Written evidence from the Retirement Line Ltd (APS0021)

Introduction

I am a Director of an organisation called Retirement Line ltd. Retirement Line was established in 2013 and is predominantly a non-advised, whole of open market annuity intermediary and we support circa 25,000 annuity enquiries each year. Retirement Line are the UK's largest pension income intermediary based on customer purchases and total funds transferred.

I have been working in pensions for nearly a decade and my particular area of expertise lies within pension income. I am involved with various groups and organisations currently discussing pension decumulation strategies and numerous other topics within the pensions landscape.

I am responding to this inquiry because I care deeply about supporting consumers in making better-informed decisions, which will hopefully lead to better outcomes. Since Pension Freedoms, a lot of the 'risk' has been placed on consumers. As a result, I believe consumers must be provided with simple, easy to understand and accurate information concerning their pension options. Not only at the point of initial pension access but throughout later life.

It is my opinion that although we are five years since Pension Freedoms first came into force, it is still too early to truly know the full impact of the initiative. This will likely come to fruition in another five or even ten years, as more consumers rely on their defined contribution savings to be the largest source of pension income, coupled with the state pension. That said, I believe there could be several mitigating actions and measures which could potentially be put in place, to greater support consumers from any potential financial harm.

I would like to briefly express my views that I do not believe the annuity market is 'dead'. A substantial drop in lifetime annuity sales were to be expected after Pension Freedoms came into force. It is my view that the annuity sales have now settled and may become a growing market again from this point on, as some consumers may desire to purchase a lifetime annuity later in life as the annuity rates which are offered to consumers improve with age.

This said, I do not believe that annuities are currently being presented to consumers in the most optimal or balanced way. I expand upon this thinking with my responses to the ten questions below.

I apologise in advance for my submission being over 3,000 words and as requested, I have provided a summary at the bottom of my submission.

Q1. Do people have access to a range of pension options to meet their needs for later life and how might these needs change in future?

For the most part, I believe there is a wide range of pension options available. However, one potential pension option currently missing may be a deferred annuity offering. I believe a deferred annuity may offer a type of 'safety net' in later life for some consumers, providing some additional secure income on top of the state pension.

Fixed term annuities could potentially be used to act as a deferred annuity. However, this product is mainly offered as a decumulation product and is therefore primarily used to withdraw funds under flexi-access drawdown.

Concerning the 'access' part of this question, there are a couple of potential barriers the committee may wish to consider, these include;

The use of complex or non-consumer-friendly literature and language

Broadly speaking, the use of non-customer friendly language is an accepted industry-wide problem and although it is true that some organisations have taken great steps in this area, large discrepancies exist between product names, product descriptions and the options available. This can dilute some of the good work being carried out.

I have provided three extracts below which are taken from three prominent drawdown provider-websites. I am eager to point out that these extracts are only the first description provided and all three websites go on to provide further information. Nor, have the extracts been selected in an attempt to demonstrate 'good' or 'bad' communications, they were purely selected at random.

A. *"Take money from your pension as and when you want it. It's a flexible way to take an income from the minimum retirement age – currently 55 – and keeps you in control."*

B. *"Income Drawdown gives you the flexibility to withdraw your money whilst keeping the rest invested to help your pension continue to grow.*

   It suits people who are prepared to take some investment risk in return for a potentially higher income, or people who want the flexibility to vary their income or dip into their savings from time to time."

C. *"Drawdown is one of the options for taking your pension when you reach retirement. It means leaving your pension money invested, and taking cash as and when you need it.*

   Drawdown doesn't give you a guaranteed income like an annuity, but it does provide more flexibility.

   The size of your pension pot can grow or reduce, depending on how your investments perform, and you're not restricted on what you can withdraw."

I believe the above extracts are a small glimpse into the inconsistencies across the pension landscape and how an individual's first experience or understanding of a product can differ.

As you will see, extract A does not refer to keeping the funds invested, nor is there any reference to potential pension growth or higher income, whereas extracts B and C do.

Extract B mentions 'helping your pension continue to grow' and the potential for 'higher income', whereas extract C mentions how the 'pot can grow or reduce'.

Naturally, we would all like to think that individuals would read the full page along with any supporting literature, however, in practice this is more likely to be a rarity.

Research papers have highlighted how some of the language used across pensions is so varied, it is comparable to having many different regional dialects. Whilst other research has highlighted how some of the language and tone used within certain products are more likely to appeal to males over females.

After Pension Freedoms, it is especially important that the language and tone used in communications should also be inclusive, easy to understand and aim not to alienate any pension holder. Unfortunately, I believe some of the terminology and language currently being used is likely to 'turn off' consumers, making it a potential barrier to many.

A possible solution to this issue may come from the Money & Pension Service (MaPS) or Pension Wise (soon to become Money Helper). Most, if not all pension organisations make reference to or direct consumers to Pension Wise as a source of unbiased information. As a result, there is an opportunity for MaPS to take the lead in this area.

I believe MaPS are ideally placed to 'set the standard' when it comes to consumer language and product descriptions. Due to MaPS position in the market, it would seem likely that other organisations may voluntarily follow MaPS's lead in this space and potentially, emulate any relevant option and product descriptions being used.

If the above feels too 'flimsy', another consideration could be a MaPS approved best practice/common language charter.

Advised only products

To be clear, it is not my intention to make any comments or suggestions concerning what products should be sold on an advised-only basis.

I started thinking about how a consumer may think or feel about advised-only products:

- I do not have enough money to access this option and it is only for the 'wealthy'
- Is this a way for the organisation to make more money, due to having to pay twice (the adviser and the product)?

I am conscious that the above points may give the impression I am 'anti advice' or 'anti advised only products' but this is certainly not intentional and is not reflective of my personal views.

I am unsure where the 'line' gets drawn and how often the criteria reviewed? Some with-profit income funds with built-in 'floors' are only accessible through advice-only. However, since Pension Freedoms, some SIPPS and flexible-access drawdown can be purchased on an execution-only or non-advised basis.

