

# Freedom and choice Yesterday and today

*People first, pensions second.*

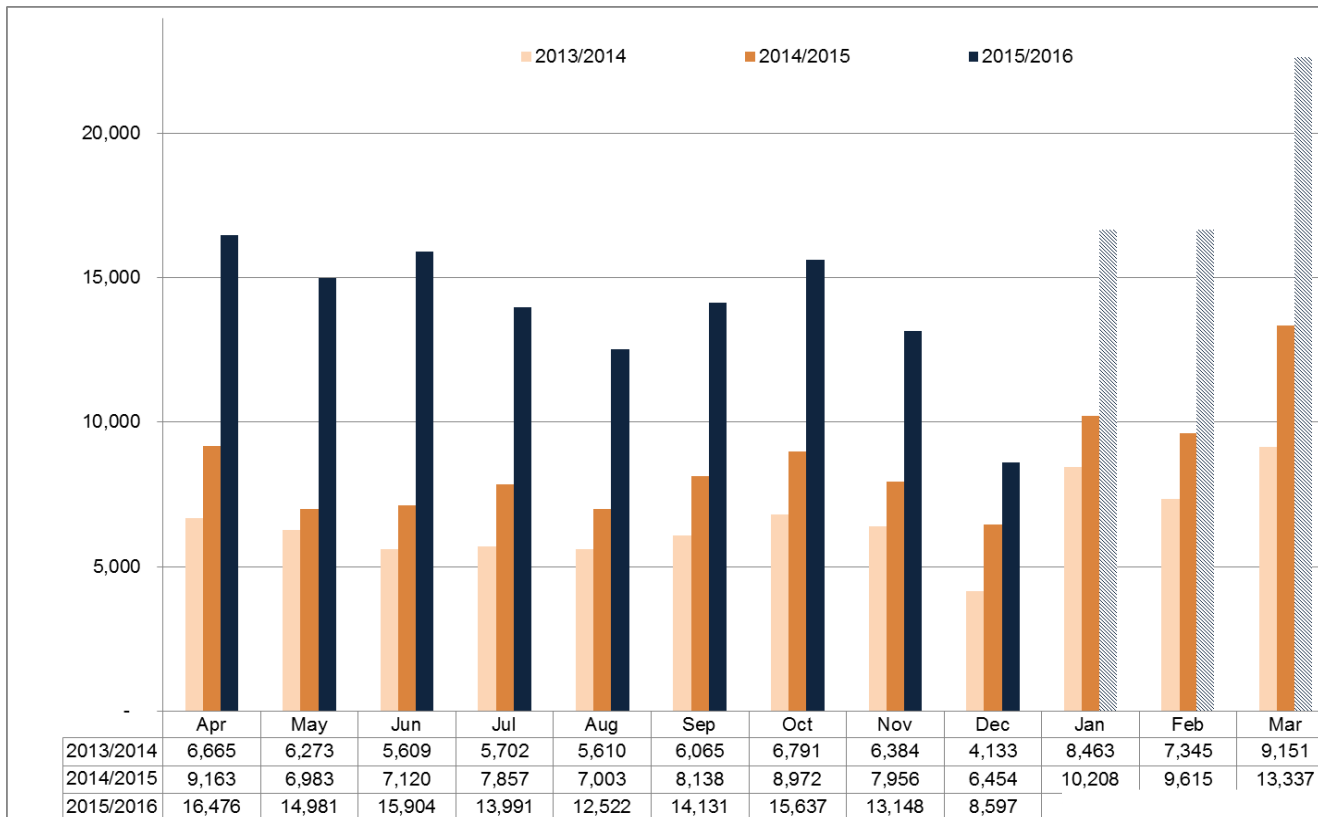


# Who we are

1. Free information and guidance to the public on pension matter

2. Help by resolving disputes between the member and the pension scheme

# TPAS experience



Volumes up by 80% year on year, in 9 months  
125,000 customers (103,000 in whole of 2014/15)

Great start but need to encourage more people to take guidance

Need to improve signposting; earlier and not by provider

# There's been a lot going on in pensions



Department  
for Work &  
Pensions



**Pension  
wise**  
Your money. Your choice.



**automatic  
enrolment**

a single-tier pension:  
the foundation for saving



**The PENSIONS  
Advisory Service**

# Customer insight: Accessing flexibilities

- **Suitable products available**
  - some need to be developed further
- **Provider or scheme restrictions**
  - accessibility issues will always exist due to historic issues
  - different words and rules applied by different providers
- **Management of customers' expectations**
- **Unclear communication of process**
- **Access to advice**
  - understanding/transparency of costs
  - matching customer to adviser

# People struggle with pensions!

- **...find them complex, difficult to understand, impenetrable language, confusing process, different rules, impossible to navigate.**
- People don't understand whether they have DB or DC pension - over 40% don't know what pension they are in.
- **People don't check how much they have saved into their pensions.**
- A lot of problems in tracing old pensions – GMP reconciliation may help/hinder this process.
- **The majority find it difficult to keep track of their pension pots. In future a worker is expected to have 17 jobs (and pensions) when they retire.**
- The *“Pensions Dashboard”* may help the process.

