

# Supporting DB members making good retirement choices

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# Presenters



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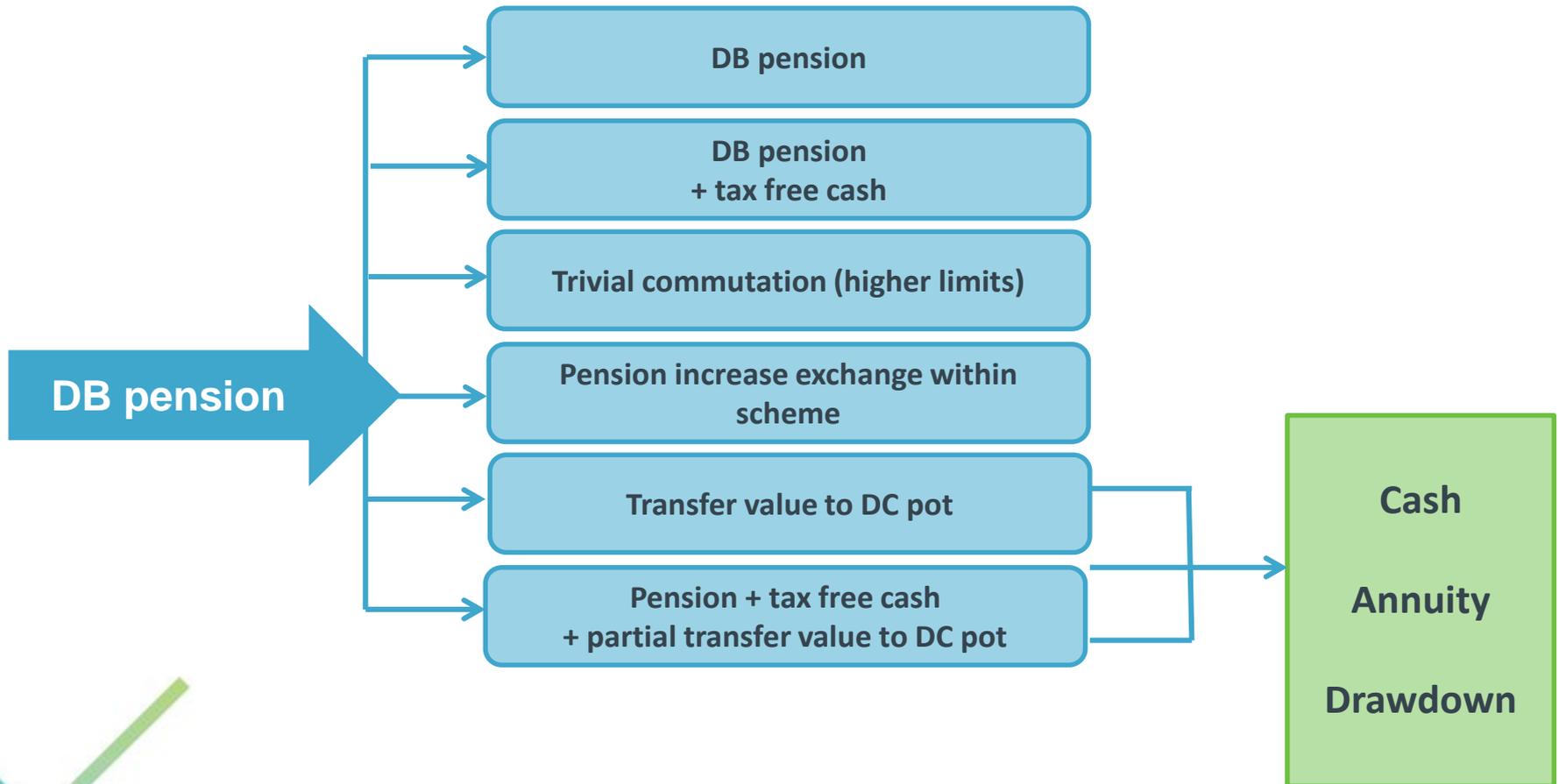


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# Member Options— a market overview

Ryan Markham  
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# Complexity of retirement options



The options available to members are numerous, complex and financially significant. Once chosen, these decisions are irrevocable.