As mentioned, it is not my intention to suggest that all products should either be advised or non-advised. However, by having advised-only products, a potential access barrier exists.

Q2. Are there other pension options, not currently available in the UK, which would better meet people's needs in later life?

As briefly mentioned in my answer above, a deferred annuity offering is currently missing from the UK market.

In June 2015, Nest published their 'The future of retirement' blueprint document, which included a deferred annuity as part of its offering. On the whole, the document was warmly received and is commonly referred to today, some 6 years later. Whether the UK could adopt something similar to what is suggested within this document or something more elementary, such as a percentage of an individual's pension being placed into a separate 'pot' which can subsequently be used to purchase an annuity in later life, will require greater scrutiny and debate.

I believe there is enough interest and appetite for this debate to take place since Pension Freedoms. A deferred annuity may act as a sort of 'safety net' for consumers in the later years of retirement, over and above the amount provided by the state pension.

Deferred annuities are offered in many other countries including Australia, Canada, Chile, Denmark, Singapore and the USA. I have provided a couple of published research papers below for reference:

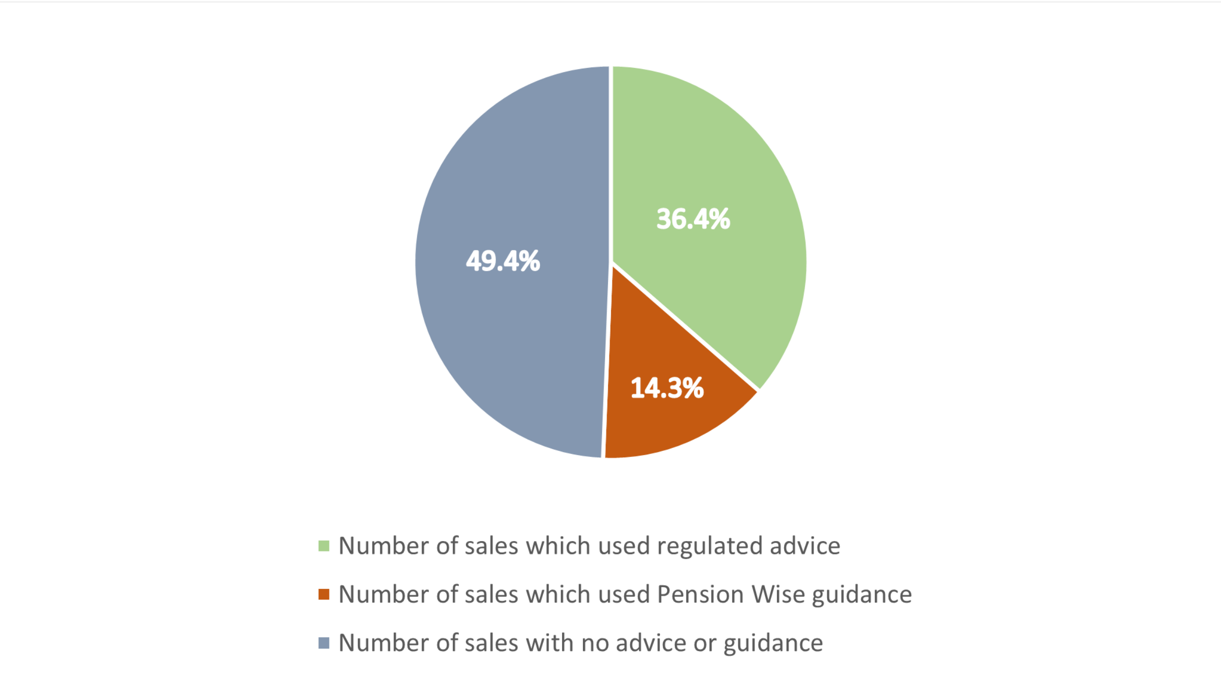
- The retirement income market: country analysis, by Oxera for the FCA – https://www.fca.org.uk/publication/research/rims-comparative-international-research-country.pdf,(and;
- National Annuity Markets: FEATURES AND IMPLICATIONS by the Organisation for Economic Co-operation and Development (OECD) – https://www.oecd.org/finance/private-pensions/41237210.pdf

Q3. Are there barriers to providing other pension options which meet a need and are not currently available in the UK?

In the case of deferred annuities, the most commonly discussed barriers include solvency II and quantitative easing. However, in its simplest form, the biggest barrier is value for money. It would appear that the deferred annuities being offered in countries outside of the UK are too expensive to replicate in the UK.

Q4. Are people receiving the guidance and advice they need to make informed decisions about how they access their pensions?

The below chart has been produced using the FCA's retirement income data for the reporting period April 2018 to March 2020, which was published in September 2020. It shows, in percentage terms, the use of regulated advice and/or Pension Wise guidance before selecting/purchasing a pension access option or product (Annuity, Drawdown, full withdrawal and UFPLS). The graph also shows the percentage of consumers who select/purchase an option or product without receiving regulated advice or guidance from Pension Wise.



At present, the decision-making journey feels less than optimal for consumers. Providers are currently doing greater heavy lifting concerning pension information, options and guidance.

Potentially, a better journey might be if most of the pension option information and guidance was provided by Pension Wise earlier in the pension access journey, allowing providers to support further down the decision-making journey.

Pension Wise could become a substantial force for good across the pensions landscape and in my humble opinion, more could be done to drive more consumers to use their service.

If Pension Wise appointments become a default or opt-out option, it is almost guaranteed that a greater number of consumers will receive more consistent information. However, consideration should be given to when Pension Wise appointments should be made. I personally believe appointments should happen before pension access age. In my view, this may help prevent any pre-determined thoughts and therefore potentially support a more engaged appointment.

If automatic opt-in for Pension Wise was not implemented for whatever reason, I would like to propose a couple of suggestions for consideration:

1) In my opinion, the Pension Wise service needs to stand out more within pension communications. Including a few paragraphs of text within mass communications or adding multiple page booklets are unlikely to have the desired results. I would like to propose something as simple as a one or two-sided coloured flyer. It needs to be simple, with easy to follow next steps and must stand out to consumers.

