PENSIONS AND LIFETIME SAVINGS ASSOCIATION

PUBLIC FINANCIAL GUIDANCE: PROPOSAL FOR CONSULTATION
A RESPONSE BY THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION

"CREATING A ONE-STOP-SHOP FOR PENSIONS GUIDANCE WILL HELP CONSUMERS TO THINK ABOUT PENSION SAVING IN THE ROUND"

June 2016

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INTRODUCTION

We're the Pensions and Lifetime Savings Association; the national association with a ninety year history of helping pension professionals run better pension schemes. With the support of over 1,300 pension schemes and over 400 supporting businesses, we are the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

Our purpose is simple: to help everyone to achieve a better income in retirement. We work to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

The Pensions and Lifetime Savings Association (the Association) welcomes the Government's proposal to rationalise the provision of public financial guidance. The proposed merger of Pension Wise and The Pensions Advisory Service (TPAS), which we argued for in our response to the original consultation, will improve the consumer journey and encourage savers to think about pension saving in the round by creating a one-stop-shop for pensions guidance.

As we pointed out in our response to the first consultation, such an arrangement would build on the expertise already present in TPAS and help to ensure that consistency exists between the three channels that currently deliver Pension Wise. It is welcome that this body will be set up to deliver guidance through a variety of methods, including phone, email and web-chats, in recognition of the different ways in which consumers wish to communicate. Going forward, it will be vital to emphasise the ability to access guidance through different channels rather than focusing on one or two.

In establishing the new pensions guidance body, we believe the government should focus on the following priorities:

- Ensuring it is accessible and clear to make the consumer journey as smooth as possible; and
- Promoting awareness of the service and its branding so that savers are aware of what is on offer.

Key to the success of the new service will be the partnership agreement that sits between the pensions guidance body and the reformed money guidance body. The commitment to cross-memberships of boards is a helpful first step which we think could be built upon in the various steps detailed below.

In terms of funding, we welcome the efficiency savings that are likely to be generated by combining the two services. Removing duplication and reducing overheads will allow more resources to be allocated to improving the consumer experience. However, in rationalising the provision of guidance the Government should also seek to rationalise its funding. It should view the funding of this body in its broader context ensuring that it is sustainable for the long-term and taking account of likely future innovations in the market. This is discussed in more detail below.

More broadly, we support the Government's intention to use this intersection as an opportunity to align its vision for the financial advice market and public financial guidance. Both of these elements will be important in ensuring good retirement outcomes for consumers in a post-Freedom and Choice world. However, recognising that advice and guidance won't be the solution for everyone, the Association believes the Government needs to go further still by allowing trustees and providers to signpost their members to independently accredited at-retirement products. This would help to realise good retirement outcomes for the many.

In the next sections we will share some comments on two important issues for the new service: funding and the partnership agreement between the new guidance body and the reformed money guidance body.

PARTNERSHIP AGREEMENT

The Government's proposal for the new pensions guidance body contains plans for a partnership agreement which would sit between the new pensions guidance body and the money guidance body. Ensuring that consumers who need broader financial guidance on both pensions and money issues are directed to the right places will be key to the success of the service. Decisions around taking an income in retirement will often need to be understood in the context of a consumer's wider financial health, particularly where debt is involved. It is also clear that individuals are increasingly saving towards their retirement years in a number of ways. Property, ISAS and the forthcoming Lifetime ISA are likely to play a much more important role in saving for the future. As such the new service should be mindful of the role of lifetime savings in a saver's portfolio and both the pensions and money guidance bodies will need to ensure their service is flexible and responsive in passing consumers onto other sources of public financial guidance where necessary.

We are aware that good relationships already exist between TPAS, Pension Wise and MAS and it is from this foundation that the partnership should build. TPAS has been contributing to MAS' national financial capability strategy and has been working alongside MAS in scams awareness campaigns with the Pensions Regulator. It is welcome that the CEOs of the pensions guidance body and money guidance body will sit on each other's board to ensure that strategies are aligned. However, we believe these links could be strengthened in the following ways:

- SLAs could be set around "warm hand offs" to ensure consistency; and
- Training could be prioritised to ensure a common basic understanding exists across guiders on all issues.

As evidence from TPAS has already shown, a customer's initial enquiry is often not the question that the customer should be asking. As such, all guiders will need to have the knowledge and experience to diagnose a customer's issue and signpost them to any other relevant services. These steps would help the Government meet its aim of ensuring consistent quality standards across the board.

FUNDING FOR THE NEW PENSIONS GUIDANCE BODY

As we stated in our original response to the consultation, if Pension Wise and TPAS are to be integrated, funding should come from all stakeholders in the workplace pension sector. To ensure this we recommended that the current funding streams for Pension Wise and TPAS should be maintained but brought together. As the provision of public financial guidance is rationalised we think it would be wise to consider rationalising its funding and how it fits in the broader pensions environment.

Currently, Pension Wise is funded through a levy on certain FCA-regulated firms. Alongside this, a general levy on occupational and personal/stakeholder/group personal pension schemes is set by the Secretary of State each year which provides for TPR, The Pensions Ombudsman Service and TPAS. TPR also collects the Pension Protection Fund (PPF) administration levy on behalf of the PPF, while the PPF is responsible for levying a charge on all DB schemes whose members would be eligible for PPF compensation if the scheme's employer were to become insolvent.

This complex web of levies and charges only threatens to become more intricate with future innovations which are likely to require cross-industry participation. For example, depending on the model selected the pensions dashboard could require funding from across the sector. As such, there is a case for taking a step back and reassessing the funding of the different services and obligations in the round. Creating a sustainable funding structure will be key and we would urge the Government to be mindful of this broader environment when discussing the detailed funding arrangements for the new pensions guidance body with the FCA and TPR.

ANSWERS TO QUESTIONS

We will restrict our answers to questions to those concerning the new pensions guidance body.

QUESTION 1: ARE THERE ANY SPECIFIC GUIDANCE GAPS IN THE CURRENT PENSIONS GUIDANCE OFFERING THAT YOU THINK THE NEW BODY SHOULD FILL?

As previously stated in our response to the original consultation we believe that the Government should focus on providing guidance where any of the following four criteria are present: complexity, conflicts of interest, cross-selling or particular risk of scams. Beyond this, the market should be expected and encouraged to deliver.

QUESTION 2: ARE THERE ANY PENSION-RELATED TOPICS THAT SHOULDN'T BE INCLUDED IN THE REMIT OF THE NEW PENSIONS BODY?

As above.