# What's driving demand?



**“Stampede to cash in ‘gold plated’ final salary company pensions”**



**“The sums were attractive to me and it was hard to imagine the offers going any higher”**

Baroness Altmann, former pensions minister



**“Cold-calling ban is just the start of the war on pension scams”**

# The drivers for flexibility

Flexibility

Inheritance

Tax planning

Control

Bring spending forward

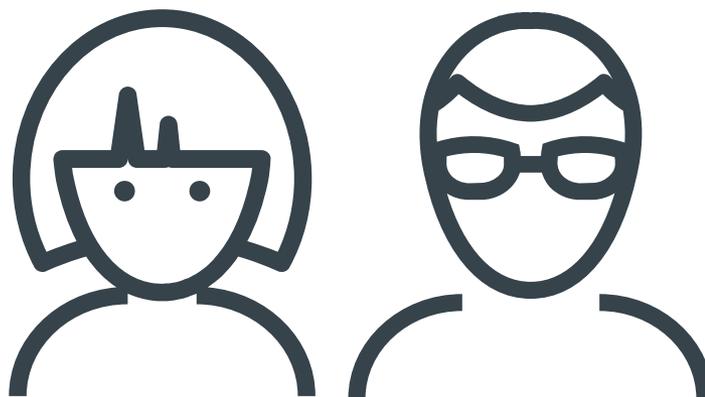
Investment returns  
eg. buy-to-let

Support younger  
generations

Pay off  
debts/mortgage

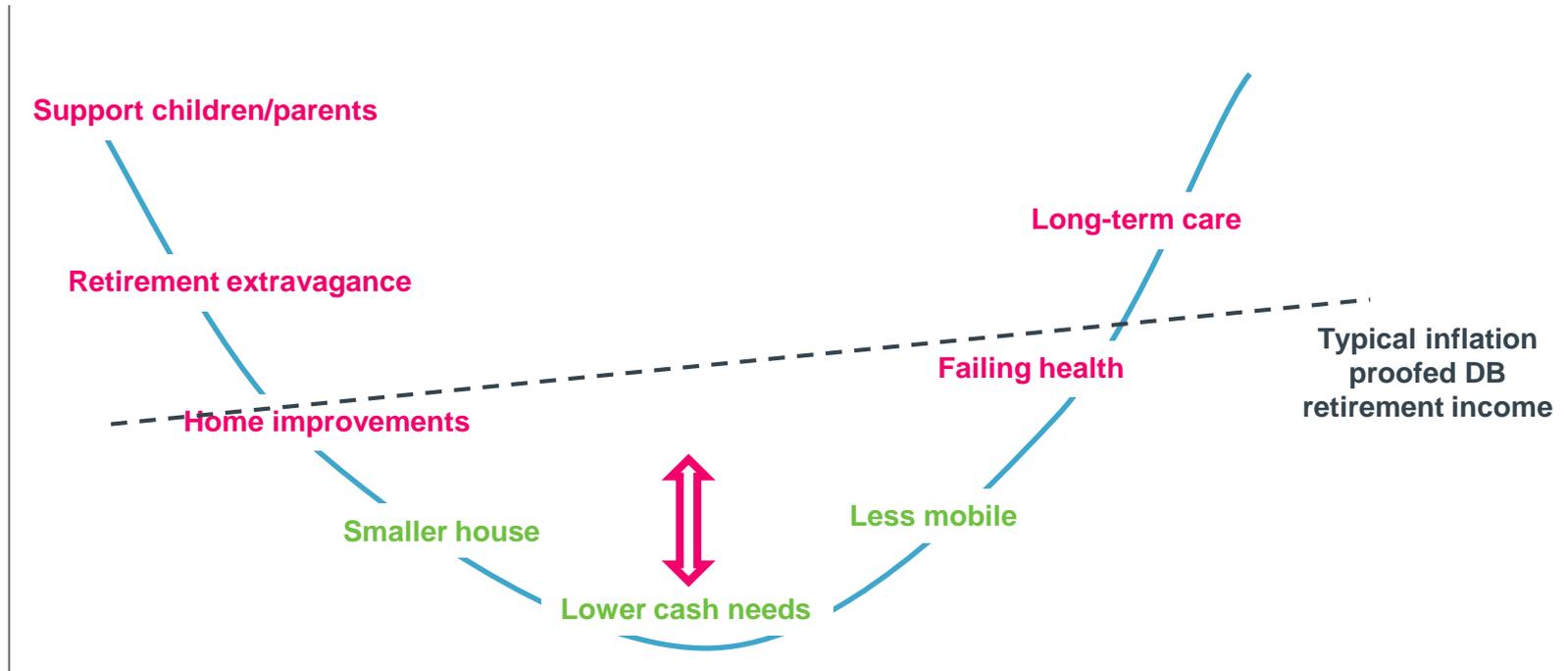
Integrating with part  
time work and  
phased retirement