2) A standardised single page and easy to follow checklist (created by MaPS/Pension Wise)- provided to all consumers 12 months before their selected retirement date (within wake-up packs)

The proposed checklist may support those consumers who do not wish to speak to Pension Wise or are looking for minimum engagement with the process. The idea of the checklist is to predominately, present key considerations to consumers (the sort of considerations that might be discussed during Pension Wise appointments) in a simple and manageable way. I have provided a mock-up example checklist as an appendix on page 19 of this response, to show what I have in mind.

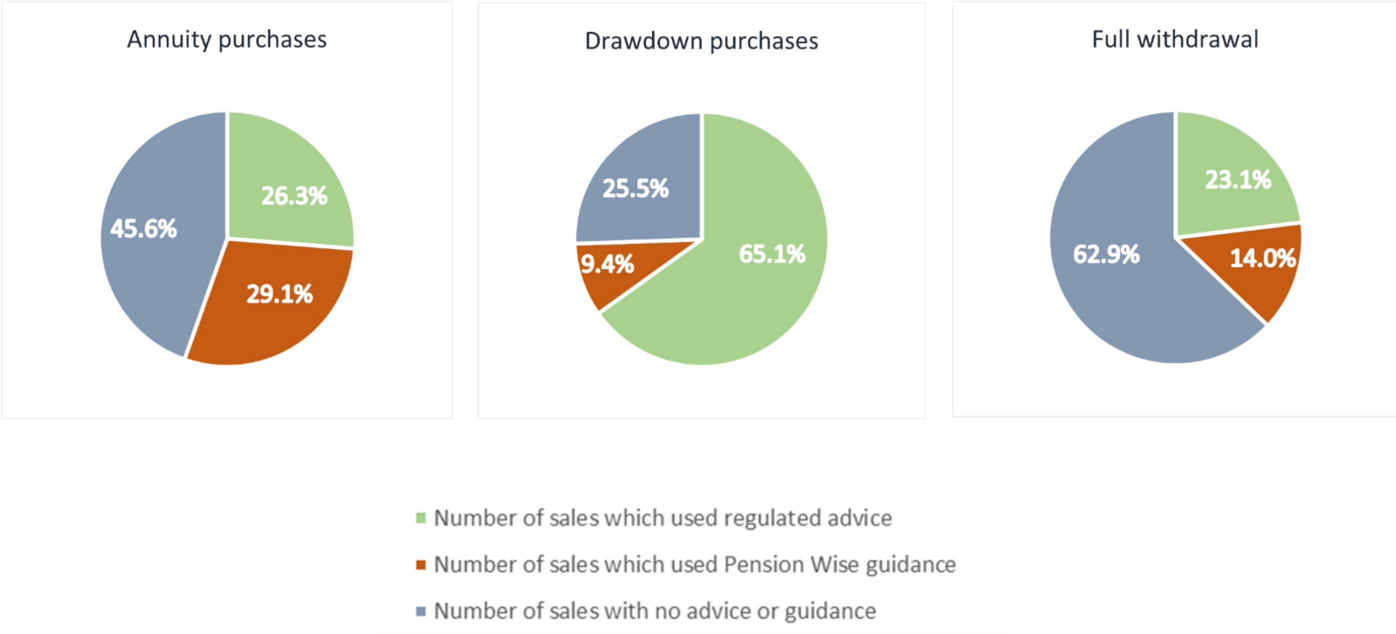
Another striking stat within the above graph is that only 14.3% of consumers received free impartial guidance from Pension Wise. For most people (myself included) this feels like a remarkably low figure when considering the fantastic information and value that Pension Wise can provide consumers. This low take-up of a completely free and valuable service feels like a failing.

I suggest that Pension Wise's biggest barrier at present is resource capacity. My feeling is that when most consumers are looking into their pension options, they are 'in the zone' and wish to have discussions and gather information almost immediately. As a result, if appointment wait times are much longer than a few days out, potentially interested consumers will simply proceed with their current thinking without booking a Pension Wise appointment.

I believe Pension Wise will know the abandonment numbers/rates on the relevant appointment booking webpage(s) which may support or disprove my feeling in the above paragraph. This information may be something the committee may wish to look into further and see if any future action should be considered.

I would like to propose that the committee considers asking the FCA to add a further metric/field to the above reporting, of the ability to see how many consumers have spoken to Pension Wise and have then proceeded to receive regulated financial advice. It seems to me, that it is perfectly reasonable to suggest that Pension Wise may be a gateway into regulated financial advice.

The three charts below, have also been produced by using FCA retirement income data for the reporting period April 2018 to March 2020. These charts show in percentage terms, the use of regulated advice and/or Pension Wise guidance by the three most pension access options or products – Annuity (143,496), Drawdown (391,276), and Full withdrawal (732,652).



In my opinion, each one of the three graphs above present some key considerations. I have outlined some of these below:

- The Annuity graph shows that 29.1% of annuity customers used Pension Wise, this is the largest percentage that shows the use of Pension Wise out of the three pension access options above. Does this have something to do with the individuals using Pension Wise, or does something in the Pension Wise service make Pension Wise users consider an annuity?

- The Drawdown graph shows the highest use of regulated financial advice and the lowest use of Pension Wise.

  An interesting point to note under drawdown is how it is being used by its customers. For the same reporting period (April 2018 to March 2020), 63.4% (248,267) of all new drawdown plans were used to access tax-free cash only. Is this because regulated advisors are encouraging access to pension tax-free cash to use as income in the early years of retirement? Alternatively, is tax-free cash being used to pay bills, clear debts, or other expenses? Either way, I suggest that there appears to be a growing disconnect between accessing tax-free cash and long-term pension income decisions.

- The Full withdrawal graph shows the highest percentage of consumers accessing their pensions without regulated advice or guidance from Pension Wise, this may be simply due to the nature of the decision and it is worth considering that many of these consumers may have defined benefit pensions as a source of pension income. However, this will be an important metric to watch in the future as more consumers rely on DC pensions as the main source of pension income.

