

## **AMPS Response to CP19/5 Retirement Outcomes Review: Investment pathways and other proposed changes to our rules and guidance**

As the trade body representing the Self Invested sector we have a particular interest in the Retirement Outcomes Review and the resulting Policy Statement together with this Consultation Paper.

AMPS responded to CP18/17 and AMPS representatives have attended two roundtable discussions with the Financial Conduct Authority to discuss proposals in both consultation papers. Overall, we are disappointed with the direction of travel in respect of the proposals and the impact it will have on the self-invested industry, particularly the more bespoke part of the industry rather than the 'mass market' element although we know that there are mass market participants that will be also be impacted by the proposals.

AMPS hosted four round table events with its members during March 2019 specifically in relation to the consultation proposals. An executive summary of these events can be found at appendix 1 together with responses to a series of questions that were asked of participants.

We have serious concerns that over time 'conventional' personal pension providers have re-badged their products as SIPPs which has led to the perception of mass market appeal for genuine SIPPs but that this re-badging has caused unnecessary and undue influence in marginalising a key part of the retirement savings market.

We consider that the proposals in CP19/5 have serious implications for the SIPP industry and our response to this consultation is set out below.

### **Consultation Questions**

#### **Chapters 3 to 8: Investment pathways**

**Q1: Do you agree with our proposed rules on when a consumer must be offered investment pathways, including how consumers who enter drawdown in stages should be treated, and that those who take an UFPLS are not included?**

The consultation acknowledges that opposition has already been voiced by the SIPP industry and that this goes against the concept of self-investment and acknowledges that SIPPs are designed for true self-investment as the name suggests. At the same time, the FCA also acknowledged in CP18/17 that a significant number of SIPP investors were much more engaged than those in the larger retirement market.

It is disappointing therefore that the specific intelligence on SIPP consumers and the views of the SIPP industry are not being recognised and a carve out being established. Despite some of the challenges that the SIPP industry is facing in some quarters, SIPPs do meet the needs of a significant numbers of consumers who wish to keep investment flexibility that would not otherwise be available to them.

Whilst we wholeheartedly agree with the over-riding principle of seeking to avoid consumer detriment we are concerned that the views of the insurance sector, who will not be administering 'true SIPP's', has being given extra weight and prominence and in doing so it will inevitably shape the retirement market and go against the FCA's competition objective which then does actually lead to consumer detriment. The consultation highlights that further information has been sought from a number of SIPP operators, but neither the body of the paper nor the annex confirm if this was solely through the data request or by some other means. Acting as the trade body for the SIPP industry it would be helpful to

understand which firms were contacted or to have an indication of type and size of firm contacted. We are unaware of specific contact with our member firms.

We have some sympathy with the adviser community, whereby consumers that haven't taken advice within a 12 month period, yet are carrying out the exact same transaction as previously will be subject to the pathways proposals and choice architecture proposals. This is perhaps particularly true where a phased drawdown approach is being considered by the individual, but advice hasn't been carried out each and every time a new tranche of benefits is being taken. The approach being proposed will undermine the financial adviser relationship. There is also no recognition of a client seeking investment advice directly from their fund manager who is managing their assets and assessing their risk profile and suitability for the approach being put forward. The investment adviser may not therefore be providing drawdown advice to the consumer.

A practical example of how the investment pathways requirement does not universally fit with all customers would be where a client only has a commercial property investment. It would be inappropriate to offer an investment pathway as the client is only invested in commercial property and has no intention of accessing other investments. This client would consider that the pension provider is deliberately being obtuse and bureaucratic.

As a trade body, representing a variety of SIPP operators with a range of different operating models, we are mindful of the Principles for Business that apply to our members, specifically Principle 2 'A firm must conduct its business with due skill, care and diligence' and Principle 6 'A firm must pay due regard to the interests of its customers and treat them fairly'.

In requiring firms to consider the establishment of investment pathways and the ongoing governance of these it might be questioned whether firms can genuinely do so and continue to comply with these principles. The objectives are in our opinion far too narrow to enable customers to be properly catered for and SIPP operator firms are not structured in a way to assess suitability and investments solutions that will meet with the principles to avoid consumer detriment either at the outset of customers being admitted to a certain pathway, during the term of the pathway chosen or at the end of the initial term and thereafter. We would welcome the FCA's comments in this area.

Instead of the pathway trigger point being non-advised drawdown, a better approach would be to consider the level of cash being held in the pension scheme irrespective of the drawdown position. The level of cash could then be the trigger the pathway discussion and communication process. An alternative to this approach might instead be to apply the rule to those who demonstrably were unengaged with the drawdown process, hence should be introduced say, six-months after drawdown and only to those who have not immediately invested or sought advice.

The consultation paper states that the proposals will apply if a consumer has not confirmed that their personal or financial circumstances are unchanged since they received advice. The terms personal or financial circumstances need defining in this context.

**Q2: Do you agree with our proposal that all providers of drawdown to non-advised consumers should be covered by our requirements on investment pathways, including SIPP operators?**

As indicated above we do not agree with this proposal. We are interested to know the make up of those that 'agreed that investment pathways should be applied to SIPP's'. We would question if they understand the concept of self-investing.

