IN GUIDANCE

CASE STUDY ONE: SIGNPOSTING TO IFAS

A small number of DB schemes have appointed Independent Financial Advisors (IFAs) to provide regulated at retirement advice for members for those that wish to use it, for example concerning whether they wish to transfer-out. They have worded the member communications signposting to this "benefit" (the cost has been borne by the employer) carefully to mitigate the potential legal risks of straying into the FCA's regulatory boundary. They have also gone through a due diligence process to mitigate the (separate) legal risks around potential member claims being brought against the trustees in relation to the quality of the advice.

CASE STUDY TWO: FACILITATING ACCESS TO DRAWDOWN

One DC Scheme provides members with a "frictionless" transfer of their benefits if they wish to transfer their DC benefits (under an occupational pension scheme) to a DC master trust - essentially in order to allow members to access drawdown options under the receiving scheme which are not available under the transferring scheme.

The transfer is "frictionless" as it involves in specie transfers (via an online platform) and the same fees and funds between the two schemes, so it is quite a bespoke arrangement.

In order to assure the trustee and provider that the relevant legal requirements have been met (e.g. the requirement on the trustee to signpost to guidance) eligibility for the transfer is subject to the transferring member having taken advice or guidance as required.

The trustee has done due diligence on the receiving scheme.

This arrangement involves close co-operation between the master trust provider and the trustee (e.g. to ensure funds/fees etc. are the same) and so it is possible that this solution may not be appropriate/available for all trustees.

DC members can sometimes feel out on a limb at the point of retirement if they want to use drawdown – and this option gives them a degree of comfort that the vehicle which they are transferring into has been subject to due diligence by the trustee - as well making the process of transferring as easy as possible for the members in practice.

CASE STUDY THREE:
EMPLOYER MOVING EMPLOYEES FROM GPP TO A MASTER TRUST

As part of a project to move employees from a GPP to a DC master trust, the employer was required to take a number of practical steps (e.g. sending notifications to members, obtaining the necessary member consents, passing on the consent to the transferring scheme provider). Legal advice was required about whether any of this would constitute regulated activities and/or financial promotions. Legal advice was taken and the employer was able to get sufficiently comfortable so that the transfer could go ahead.

The legal issues for the employer were more significant in relation to the transfer out of the GPP arrangement, than the transfer into the master trust (an occupational pension scheme); this is due to the different regulatory regime that applies to occupational pension schemes.

As far as the potential legal risks for the employer in relation to the transfer out of the GPP arrangement:

- Because the employer wasn't receiving any commercial benefit from the transfer (e.g. a commission, introducing fee, better premiums on other products), there were good arguments that the employer was not carrying out these activities by way of business and, therefore, did not need to be authorised by the FCA - this was relevant for assessing the particular risk of the employer being in breach of the "general prohibition" (under s19 Financial Services and Markets Act, "FSMA")
- The employer was comfortable that the activities they were undertaking as part of the transfer did not constitute financial promotions (section 21 FSMA). This was on the basis that there wasn't anything being sent to the employees that went as far as an inducement to transfer, or which contained an invitation or inducement to leave the GPP. It was also possible to point to a number of steps which could be further taken to mitigate the risks in this area (these were essentially aimed at limiting the employer's role in the transfer as much as possible).

CASE STUDY FOUR: ALTERNATIVE FINANCE FOR EMPLOYEES

A credit union, like many others, have adapted to the challenge of how to maintain lending in a way that is responsible throughout the Covid-19 pandemic. The credit union has introduced a 'Salaryflex' product, designed for members who are in secure employment, but who have limited financial resilience. The key cohort usually have some disposable income, but regularly use credit cards or overdrafts to spread larger one-off costs and have limited savings. In return for agreeing to save a regular amount (between £30-£120 a month), Salaryflex members can access a line of credit of up to £2,000 for when they need it. This line of credit is designed to provide the same comfort of overdrafts and credit cards, while building savings which, over time, will reduce their dependence on borrowing.

This is a good example of possible partnerships between employers and credit unions to help savers with their general financial wellbeing. It is the type of partnership that pension schemes could also consider establishing.

CASE STUDY FIVE:

MONEY SAVING TIPS FOR THOSE OPTING OUT OF THEIR PENSION

A major Master Trust user-tested money saving tips and also tested them with their members of staff. They are now in the process of rolling them out to savers who opt out or wish to opt out of their AE pension.

Savers looking to opt out may decide not to if they can save money elsewhere. Where a saver goes ahead with the opt out, they may still end up improving their finances, by saving more money and being in a better place when re-enrolment occurs three years later.

The benefit to the Master Trust is that the savers know that they can trust them when re-enrolment occurs and they are likely to be more engaged with their pension.

PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

CONCLUSION

WE HAVE SOUGHT TO COLLECT AND COMPILE EXISTING INFORMATION ABOUT THE CURRENT REGULATED ACTIVITIES, INCLUDING REGULATED FINANCIAL ADVICE, THAT DESPITE BEING DESIGNED TO PROTECT SAVINGS MAY BE LIMITING THE SUPPORT THEY RECEIVE FROM THEIR EMPLOYER AND SCHEME.

Employers and schemes would like to give more guidance that could in turn help with better retirement outcomes. We hope that this report helps to achieve this aim.

The report has debunked some common assumptions or myths. The RAG rated tables for accumulation, decumulation and wider financial wellbeing go some way to giving greater clarity. The case studies in this report showcase good practice, innovation and partnering with others in the guidance space. All of this should give schemes and employers greater confidence to help savers.

