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Dear Maggie

NAPF response to Retirement reforms and the Guidance Guarantee CP14/11

The NAPF welcomes the opportunity to respond to the FCA's consultation on the Guidance Guarantee. For our members, the FCA rules on member communications have important ramifications if mirrored in DWP regulations for trust based schemes. Ensuring that the standards and rules for Guidance signposting are clarified in the next few weeks will be critical to putting in place new systems and delivering clear messages to pension scheme members as April 2015 approaches and beyond.

Our members recognise the importance of guidance and other support in helping pension scheme members navigate the new Freedom and Choice landscape. We are pleased that many of the proposals put forward by the FCA reflect our own views on the standards and customer journey required. However, we remain alert to the fact that, even with the help delivered through the Guidance Guarantee, many scheme members will find the options available baffling and may struggle to select an appropriate mechanism for turning their pot into an income. We would call on the Government and FCA to put in place from the outset a method of measuring the quality and effectiveness of the guidance service and to monitor and review the availability of financial advice for those using the guidance service.

Getting scheme members to contact the guidance will in itself be challenging and then getting them to a point of making an informed decision will not be easy for any of those involved. Signposting will be significantly more effective if the organisation and service being signposted is already established in the consumer's mind. Government must move quickly to create an identity for the new service and should use low cost promotional channels to make sure consumers in the target market are aware of it. More importantly, it should be made clear to the users of the service that this is "guidance" and not financial advice and that they are responsible for the decisions they make.

We have mirrored the structure of the consultation paper in our response and have considered the consequences of the rules for those members who operate trust-based schemes as well as those who deliver pensions through contract-based solutions.

Standards for the delivery partners

Given the importance of Guidance in helping scheme members make informed decisions in what will surely be an increasingly complex retirement income landscape, the NAPF welcomes the standards proposed by the FCA. In terms of detail, we would make the following points:

- We remain uncertain whether trustees of DB schemes with AVC arrangements will need to signpost their members to the Guidance Service. While we recognise that this is not a matter for FCA, it will have implications for the nature of the guidance given.
- At various points (eg paragraph 2.12, 2.20), there is a reference to the Guidance service not recommending or selling products, providers or advisers. We agree with this principle but, since the range of options available to members may include retirement income solutions available within their own pension scheme, we would urge the FCA to extend the wording to cover 'in-scheme' drawdown solutions (whether available within a contract-based or trust-based scheme). Similarly, the options described in paras 2.25 and 2.29 do not extend to members taking income from their existing scheme.
- Under the standard 'Guidance Input' it is not clear to us with whom the delivery partners must 'agree' the information that will be requested. Would the wording be clearer if it said 'The delivery partners should set out the information that will be requested'? Moreover, the request for information from the consumer should not be set out in such a way as to act as a barrier to the individual pursuing guidance, should they be unable to collect all of it. It might be helpful to categorise the information required according to whether it is essential, very useful or nice to have.

On a related point, in section 2.22, it will be important that the requirement for schemes to provide information does not set out information that schemes are unable to deliver. For instance, an individual may be a member of more than one pension scheme with the same employer (or the same pension scheme covering different employment periods) but it may not always be possible to link these and deliver information on both schemes easily.

Levy to fund the provision of the guidance

The NAPF recognises the benefits of using the existing fee-block framework to calculate and collect the levy required to fund guidance. While trust-based schemes will not fund the guidance directly, some of the costs will be passed on indirectly through their contractual relationships with investment managers and other regulated businesses. However, a small number of large, principally DB, pension schemes (e.g. BP, BT and Tesco) operate their own internal fund management activities which are regulated by FCA and which will be included directly in the fee levy. These firms gain no commercial benefit from the provision of retirement guidance and have no ability to spread the costs over a wide customer base. We believe that these businesses should be excluded from the requirement to directly fund the levy.

FCA requirements for firms in the light of the reforms

While our members with trust-based DC schemes and AVCs to DB schemes will not be affected directly by the changes to FCA rules, we have noted below those issues that have direct relevance and those that will have relevance if replicated in changes to DWP disclosure regulations.

- The NAPF will engage positively with FCA, Government and other industry groups in the development of a template for signposting guidance. Given the short timeline for development, it is critical that this group is convened as soon as possible and that work advances quickly towards a standardised wording and branding that presents the information required in a way which meets both FCA rules and DWP regulations for trust based schemes.
- In setting out the unlimited access to the Guidance service, the multiple points at which schemes are required to signpost members to Guidance and other changes to scheme member communication, considerable costs are being added to pension schemes. While the NAPF supports the principles of repeated signposting and repeated use of Guidance, we note issues:
 - The more signposting and usage of guidance, the higher the costs for scheme members and the greater proportion of the costs that are being cross-subsidised by scheme members who either make a rapid decision without a reminder, do not use guidance or who use it once. We understand that in a large scheme these costs could run to six figures a year for repeat signposting. We would ask both FCA and DWP to examine ways of ensuring that members have appropriate signposting and access to guidance while keeping costs down for members as a whole.
 - We are not convinced of the appropriateness of alerting scheme members to the guidance service in all pension communications that refer to retirement, in particular communications that they might receive many years before they are able to access the service. Putting aside the question of whether the guidance service will be available at the time that they retire, alerting members to a service that they can't yet use could add to the complexity of the messages and cause confusion in the minds of the scheme member.
 - The FCA proposes to require schemes to signpost at each point at which a member requests a statement, unless the member has sought a statement within the past 12 months. Given the scope for schemes to develop 'in scheme' income solutions, we recommend that the FCA (and DWP) reconsiders how the rule should be applied in circumstances where a scheme member draws down an ad hoc (or even regular) amount from their scheme. We suggest reducing the cost burden in such circumstances by signposting members to MAS or other appropriate material rather than replicating the wake-up pack.

We look forward to the opportunity to discuss these points with you at our meeting on 21st October.

Yours sincerely



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