Following on from these points, I wonder if non-advised consumers are currently receiving enough information about having two products working alongside each other e.g., annuity and drawdown.

In my opinion, plenty of time is currently given to each product type in turn, however, this is then followed by a very brief statement or often just one line stating ‘or you can have a combination of these options’. This is highly unlikely to capture the attention of a consumer. I feel that this ‘add on’ sentence does not do this option justice.

The current generation of retirees may be receiving a mixture of secured and flexible income through a mixture of defined benefit pensions (providing the secure income) and defined contribution pensions (for drawdown or cash). However, as time passes and more consumers only have their defined contribution pension savings to provide pension income, I believe greater focus should be given to the possibility of using two products in coalition.

Q5. What role should the Money and Pensions Service have in supporting people accessing their pensions for the first time, including through pension dashboards?

Put simply, I think MaPS could play a critical role for the majority of consumers.

The MaPS pension dashboard will hopefully be the beginning of the end to ‘lost’ pensions in their truest form (forgotten pensions). Never again should a living consumer not be able to locate their own pension savings. The sooner this issue is resolved the better.

As I’ve previously outlined elsewhere in this response, I believe that MaPS/Pension Wise/MoneyHelper should become the natural first step on the consumer journey before pension access.

The benefits of Pension Wise’s services are clear to see within its recent service evaluation document (https://moneyandpensionsservice.org.uk/wp-content/uploads/2020/10/Pension-Wise-Service-Evaluation-report-2019-2020.pdf). I have provided what I believe to be some key highlights below:

- **94%** of Pension Wise appointment customers were ‘very or fairly’ satisfied after their appointment
- **97%** said they are ‘very or fairly’ likely to recommend Pension Wise
- **88%** said Pension Wise helped improve their understanding of their pension options
- **95%** of Pension Wise appointment users vs 79% of non-users advised they were feeling ‘very or fairly’ confident in their ability to avoid pension scams

I also believe that MaPS/Pension Wise have an incredibly important role in helping consumers understand the importance of shopping around and using the open market. I delve into this point in greater detail within my answer to question 8. I very much hope that MaPS will also play a central role across the pension industry, in setting the standard for customer communication by using uncomplicated language and helping to make pensions feel relatable and accessible to all.

Q6. Should the Money and Pensions Service offer enhanced guidance or limited advice for people making decisions about their pensions?

Naturally, the exact definition and parameters of ‘enhanced guidance’ or ‘limited advice’ would need to be agreed upon. At present, I do not believe a clear and definitive definition between advice and guidance exists. For me, there are day to day scenarios that can quickly blur the lines between advice and guidance.

Putting definitions to one side, I believe ‘enhanced guidance’, or ‘personalised guidance’ would be a good step for MaPS and its users. Each individual's circumstances and needs and will inevitably be very different. For meaningful interactions to be had, it would make sense to me that Pension Wise appointment~~s~~ conversations are more tailored to the consumer.

I do not believe that MaPS should be able to offer regulated advice in any form but, I do believe that they should be able to tailor their conversations to match the user. They should be able to highlight all relevant options to match the user’s objectives, whilst pointing out any of the relevant considerations such as product pros and cons and the user’s capacity for loss.

Concerning capacity for loss, I often worry if some non-advised consumers effectively differentiate between ‘attitude to risk’ and ‘capacity for loss’. With the results being attitude to risk feelings being applied to capacity for loss, which is certainly not a feeling or attitude preference.

I question whether the communications, examples or case studies used to explain this are having the desired impact on consumers. I feel this is an area MaPS could do a lot of good in this area during the decision-making process.

Once the consumer is within their selected drawdown plan, I wonder if providers could send ‘alerts’ to consumers at agreed points. For example, should the fund value amount reach 50%, 25% and 10% of the original amount invested, the consumer could receive a communication that states the fund value is now XX% lower than the originally invested amount and it has taken XX years to reach this point. This could be coupled with a projected number of years or date (year) that the fund is likely to reach a fund amount of nil. These ‘alerts’ may nudge relevant consumers to think about longevity/life expectancy and the current withdrawal rate.

As mentioned previously within this response, I believe that MaPS/Pension Wise should become a natural first step for most consumers and could feasibly become a useful ‘gateway’ onto advice, should a user want this. However, as mentioned above, I do not believe that any form of regulated advice should be offered by MaPS, as I feel this may make MaPS a ‘competitor’.

Whatever the extent of the service offered by MaPS/Pension Wise/MoneyHelper), it should be very clearly explained to consumers to avoid disappointment. In my view, it is incredibly important that consumers are not disillusioned or left ‘wanting more’ after using the service. This highly valuable service should be transparent about appointment booking wait times and the limitations of the service. For example, consumers should not go into an appointment thinking they are going to be told what they should do (as the service currently stands).

Rather than potentially looking at changing the service scope, I would be like to propose a different idea for consideration.

We are due to see the introduction of ‘mid-life MOTs’ and there is a lot of focus on the use of regulated advice and/or Pension Wise guidance at the point of ‘first-time access’, which is completely understandable. However, what happens to consumers after they have made an initial decision? Should there not be some kind of pension income, later life MOT?

In a post-Pension Freedoms world, a growing number of consumers are purchasing drawdown plans (391,276 new drawdown plans were sold between April 2018 and March 2020). Some consumers are entering drawdown as a way of accessing their tax-free cash only (248,267 plans April 2018 – March 2020) and others as a way of providing regular withdrawals, either to exhaust the funds or to provide income (143,009 plans between April 2018 – March 2020).

With the increasing number of drawdown sales, more consumers will have greater flexibility than ever before. Drawdown customers maintain their ability to keep other options available such as access to one-off cash withdrawals or purchasing an annuity.