# Customer insight

- **Lead driver**
  - Continue working 18%
  - **Have plans for money** 19%
  - Need sum of money now 16%
  - **Flexibility** 20%
  - Guarantee 5%
  - **Combination** 6%
  - Organise death benefits 16%
- **What customers may do**
  - Leave untouched 5%
  - **Guaranteed income** 15%
  - Taking money flexibly 36%
  - **Cash in** 28%
  - Combination 16%

**Mismatch** between the "options" and the reality for many people

**Customers are not used to acting as a customer in this space** and are hampered from by lack of knowledge of what is possible

# DB to DC transfers – some observations

- Volumes have not increased significantly since April 2015.
- **People have significant problems accessing financial advice and do not see the merits of paying for it.**
- Financial advisers have issues with “insistent clients”.
- **The merits of transfers may change over time as people have smaller DB pensions relative to DC pots.**
- People are often surprised at the transfer value of their DB benefits.
- **Lack of appreciation of how long their pension pot needs to last.**



# Scams...

## Be wary of the wolf in sheep's clothing



Scammers will use top of the range marketing materials, flashy websites and even send copies of The Pensions Regulator's official scam booklet to persuade you to sign the forms and transfer your funds.

**While they may look the part, make sure that what you're being presented with is accurate and real.**

If you're not sure, stop the process and speak with The Pensions Advisory Service on 0300 123 1047.

The PENSIONS  
Advisory Service



[www.pension-scams.com](http://www.pension-scams.com)

**The PENSIONS**  
**Advisory Service**

# Provision of advice & guidance

- **Financial Advice Market Review**
  - market to deliver **affordable** and **accessible** financial advice and guidance to everyone
- **Public Financial Guidance Review**
  - restructure delivery of public financial guidance - delivery model is made up of new, single pensions guidance body.
  - Change in pension provision means that the need for guidance is greater than ever and growing
  - Need to create a **social norm** so more people benefit from the guidance
  - work closely with industry to help deliver better outcomes for customers