**Q3: Do you agree with our proposed 4 objectives, and mandating all providers to use our prescribed wording when presenting these objectives?**

We believe that the sample sizes from both the qualitative and quantitative research are too small to carry out such fundamental wholesale changes to the pension industry.

We do have concerns that, despite the positioning, reference to a 5-year timeframe feels inappropriate and out of line with recognised investment timeframes. We also have concerns that the one size fits all type approach does not in anyway address suitability or the risk profile for individual consumers. A 5-year time frame is accepted as being short term in nature, yet consumers will likely be in drawdown for many years. The consultation fails to address this other than requiring firms to revisit the investment objective periodically after the first 5-year period has expired.

During the AMPS roundtable discussions, attendees showed that they had different interpretations as to what the objectives meant, for example “within five years” could mean tomorrow or four years and eleven months; or, within option four, does it mean accessing some, or all, money? On the basis that attendees arrived at differing interpretations, the likelihood was that consumers would too.

However, we do agree that if investment pathways are to be mandated then the language needs to be consistent across the industry and therefore we would support a prescribed wording.

**Q4: Do you agree that providers should only be able to offer 1 pathways solution for each investment pathway objective?**

This is a sensible solution to avoid confusion amongst consumers and would simplify choice for them.

**Q5: Do you agree with our proposed rule requirements for the choice architecture, and do you agree that providers can offer investment pathways without giving the consumer a personal recommendation?**

The aim of the choice architecture proposal seems to be to provide prominence to the investment objectives and the resulting investment solution. By allowing additional investment solution choices, albeit communicated separate to the investment pathways, would seem to add to choice thereby potentially inviting consumer confusion where the principle appears to be to avoid this. We are not convinced the choice architecture principles will achieve simplicity and avoid consumer confusion.

We would question the need for providers to seek additional confirmation from the consumer once they have considered the investment pathway options and decided not to go down that route. Whilst doing so would likely frustrate the consumer and potentially lead to delay in investment processing we would be concerned that this might come across to the consumer as pushing a certain investment route that they might consider to be a personal recommendation.

Where the pathway solutions have been provided, it is not clear how providers should manage the customer in terms of making choices. Where a customer is not responsive to the solutions as presented, can a provider assume the customer is comfortable with a default situation which may be remaining in cash because no response has been provided. In this instance it would seem reasonable for the provider to advise the customer of the action taken.

AMPS does however welcome the statement that the presentation of investment pathways would not constitute a personal recommendation. Where a provider is able to offer investment pathway solutions, can they charge a facilitation fee for arranging this and if so, can they do so without it then being classed as a personal recommendation?

We would be interested to understand if the FCA intends to issue a form of words that confirms this for product providers to accompany any presentation of the pathways. Additionally, we would assume that this message will have been strongly communicated to and accepted by the Financial Ombudsman Services (FOS).

**Q6: Do you agree with our proposed rule to prevent providers from offering the same pathways solution for all the objectives?**

This appears fundamental to investment objectives that the pathways must be different as otherwise there is little to gain from establishing a pathway solution. Each solution must be designed to provide an appropriate investment strategy reflecting the nature of the objective. We would not expect firms to consider doing anything other than establishing different solutions. However, it is possible that one of the investment pathways might be to invest into cash like investments given the short-term nature of the objectives. It is unclear as to whether the FCA would consider this to be acceptable.

**Q7: Do you agree with our proposed rules on labelling of pathways solutions?**

We note the proposal but refer you to the comments made in question 5 where we highlight a concern that simplicity may not be achieved, and consumer confusion may not be prevented.

**Q8: Do you agree with our proposed rules requiring larger providers to provide pathways solutions for at least 2 of the 4 objectives and to refer consumers to another provider's pathways solutions for any objectives where they don't provide a pathways solution?**

We do consider it rather odd that firms might only be able to provide investment solutions for 2 investment objectives and that they can reasonably refer to another firm if they do not have solutions for the other objectives. That said, we think firms may not wish to have the product governance requirements from referring to another providers pathway solutions and therefore the referral option in essence becomes obsolete.

We have serious concerns that the proposals are shaping the market and appear to be suggesting that firms will be forcing a transfer out to another pension provider if they cannot accommodate an investment pathway solution or if they cannot meet the product governance requirements. There is no consumer choice being given and no recognition that consumers may be happy with the pension provider they have chosen and do not wish to be faced with no choice and that there only option is going against their wishes. This would be a clear case of consumer detriment and we can only see harm coming from it. We also suggest that such a course may lead to a rise in consumer complaints.

**Q9: Do you agree with our proposed easement for smaller providers, including our proposals for the operation and level of the threshold for qualifying for this easement?**

We believe the easement whilst useful and allowing smaller providers to be exempted from the proposals is unhelpful in that it appears to force the smaller providers to facilitate a transfer out to another provider that is not making use of the easement.

However, we note that the consultation states that a referral to the Single Financial Guidance Body (SFGB) is one of the two available routes for a consumer to take guidance. Is referral to the SFGB just to gain access to a price comparator or guidance about any drawdown investment decisions? What is unclear to us is whether this route enables small providers to retain non-advised drawdown customers without any additional follow ups being required or if all this does is delay a referral to a pension provider that can provide an investment pathway solution. Clarification on this point would be welcomed.