“Shape” of  
spending to suit  
lifestyle needs



For some individuals flexibility may be genuinely more valuable, but the ‘emotional value’ of access to money can trump ‘rational economics’

# Why members might want access to flexibility



The varying needs through the retirement lifecycle

Needs through retirement don't necessarily match income from DB and will vary from individual to individual

# What are schemes doing to support member choices?

**Communications strategy** – from signposting unbiased.co.uk (i.e. doing nothing) right through to clear unbiased information and personalised information

**Retirement seminars** – support your communications with regular seminars on retirement planning.

**Facilitated advice** – test the market and select an adviser to partner with the Scheme.

**Pre packaged solution** – there are solutions in the market that have been developed to provide quality information through technology, engaging communications and independent advice.

**Custom built solution** – this would allow you to develop your own 'end to end' solution to support with better member outcomes. There would be full flexibility over the approach and the advice

← 'Passive' approach

'Actively supportive' approach →

# The risks of a passive approach

Carolyn Saunders

Head of Pensions and Long Term Savings



Pinsent Masons

# Once upon a time.....

- Trustees need do only what was required to deliver the benefits provided for by scheme terms
- Employers were not responsible for employee economic well being
- The Pensions Ombudsman and the courts reinforced this



# fairytale or reality?

Fairytale?	Reality?
Leading cases decided a long time ago – 40 years for main trustee case; 26 years for main employer case	A long history of the Pensions Ombudsman and court resisting attempts to extend trustee and employer duties in this area
A transformed pensions environment	
Government policy that encourages individual responsibility	
tPR expectation that DC trustees will inform members re flexibilities	

# Life (and pensions) are not a fairytale

***“ there are risks and costs to action. But they are far less than the long range risks of comfortable inaction “***

John F Kennedy

# The wisdom of Aristotle

***“ Tell them what you are going to tell them; tell them; tell them what you told them“***

Art of Rhetoric

Trustees need to:

- provide **information**
- **demystify** the advice process
- **equip** members to take decisions

# The implications of pension freedom & choice for members

**Jamie Barnes**  
Head of Sales  
EBCs and Corporate Partnerships



# What it all means for members

What freedom and choice means in practice



As we were  
**A relatively straightforward, binary choice**



As we are  
**A complex puzzle that all too often can leave members disengaged**

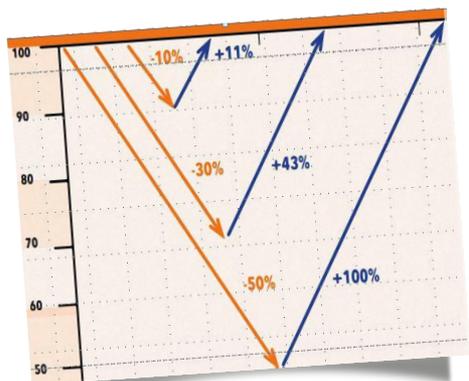
Findings from recent research has found that those approaching the minimum retirement age of 55 are spending worryingly little time thinking about their retirement options

- Half of respondents aged 45-54 didn't think about their retirement at all last year.
- 45-54 year olds spend around two hours or more planning for their last holiday or redecorating a room than thinking about their retirement last year.
- Six in ten (61%) don't know how much they have put aside for retirement.