**Deloitte.**

**Freedom &  
Choice**  
Today and  
tomorrow

Will Aitken  
Director DTRB



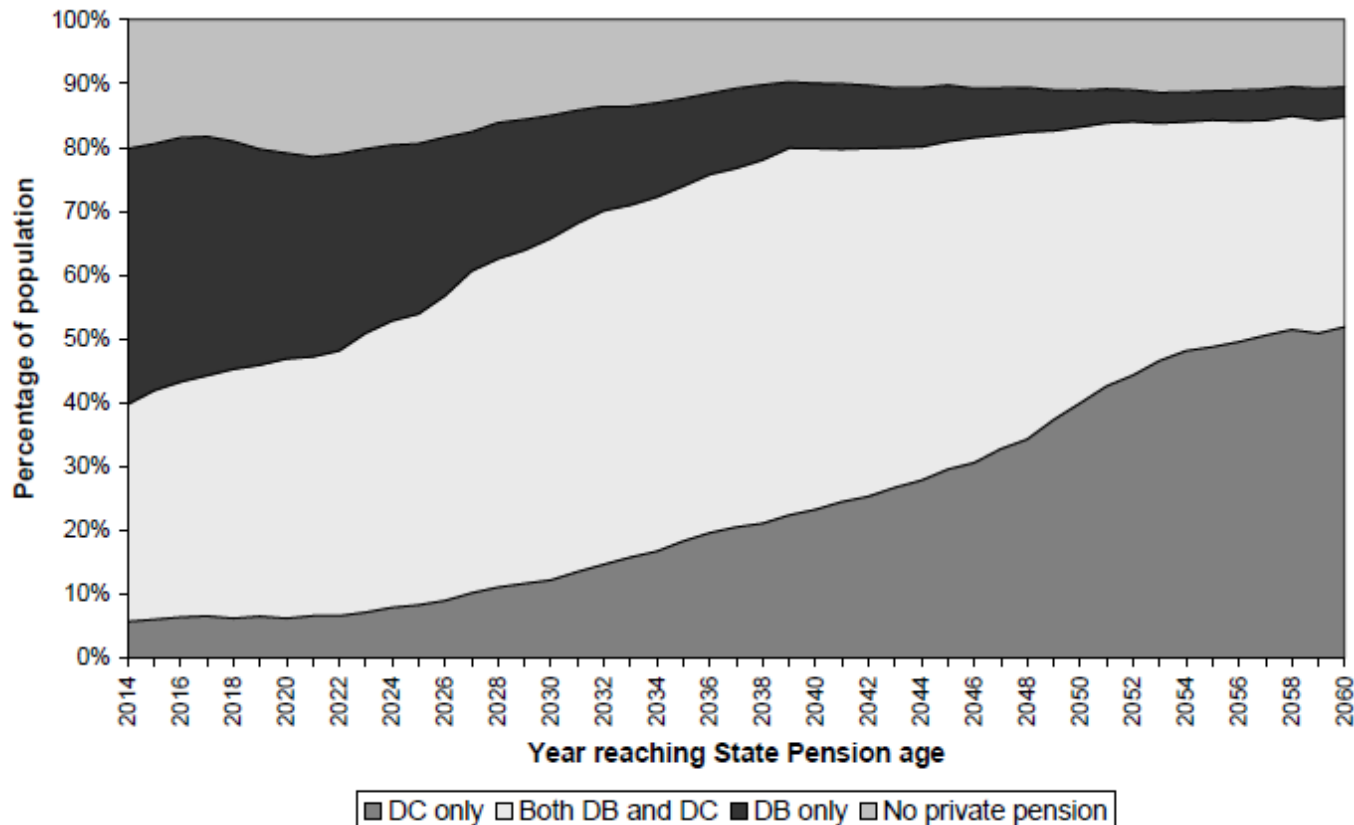
The new pensions  
landscape...

# What does member activity tell us?

	<b>Annuities bought</b>	<b>Annuities bought in-house</b>	<b>Annuities bought on open market</b>	<b>Drawdown sold</b>	<b>Full withdrawal</b>
<b>2013</b>	353,000	52%	48%	c18,000	-

# How important is DC at retirement, today?

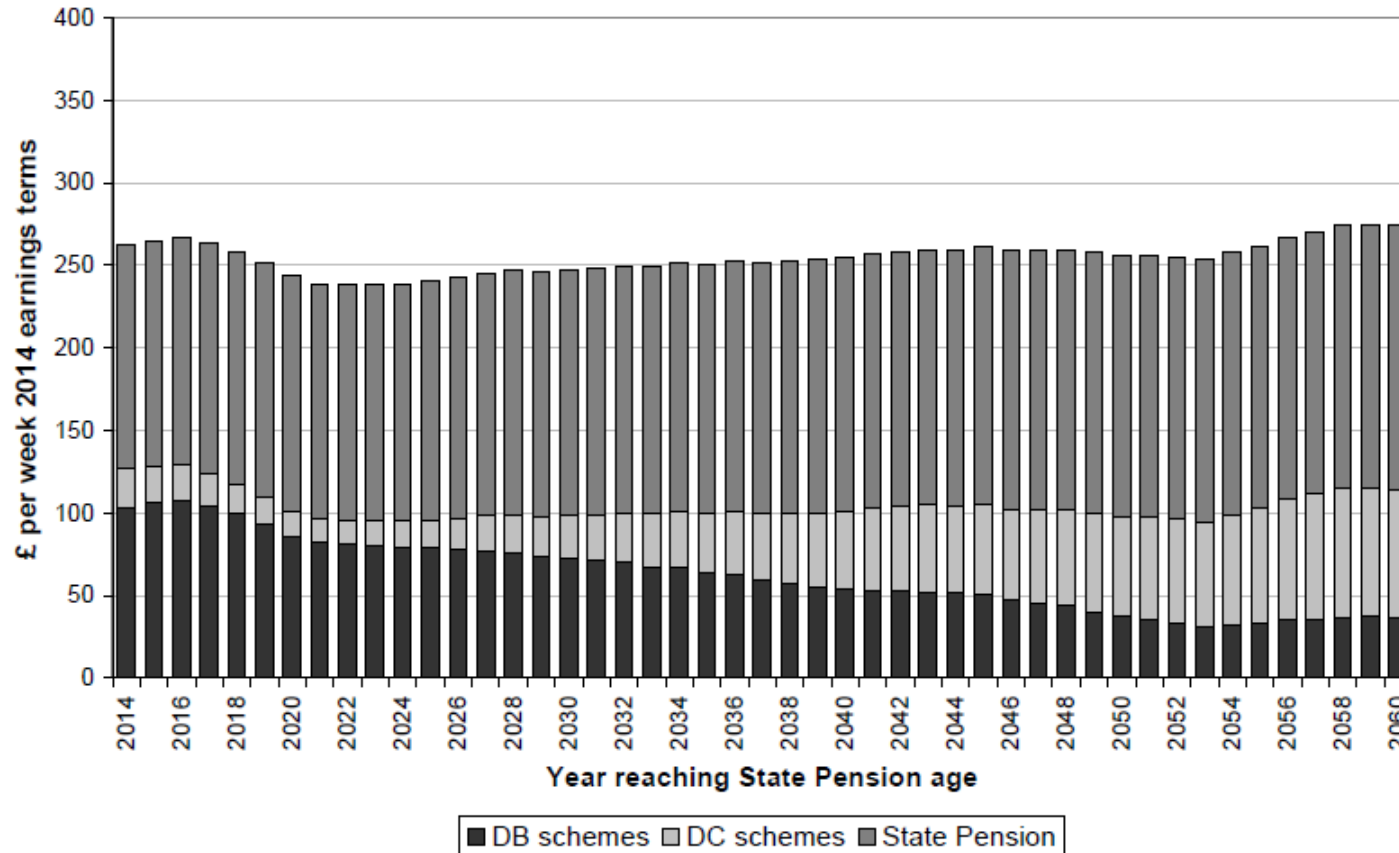
**Chart 3: Private pension provision by year reaching State Pension age, as a 5 year moving average**