As a result, I feel it is important that MaPS/Pension Wise are not limited to consumers just once and only for those considering first-time pension access. I believe MaPS/Pension Wise (or a version of it) should be available throughout a consumer's pension income journey. Some consumers could foreseeably be in a drawdown plan for decades, during which time, I believe it is fair of me to say that most consumers' circumstances and needs would have changed, possibly multiple times due to various life events. For example, many consumers are likely to still be working at the point that they first access their pension, whereas when they decide to stop working, they may wish to re-evaluate their previously selected pension option.

I would be very grateful if the committee could consider such a service (whether it be Pension Wise or another organisation under the MaPS umbrella) to be made available to consumers after first-time access. I strongly feel that such a service could be extremely valuable and could potentially benefit many consumers at a crucial stage in later life.

Q7. Can the success of auto-enrolment in helping people save into pensions be replicated for people in retirement through investment pathways?

I believe investment pathways can be used to support a good number of consumers throughout decumulation. However, I feel the current investment pathway offerings fall short. For investment pathways to become a greater success, I feel further thought and development is required.

Investment pathways (in their current form) have been a good solution to reduce the number of consumers invested in cash, by making cash investment an active decision.

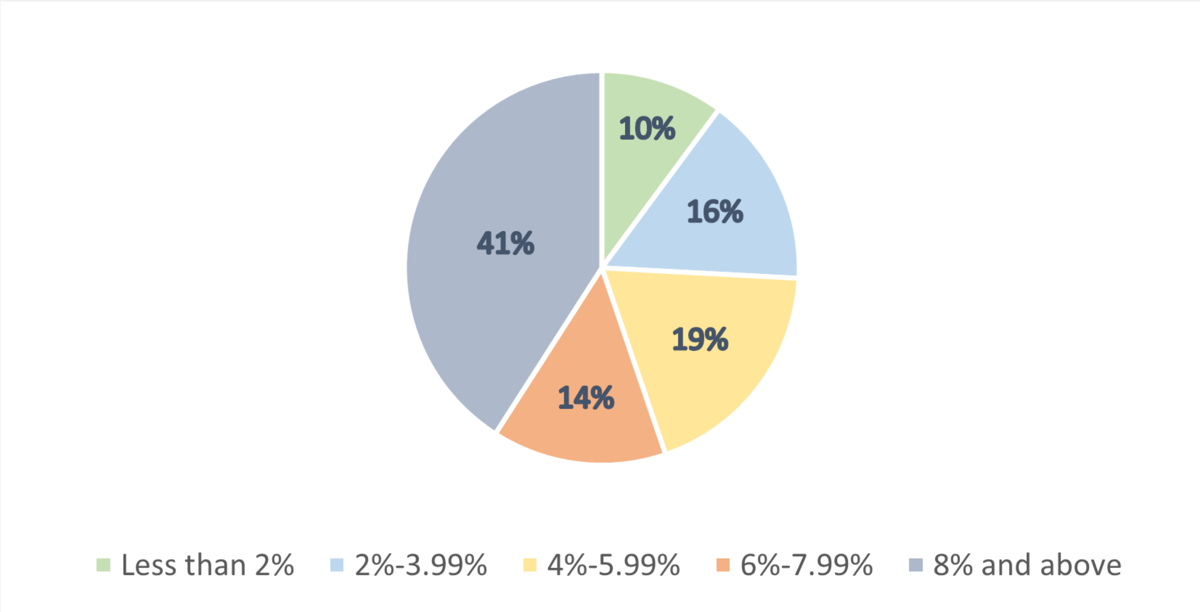
In my opinion, the current investment pathway offerings are largely missing the 'pathways' bit. Consumers are selecting the best fitting case study (at that particular moment in time), which is determining the investment choice. Following this initial decision, for most, there is little difference in their 'pathway' journey.

Currently, if four consumers entered investment pathways on the same day, one for each pathway, as far as the consumer journey or 'pathway' goes there is very little difference from a consumer point of view. Each consumer will receive the same communication at the same time. In my opinion, for investment pathways to be a true 'pathway', they need to focus on the consumer communication within each pathway/journey to better support consumers in obtaining the initially selected outcome.

For example, if investment pathway 2 is selected (they plan to use my money to set up a guaranteed income (annuity) within the next five years), might it be beneficial for the consumer to be provided with projected annuity figures and kept up to date with annuity rates throughout their journey? Similarly, if pathway 4 is selected (they plan to take out all their money within the next five years), the consumer should receive appropriate fund depletion projections, whilst being given the relevant tax warnings.

I believe that investment pathways potentially have an opportunity to actively support one of the biggest risks facing drawdown consumers – withdrawal rates. Investment choice is naturally a key consideration. However, in my opinion, selecting the regular level of income amount is equally as important, if not more so. I fear at present, not enough is being done to support consumers in this area.

The below graph shows the number of plans where plan holders made partial withdrawals by the annual rate of withdrawal, between April 2018 and March 2020 (the data being used is from the FCA's retirement income data).



The above graph highlights that the majority of plans have a regular withdrawal rate of 8% and above. One would hope that the majority of consumers within this withdrawal bracket are planning to exhaust their funds in a tax-efficient manner and are not relying on the funds for long term income.

Beyond this, the next three highest brackets, in order are 4% - 5.99%, 2% - 3.99% and 6% - 7.99%. For these three brackets, in particular, it would be interesting to know what supported the decision in proceeding at the selected rate. Was it chosen out of necessities such as expenditure? Was it chosen based on the hope of maintaining the fund value at a particular amount, for a certain period? Was it selected based on expected life expectancy? Alternatively, was it chosen purely because it was simply shown on examples or communications?

Whatever the answers are to the above questions, I believe investment pathways have an opportunity to potentially better support consumers selecting a regular withdrawal amount.

Just as each investment pathway has different investment strategies, I propose that they could have differing 'suggested' withdrawal strategies (the consumer can always overrule and select a withdrawal rate outside of the 'suggested' withdrawal rates). I have provided a couple of examples below:

If option 3 is being considered ('I plan to start taking a long-term income within the next five years'), the suggested withdrawal rate may be either the less than 2% bracket or potentially, the 2% - 3.99% bracket.