# Some of the known unknowns

The issues with drawdown are poorly understood



## Volatility drag

Take £100,000 investment:  
a 15% loss in year 1 will  
take 18% growth in year 2  
to return to £100,000  
(ignoring withdrawals)



## Sequencing risk

The order of returns can  
have a significant effect on  
outcomes - poor  
performance in the early  
years are unlikely to be offset  
by good returns later on



## Withdrawals

During decumulation is  
where the real danger  
lies

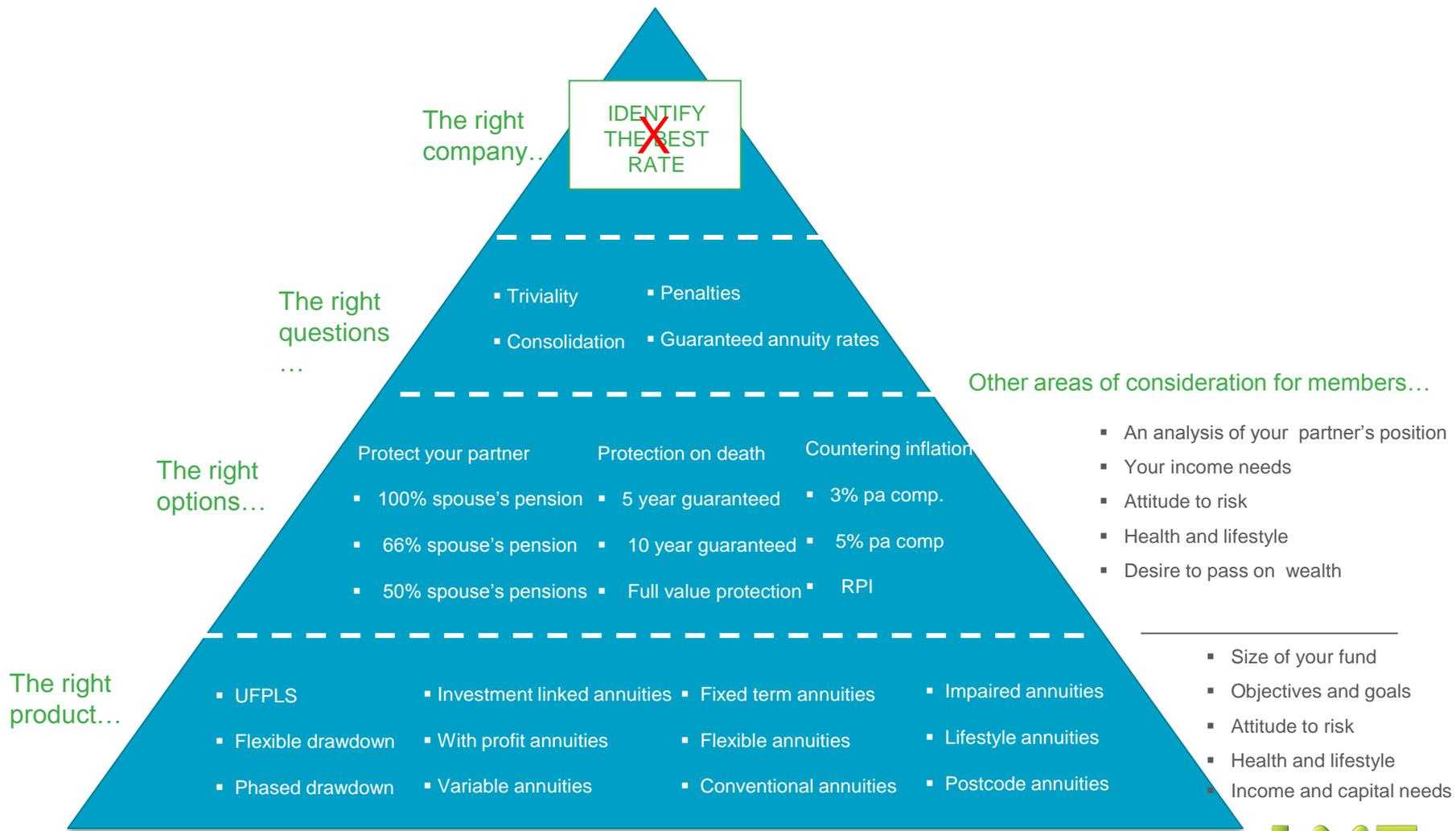


## 'Pound cost ravaging'

Underestimate of the risk of  
running out of money  
before the member runs out  
of life – the “risk of ruin”



# The choice is bewildering



# Digitisation pulls members to turn to Google 1<sup>st</sup>, family 2<sup>nd</sup>, provider 3<sup>rd</sup>

Most, however, want access to financial education through the workplace

Members will use a **blended** source of digital, workplace and other sources of 'help' to **form their preliminary views** and to seek **validation**

36% of employees use Google to look for information on finances, 30% seek help from family and 24% go to product provider websites

Members may be engaged elsewhere in the run up to making key decisions as others leverage this vulnerability to disrupt

ON TRACK FOR A COMFORTABLE RETIREMENT?  
SEE HOW WE CAN HELP .  
VISIT US ONLINE OR CALL  
FOR A FREE NO OBLIGATION  
PENSION REVIEW, CHAT  
TODAY!