Source: DWP Pensioner income projections March 2015

# When does DC become significant?

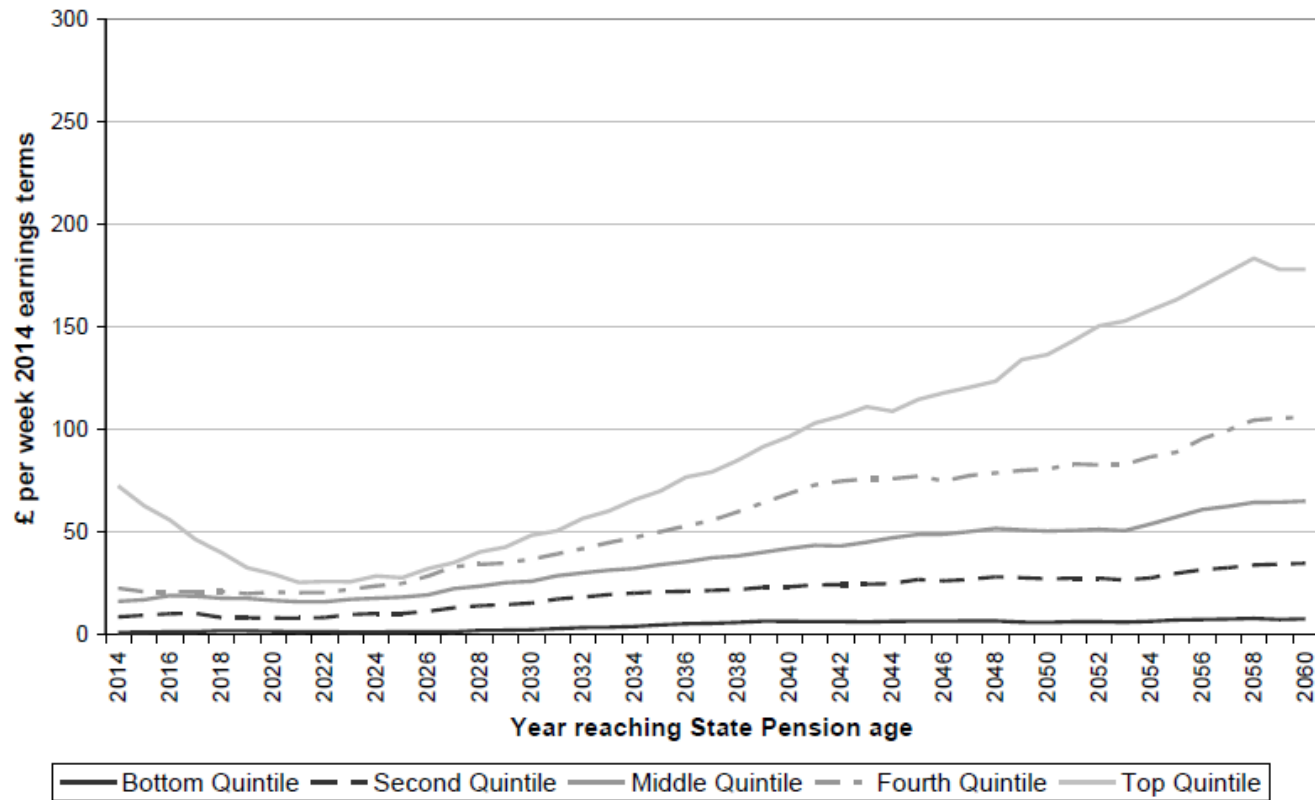
**Chart 1: Weekly mean amounts of pension, by pension type and year reach State Pension age, as a 5 year moving average**