Likewise, if option 2 is being considered ('I plan to set up a guaranteed income (annuity) within the next five years'), the consumer may wish to consider the fund amount they hope to have available to purchase an annuity with. From this, a reasonable expected withdrawal rate can be discussed/shown.

I appreciate that the above may sail too close to providing advice or potentially can be a little complex. If so, each investment pathway could simply have a recommended/suggested 'withdrawal rate cap' or 'withdrawal rate brackets'. If a consumer suggests they would like a withdrawal rate outside of the potential cap or bracket, an appropriate warning could be provided to the consumer.

I can see both pros and cons to my proposed considerations outlined above, however, I feel for investment pathways to be a success, they should focus on providing a solution which not only supports the initial investment decision but also, withdrawal rates. If these two areas are suitably supported, it will almost definitely increase the likelihood of better consumer outcomes.

Q8. Including costs, what information do consumers need about different retirement products to make an informed choice?

I believe the key information consumers should see to help them make an informed are:

- Product consumer profile (I have expanded on this point below)
- Product description
- Pros and cons
- Past performance (if applicable)
- Any relevant protection (FSCS) and the amount of protection that applies
- Costs

All of the above should be written in 'plain English' with little to no jargon and the page count should be kept to a minimum.

To expand upon my first point above, I am unsure if 'product consumer profile' is an appropriate name, however, I am currently struggling to think of a better label! In short, I feel consumers would benefit from seeing a brief explanation (one or two paragraphs) of who this product is aimed at. I believe it is true to say that all products have a target audience in mind when being designed and brought to market. If an expected consumer profile was disclosed to consumers, it not only shows a good level of transparency but may also help consumers in the decision-making process. I have provided a draft example of the sort of thing I have in mind below:

Product ABC

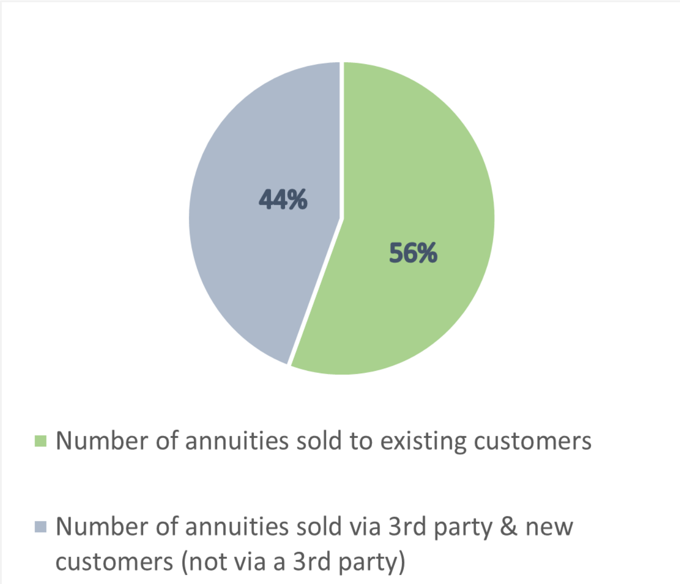
We have created this product for individuals who are happy to accept a medium level investment risk. This product may be suitable for those who do not rely on this product to provide secure levels of long-term income or already have other forms of secure income.

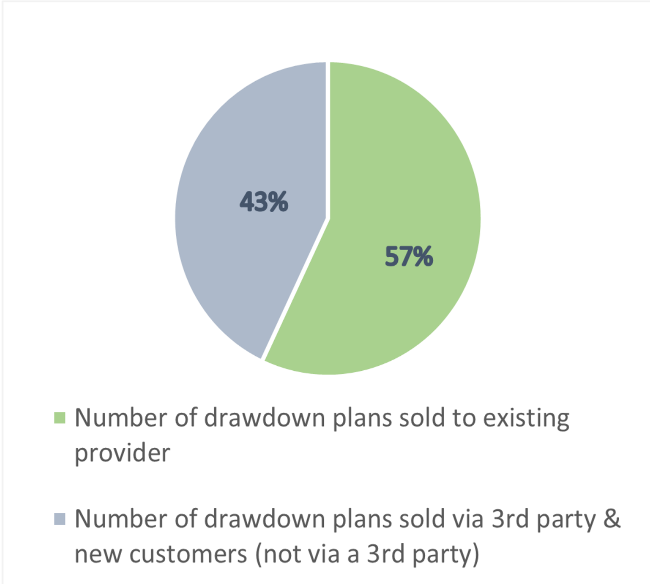
This, coupled with the other points listed above, I believe can only support consumers in making an informed decision.

More generally, I would be grateful if the committee would consider the inclusion of a visual aid, potentially a logo or sign which reminds customers to shop around and search on the open market.

In recent years, we have seen the introduction of a 'current account switch guarantee' this campaign has been followed up with a logo being used across communications and various media campaigns including a tv advert (https://www.youtube.com/watch?v=ZhifbWv0Lnk).