Over 55s pension release  
Release your pension cash early

Make the most of your pension when you retire

SAFELY UNLOCK TAX FREE CASH FROM YOUR HOME

When can I afford to retire?

When can I access my cash?

What can I get from my pension?

How do I pay for ...?

I want to stay in my home but..

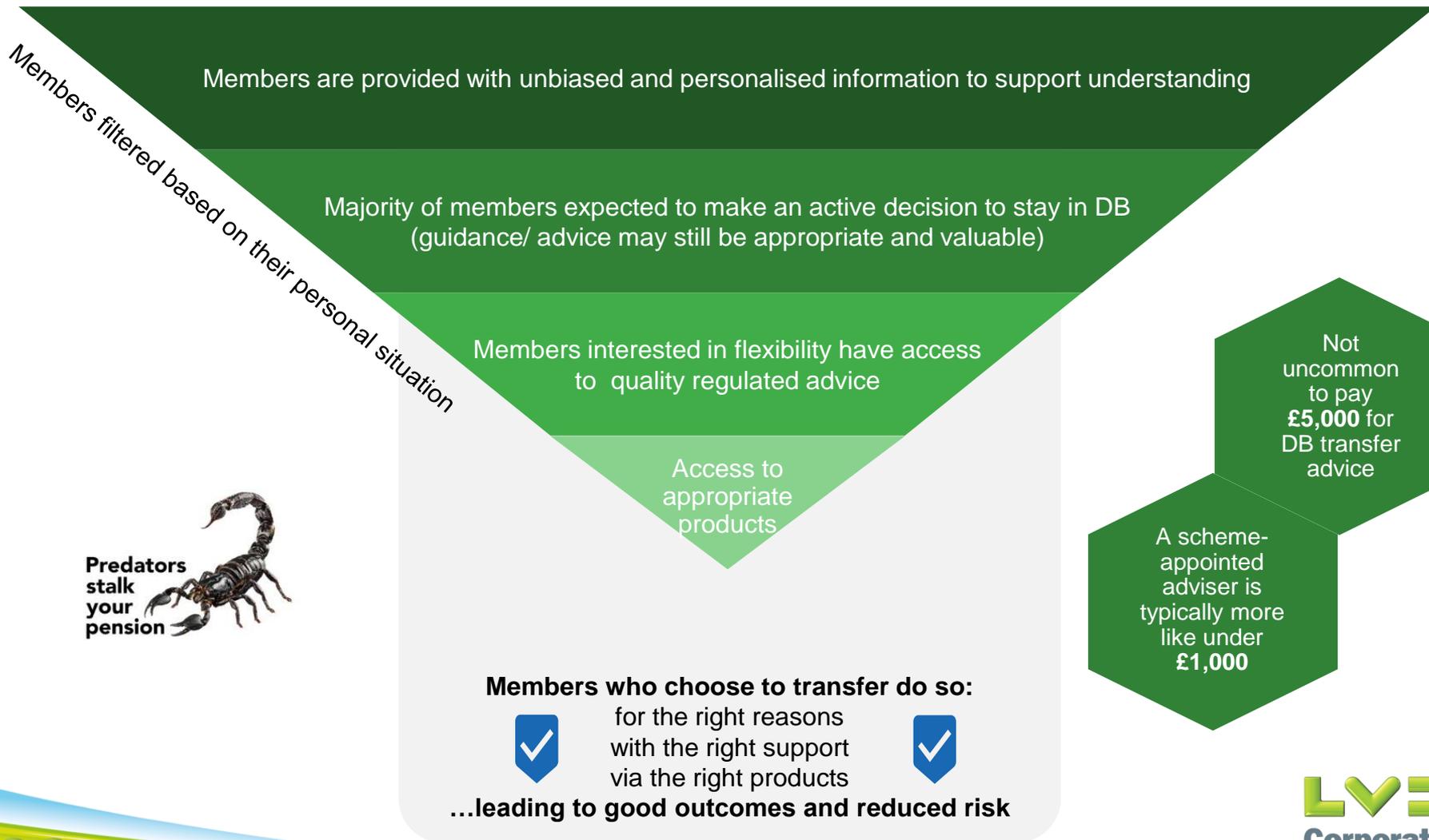
Later Life

Years to and in retirement