Source: DWP Pensioner income projections March 2015

# DC – increasing significance

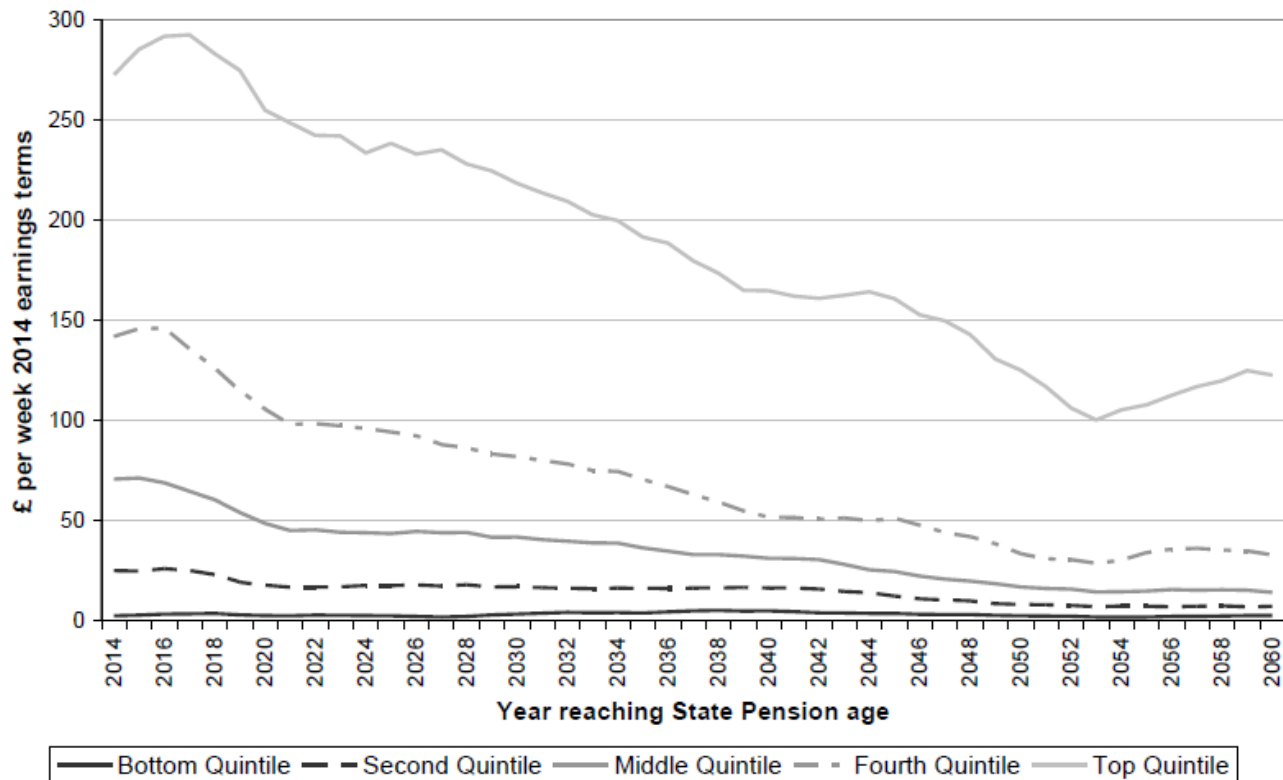
**Chart 9: Weekly mean amounts of DC as a 5 year moving average, by quintile and year reach State Pension age**



