Experience goes further

Pension freedom & choice

ACA – Leeds
2 June 2015

Paul Macro
paul.macro@isinglass.uk.com
07960 410 046

isinglass Consulting

Content

- Pre April 2015
- Post April 2015
- Policy issues
- Discussion points

Pre April 2015

- No compulsion for schemes to offer freedom & choice to members
- Most occupational schemes likely not to offer full choices
  - Cash / UFPLS – yes – Flexi access - no
  - Concerns around being held liable for poor outcomes and issues with communicating with late in life members
  - Start of linking to ‘preferred providers’ e.g. Master Trusts
- Most contract schemes also require a transfer to a new product
- Annuity sales have plummeted

	2012	2013	2014	2014 Q4
Annuities sold	412k	353k	189k	29k

- Transfers from DB schemes finally permitted (with advice if >£30k)
- Pension Wise up and running

isinglass Consulting

Post April 2015

- "Dash for cash" not materialised
  - Driven by media: and Stevie "Lamborghini" Webb
  - Consumer research predicted low levels of cash out
  - Pent-up demand lasted days only
- Tax is an issue
  - Most people do not understand how drawdown income is taxed
  - "Emergency tax" codes leading to larger tax deductions & anger
- Freedom but not for all
  - Interest in defined benefit transfers starting to appear
  - Significant rise in DC consolidation enquiries
  - Huge risks for members, providers & advisers
- Secondary annuity market
  - Huge apparent supply to sell but lack of demand to buy?

Policy issues

- Market not working: 67% don’t switch
- Product charge caps
- Freedom versus protection
- Preventing fraud
- Tax reliefs
- Reliable expert help
- No magic money bag: need to save more!

Discussion points

- Freedom & choice here to stay
  - Do members really understand their options?
  - Will schemes continue to ‘restrict’ freedoms?
  - How can Trustees provide guidance but not advice?
- DB to DC transfers
  - How far to go in promoting the option?
  - Who will advise on options and what about insistent members?
  - Warnings from the profession
- Impact on default funds & lifestyle design
  - Driven by member choices or do we know best?
- Product development
  - Providers ‘slow’ in releasing new products
  - Asset managers taking the lead?
- Need to save more
  - Will Auto-Enrolment work in smaller firms
  - How to extend beyond 8%?
- Tax relief
  - Does this need to change?
  - Would it be a positive move?
- State benefits
  - Triple lock sustainable?
  - State pension age- where next?

isinglass Consulting