# The ideal member journey

## Member journey

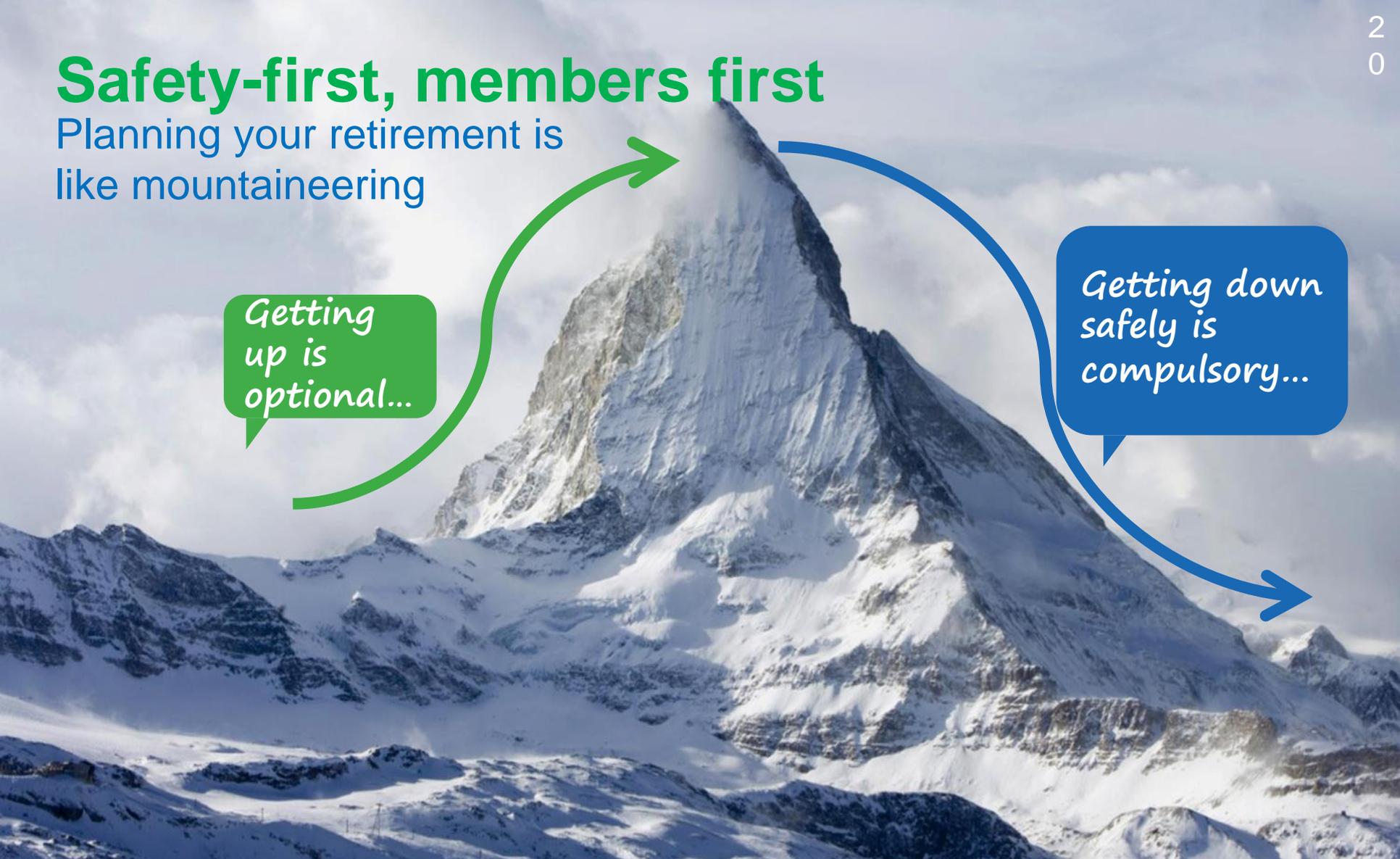


# Safety-first, members first

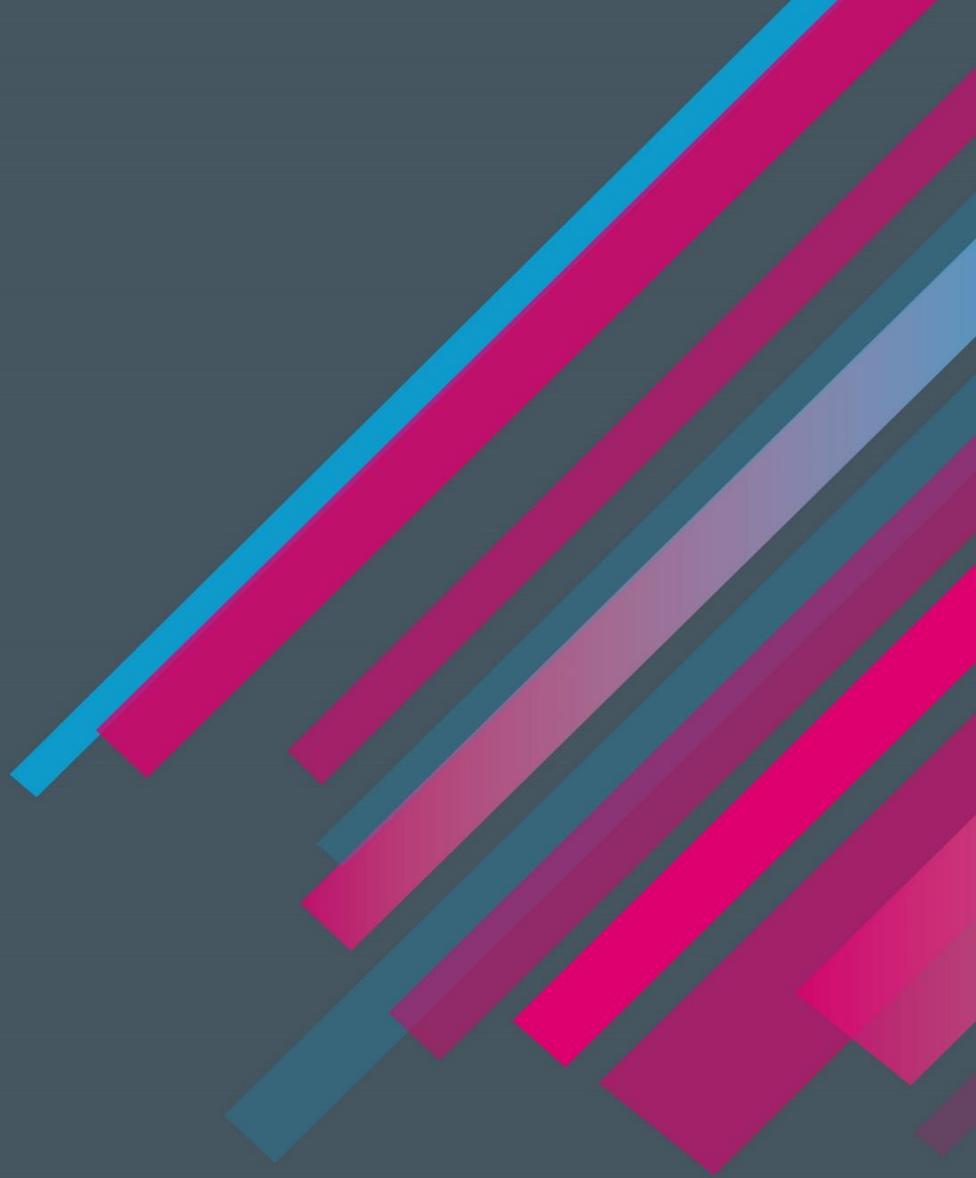
Planning your retirement is like mountaineering

*Getting up is optional...*

*Getting down safely is compulsory...*



To sum up...



# The risks of inaction

- With greater choice comes increased risk of:
  - Sponsors and Trustees being criticised for not providing members with sufficient information to understand
  - Poor quality advice at an extortionate cost
  - Members being subject to pension scams

Without the right support, member outcomes will suffer

To find out more about any of the topics discussed please contact:



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