Source: DWP Pensioner income projections March 2015

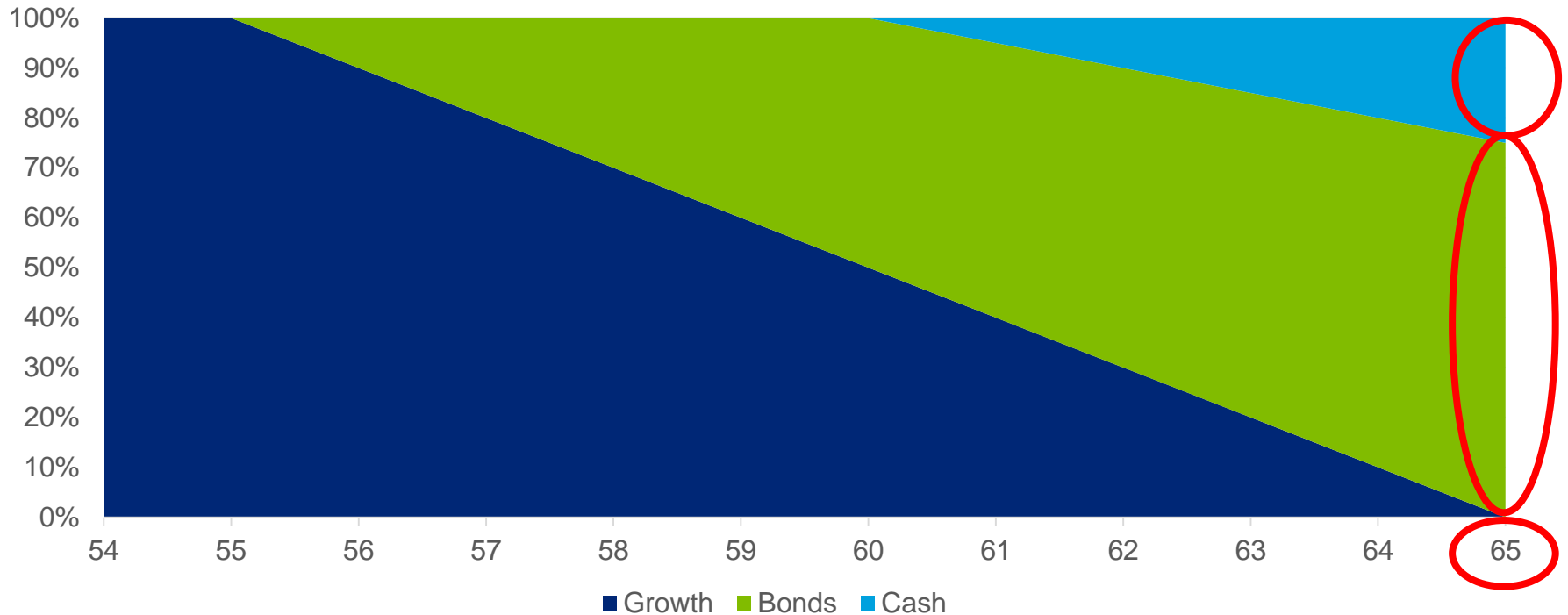
# DB – declining significance

**Chart 10: Weekly mean amounts of DB as a 5 year moving average, by quintile and year reach State Pension age**





# Looking back to simpler times...



‘One size fits all’ worked when we had relative certainty over **when** and **how** people would take their DC fund

# Cashing out

## The first three months

Around **60%** of all cash

lump sums paid out went to people **younger than 60**, and around

**80%** to **under 65s**

In **95%**

of cases where savers accessed a cash lump sum, they withdrew the entire fund.

# Future reasons to start 'retirement'

## Debt

Proportion of people who believe they will be paying a mortgage in retirement:

All	40 to 50	51 to 55	56 to 60	61 to 65
20%	26%	18%	15%	16%

Source – Partnership October 2014

# More reasons to start 'retirement'

## Savings options

### Personal Savings Allowance – from 6 April 2016

Basic rate taxpayer can receive £1,000 interest tax-free a year

**c£50,000**

can be held tax efficiently outside pension

Higher rate taxpayer can receive £500 interest tax-free a year

**c£25,000**

can be held tax efficiently outside pension

Assumes 2% interest on capital

# Freedom and choice

## Some predictions

**The concept of 'cliff-edge' retirement doesn't apply to DC**

**Much 'drawdown' may be 'gap filling'**

**We can expect to see a lot of cashing out for some time**

**Understanding tax implications is going to become vital for members**

**Members will not accept the status quo**

**We have to move to a member-centric pensions industry**