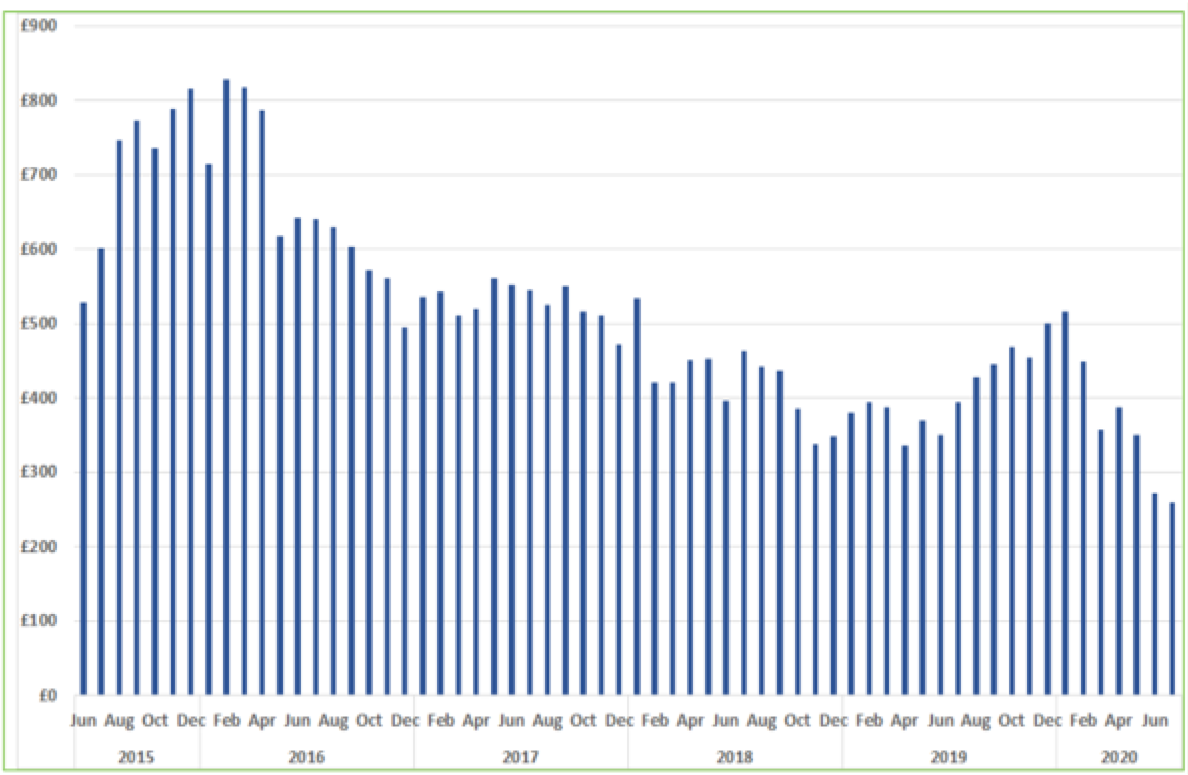
Unfortunately, not many consumers shop around for the 'best' pension income products or deals. The below charts show the percentages between the sources of business for annuity and drawdown purchases using FCA retirement income data for the reporting period April 2018 – March 2020.





As can be seen above, in both annuity and drawdown purchases more sales came from existing customers than new customers (either directly or through a 3rd party). This concerns me, especially in the case of lifetime annuities.

I believe it is imperative that consumers interested in a lifetime annuity shop around for the best possible annuity rate available to them. Last year, I conducted some annuity 'shopping around' research and I am pleased to share a slide from my findings below.



The above slide shows the difference in income between the lowest and highest open market annuity provider. The average annual income difference was £500. As the committee will know with a lifetime annuity, this is not just one year of missed income. It is every year for the remainder of the annuity customer's life. As a result, over a 20 year period, this would equate to £10,000 of lost annuity income.

The committee may be aware of the introduction of 'annuity information prompts' in recent years, to help encourage annuity customers to shop around on the open market. However, since their introduction, a lesser percentage of annuities have been sold on the open market compared to before the introduction of the information prompt.

With the above in mind, I would be very grateful if the committee would be willing to consider my proposal of the inclusion of a visual aid to help consumers remember to shop around or alternatively, to give further consideration as to how we can better support consumers in this area.

I also believe that MaPS/Pension Wise have a role in supporting consumers understand the benefits of shopping around on the open market. I have submitted a Freedom of Information request to discover what percentage of consumers purchased a product through their existing provider compared to those who purchased on the open market, after speaking to Pension Wise. Sadly, I will not have an answer to my FOI before submitting this response, however, I suspect that Pension Wise will be performing well in this area compared to the 'shopping around' figures shown above.

Lastly, I believe there should be an information level above the product level. At this higher 'discovery' level I believe, MaPS and Pension Wise can add a lot of value in helping to support consumers establish which are the most relevant products to them. At this higher level, consumers could be supported by receiving information such as:

- Finding all their pensions - pension dashboards
- Household expenditure/what are the retirement income 'needs' – this could be supported by something similar to the PLSA's Retirement Living Standards (https://www.retirementlivingstandards.org.uk/)
- Longevity/life expectancy - it is commonly reported that consumers underestimate their life expectancy by as much as 8 – 10 years)
- Tax considerations
- Inheritance planning

As mentioned in a previous answer, I believe all consumers could have sight of these type of considerations as standard practice. I have proposed my idea of a simple and single page checklist provided by MaPS elsewhere within this response, however, I have provided a mock-up 'example' checklist as an appendix on page 19, to give a better idea of my thinking.

Q9. Are pension schemes communicating options effectively to members and are there material differences between trust-based and contract-based pension schemes?

In my opinion, I believe that consumers are currently given too much text and information in one go. I mentioned earlier in this response that at present, providers and schemes are doing a lot of the ‘heavy lifting’ when it comes to explaining options to consumers. With the introduction of MaPS and Pension Wise, I believe this should be reviewed and possibly rebalanced, with MaPS/Pension Wise doing a lot more in the way of communicating and explaining the various options to consumers.

I believe that should Pension Wise appointments become an automatic opt-in, this could potentially pave the way for many of the points I have raised within this response, including:

- Lessening the role of explaining options and choices from providers and schemes, which may lead to;
    - MaPS/Pension Wise taking a lead role in simplifying the language and terminology used in explaining the options, which may lead to;
    - Reduced text and simpler and consistent consumer communications

I also wish to highlight the use of annuity figures being provided to consumers. I appreciate that it is not possible to provide members with 100% accurate annuity figures within communications, however, the figures currently being used are noticeably different compared to ‘actual’ achievable annuity rates on the open market.

I have provided a couple of real examples received by consumers below:

Example 1

Total fund value amount - £32,316.49

Annuity quotation amount - £1,412.16 per year (based on a single life annuity with a 5 year guarantee period).

Example 2

Total fund value amount - £23,083.42

Annuity quotation amount - £1,008.60 per year (based on a single life annuity with a 5 year guarantee period).