To meet the ambitious target of 5 million extra people understanding more about their retirement to plan for it, the Money and Pensions Service (MaPS) will need employers and schemes to be enabled to give more guidance.

In writing this report, the PLSA aims to help MaPS meet their goal and in doing so our own goal of better retirement outcomes for everyone.

APPENDIX I: POTENTIAL MEMBER COMMUNICATIONS

THIS APPENDIX PROVIDES AN EXAMPLE LIST OF POTENTIAL MEMBER COMMUNICATIONS, IN FORM OF 'PROS AND CONS' THAT COULD BE FURTHER DEVELOPED BY INDUSTRY FOR SCHEMES AND EMPLOYERS TO USE.

It may be possible to draw up and develop a shared list of answers to common questions savers frequently ask about their pension, and produce legal and compliance checked wording that could be used across the industry. The examples below are deliberately drafted to be as factual and impersonal as possible to assist schemes and employers in providing helpful support without drifting into the regulatory perimeter.

They are intended as a starting point, and savers should still also be encouraged to access guidance from MoneyHelper or seek regulated financial advice as appropriate.

Should I save into an ISA rather than the workplace pension?

Pros of saving into an ISA rather than a pension:

- Like a pension it is tax efficient for income tax, capital gains and inheritance tax.
- An ISA can be accessed at any time without any further taxes to pay.
- You can always switch ISA savings into a pension later and benefit from tax relief then.

Cons of saving into an ISA vs the workplace pension:

- You will lose out on valuable employer contributions into a pension.
- Your savings into a pension are usually treated as coming from your pay before tax and you will miss out on this tax relief if saving into an ISA.
- You will have to make your own investment choices, whereas your pension will be invested into a well-managed default.
- You may miss out on well-designed retirement options arranged by your pension scheme/employer.

Should I transfer my old pension into my new workplace pension?

Pros of transferring your old pension into your current workplace pension:

- You may find it easier to keep track of your pensions if they are in one place.
- Consolidating pensions may be a way of keeping fees low relative to assets.
- It will be easier to spread your investments within your pension and balance out risks.
- Your new scheme will have your latest contact details.
- Your new scheme may have additional features or safeguarded benefits.

Cons of transferring your old pension:

- You may incur costs for transferring your pension.
- You may be losing out on beneficial features incorporated into your old pension scheme.
- You may not stay long enough at your new employer to justify moving your pension.
- You may not be able to transfer out without seeking financial advice if your old scheme has safeguarded benefits.

Which of the investment funds should I choose in the pension?

Pros of the default fund within the pension scheme:

- The default fund has been picked by a professional investment panel to meet the needs of most people.
- Because the majority of members are invested in the default fund, this fund is also likely to get significant attention from the professionals.
- Staying with the default fund will mean you do not need to have knowledge and keep and watch on markets.

Pros of choosing your own investments:

- You can closely match your investments to your own appetite to risk.
- You can take your own objectives into account when picking your funds.
- You can usually choose between a select number of funds with objectives attached to them.
- You can seek regulated financial advice to help you choose.

Cons of choosing your own investments:

- You take on the risk of market performance yourself.
- The cost of financial advice may outweigh the value of the assets.
- You will have to keep monitoring your investments.
- You will have to regularly review where your pension is invested as your objectives, assets and circumstances change.

APPENDIX II:
ROUND TABLE MEMBERS

MEMBER	ORGANISATION
Phillip Brown	The People's Pension
Charlotte Cartwright	Eversheds Sutherland
Colin Clarke	Legal and General
Dermot Courtier	Kingfisher
Adam Gifford	Money and Pensions Service
Amanda Hall	Smart Pensions
Sarah Hickling	Baker & McKenzie
Jeremy Milton	Mercer
Laura Myers	LCP
Jonathan Sharp	Baker & McKenzie
Maddy Smith	Standard Life
Tim Smith	HSF

For further information on this document and contents please contact Craig Rimmer, Policy Lead: Master Trusts at Craig.Rimmer@plsa.co.uk.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

APPENDIX III: REFERENCES AND FURTHER READING

TITLE	LINK
GUIDANCE FOR EMPLOYERS AND TRUSTEES	
TPR/FCA – Guide for employers and trustees on providing support with financial matters without needing to be subject to FCA regulation	https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/tpr-fca-employers-trustees-financial-matters-guide
FCA REGULATED ACTIVITIES AND THE REGULATORY PERIMETER	
FCA - List of financial activities we regulate	https://www.fca.org.uk/firms/authorisation/how-to-apply/activities
FCA perimeter guidance – PERG 8 – Financial promotion and related activities	https://www.handbook.fca.org.uk/handbook/PERG/8/
FCA perimeter guidance – PERG 10 – Guidance on activities related to pension schemes	https://www.handbook.fca.org.uk/handbook/PERG/10/?view=chapter
FCA – FG17/8 Streamlined advice and related consolidated guidance	https://www.fca.org.uk/publication/finalised-guidance/fg-17-08.pdf
PENSION TRANSFERS	
TPR - DB to DC transfers and conversions	https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/db-to-dc-transfers-and-conversions
FCA – FG21/3 Advising on pension transfers	https://www.fca.org.uk/publication/finalised-guidance/fg21-3.pdf
TPR/FCA Consumer Guidance – Considering a pension transfer: defined benefit	https://www.fca.org.uk/consumers/pension-transfer-defined-benefit

Pensions and Lifetime Savings Association
24 Chiswell Street
London EC1Y 4TY

T: 020 7601 1700
E: plsa@plsa.co.uk

www.plsa.co.uk

September 2021