I have subsequently compared these figures to the open market completing a like for like comparison, my findings can be seen in the table below.

	The annual annuity income figure shown in the scheme communication	Highest annual annuity income figure available on the open market
Example 1	£1,412.16	£1,552.28
Example 2	£1,008.60	£1,114.92

It may be worth noting, that the lowest available annuity quotation on the open market for both examples were also higher than the figures being displayed to consumers.

In both examples, there is over £100 per year difference between the open market and the figures displayed by the scheme. I appreciate that £100 a year to some may not feel like a substantial amount of money, however, I believe it is worth noting a few points in response to this:

- The above only looks at one year and as we all know, an annuity will be paid for life. As a result, the difference is £100 x the remainder of the individual's life

- Recent figures have suggested that 11.5 million UK adults have less than £100 in savings (https://www.fincap.org.uk/en/articles/key-statistics-on-uk-financial-capability)
- The difference in annual income is all relative to the fund value, the fund values used within these examples were both under £35,000

I believe the reason why we show figures to consumers, is to not only provide them with an idea of how much income they may be able to achieve but to also support with decision making.

On this last point, it feels as if more could potentially be done to better support consumers when using example income figures. As a result, I wonder if now is a good time to revisit or challenge the figures shown to consumers for annuity, drawdown and perhaps even a combination of the two products.

Q10. Can the issues around small pension pots be solved through behavioural changes by savers?

In short, yes, to a degree. However, consumers are not supported enough to be given the opportunity to make changes.

The biggest barrier at present is the lack of a pensions dashboards or open pensions to enable consumers to see all of their pension savings in one place. The second barrier being the ability to easily compare between the pension offerings.

I believe it would be unreasonable to expect consumer behaviour to change without both of the above points being addressed. Naturally, giving consumers the ability to see all their pensions in one place will be a hugely important first step. However, without the ability to accurately compare fund performances, costs and other relevant considerations such as built-in benefits or penalties and ESG factors, it may lead to non-optimal decisions being made.

Summary/Conclusion

I appreciate I have asked the committee to consider multiple points throughout this response and I am pleased to provide a list of these for consideration below:

1. A potential missing product from the UK market may be 'deferred annuities'
2. MaPS/Pension Wise to become a central hub and/ or play a critical role in helping to set a standard for the language and wording to be used across pensions
3. When should a product be advised only and how often is this reviewed?
4. Much of the guidance, options and product explanation come from providers. Should this be reviewed, with MaPS/Pension Wise taking on more of a lead in this area, allowing consumers to receive more consistent information?
5. Pension Wise appointments to become automatically opted in. With appointments being arranged before pension access age
6. If Pension Wise does not become an automatic opted-in service, could the Pension Wise service be marketed better and could a simple, easy to follow, standardised checklist/ pension access considerations document be provided to all consumers?
7. FCA to report on how many consumers following a Pension Wise appointment go on to receive regulated financial advice
8. Is enough being done to highlight the use of 'blending' pension income options (annuity and drawdown) to non-advised consumers?

9. MaPS/Pension Wise to become the natural first step before pension access
10. Could the existing definition of 'guidance' be made clearer?
11. MaPS to possibly offer 'personalised guidance' to allow appointments and conversations to become more meaningful to each consumer
12. I do not believe that MaPs should offer any form of advice. However, MaPS could be a good gateway onto regulated advice
13. Is the difference between 'attitude to risk' and 'capacity for loss' being effectively communicated to consumers?
14. Should any changes be made to the current MaPS/Pension Wise processes. In my humble opinion, Pension Wise's resourcing will need a review and consideration given to current consumer behaviour (e.g. consumers wanting support at the time of consideration/asap)
15. Consideration to be given to the length of time consumers are in decumulation, as a result, should there be a service for consumers 5, 10, 15 years after pension access?
16. Investment pathways to focus more on outcomes and the consumer journey after making the initial decision
17. There is a potential opportunity for investment pathways to better support consumers with withdrawal rate selection
18. Consideration for 'product consumer profiles' to be created and displayed to consumers
19. Could more be done to encourage consumers to shop around on the open market?
20. The need for accurate figures to be displayed to consumers (AS TM1 calculations)
21. Consumer behaviour changes could resolve some of the small pot concerns, however, this will only happen once certain barriers have been addressed

I would like to thank the committee for reading and considering my response and I hope my response has been of some interest.

Should the committee wish for me to provide any additional supporting information or evidence in relation to any of this response either in writing or verbally, I will be most happy to oblige. Lastly, I wish to thank the committee for opening this three-part inquiry and to pass on my appreciation for the fantastic report following the first inquiry.

Appendix – Draft/ mock-up example four-point checklist

Consideration point	Notes	Completed
Have you located all your pension savings? It is estimated that on average, an individual might work for 11 different employers in their working life. Which may have resulted in having a separate pension from each employer. You may also wish to request a state pension forecast from the Department for Work and Pensions.	You may wish to make a note of each pension plan number and current fund value.	

Your pension income needs It may be beneficial to consider calculating your household expenses such as bills and other expenses. You may wish to look at the Pensions & Lifetime Savings Associations Retirement Living Standards website to support you with this. (https://www.retirementlivingstandards.org.uk/)	You may wish to make a note of the total amount you wish your pension savings to cover.	
Longevity and beneficiaries It may be beneficial for you to consider how long you expect your pension income to last. The average UK life expectancy for a male is 79 years and 83 years for a female. If you wish to do so, on your death, you may wish for your pension savings or pension income to go to a beneficiary. If so, you may wish to consider how much you hope your selected beneficiary(s) to receive.	You may wish to make a note of how long you hope for your pension income to last and if you wish for any of your pension or pension income to be passed to a beneficiary in the event of your death.	
Tax Apart from any tax-free lump sums you take from your pension pot, any income you take from your pension pot will be added to your income for the year and taxed in the normal way. Larger withdrawals could push you into a higher tax band so bear this in mind when deciding how much to take and when.	You may wish to make a note of your current tax band and the amount of income available until you reach the next tax band.	

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