Your consultation makes the point that larger firms are unable to refer to the SFGB which implies that referral for smaller providers is sufficient. Are the personnel at SFGB going to be providing investment advice to consumers that are referred? Whilst pension providers will need to record that a referral to SFGB has taken place do they need to record the outcome of that discussion?

The consultation goes on to state 'that few larger providers want to refer consumers to other providers, as they would prefer to keep them.' We do wish to vehemently advise that all providers want to retain

clients not just those that are classed as 'larger'. Unfortunately, not all firms will be in a position to be able to offer in house investment pathways to retain consumers.

If the easement is to apply we agree that the threshold appears to be set at an appropriate level although as the number of consumers in drawdown increases, it may be appropriate to re-base the threshold or consider operating a threshold based on the percentage of consumers in drawdown that are not advised.

**Q10: Do you agree with our proposed approach to product governance for firms manufacturing pathways solutions used to provide investment pathways? Do you agree with our proposed approach for distributors?**

We agree with both elements of the proposed approach although as stated earlier we do not consider that firms will likely refer to another firm's pathway solutions because of the additional product governance that will be required.

**Q11: Do you agree with our proposed approach for ongoing information to consumers using investment pathways? Do we go far enough, or is there anything further that providers could do to ensure that consumers carefully consider their investment choice on a periodic basis?**

The approach as described will require greater clarity of information from investment managers who may be creating the pathway solutions for pension providers. It is not clear if the FCA has separately consulted with this group to establish how easy this might be. It is noted that the FCA does not intend to prescribe a template, but some form of industry standard would appear to be a helpful step to aid with any communication requirements and avoid further consumer confusion.

We have already commented on the objective timelines under question 3 but do consider that further communication at 5-year intervals will add unnecessary additional steps. We wonder if a better requirement is for the notifications to be made as part of any annual statement communications.

**Q12: Do you agree with our proposed approach for the records providers should keep?**

Whilst we agree with the need to keep records and record the details of the process for designing the investment pathway solutions, the level of additional detail you have initially described could be difficult for providers to provide within the timescales you have outlined. System development will be required to enable smooth automation of this information and we are assuming that at some point this information may form an additional regulatory return.

It would be helpful if the FCA could produce a data template for firms and trade bodies to review and provide feedback on. This would avoid firms seeking to implement changes which may change again and require further system development time. The FCA already asks firms to submit a retirement output report REP015 and it might be that the content of this could be added to.

Whichever approach is used, if requirement and formatting is clear at outset, firms can arrange their systems to collect data in such a way it can be easily extracted and presented back to the FCA.

**Q13: Do you agree with our implementation timeline?**

We believe that a 12-month implementation timeline is a minimum and if anything should be extended to 18 -24 months to allow for software development times. The proposed pathway approach represents a new customer journey and processes will need to be re-designed and product governance criteria established, agreed and implemented.

The consultation highlights that the IGC regime will be extended to cover investment pathways and that a further consultation on this will be issued. This represents a serious and significant issue for parts of the SIPP sector. AMPS would ask that face to face discussions with the industry are made available to allow for full feedback from the industry.

With the proposed review, we consider that given the fundamental change to the industry, one year does not seem like a long enough period to understand if the intended outcomes will have been met. It is not clear what FCA see as the measure of success. Is it that there is a reduction of non-advised drawdown consumers? It might be that a true measure of success cannot be determined until after the first 5-year period of when the investment objective framework has expired.

## **Chapter 9: Ensuring investment in cash is an active decision**

### **Q14: Do you agree with our proposals to ensure cash investment is an active choice?**

We understand, and we are sympathetic to the concerns that the FCA has in this area. The SIPP industry has however been concerned itself as to the bias against SIPP operators' in relation to retained interest and we welcome any rebalancing of this approach when the FCA concludes its asset market study, specifically interest income and retention made by platforms.

For example, a recent FT adviser article highlighted that a large household name generated £33 million from interest accrued on clients' accounts which almost matched the £34 million income from annual charges.

The annex suggests that feedback was gathered from a number of large providers that themselves service 93% of the non-advised drawdown market. We contend that the statistics are not representative of the smaller operators. Furthermore, your consultation states that 39% of plans under £10,000 were highly invested in cash. The consultation doesn't explore this in any further detail, stating whether the plans were in full drawdown or partial drawdown and if in partial drawdown what the overall SIPP size was and whether the cash therefore represents a less significant part of the overall value.

We do not believe it is reasonable for the FCA to contend that pension providers are actively using a default cash mechanism to increase any interest that they might make from holding cash on deposit. We would understand that most insured plans (since re-badged as SIPP) are wholly invested rather than held in cash. Whilst we would not dispute that firms do receive income in this way, we do not believe they are taking action that is carried out in such a way as to disadvantage the client. In fact, firms more often than not require a signed investment instruction from the SIPP member before any investment instruction can be processed, a point that was made to the FCA representatives during the round table discussion and which is specifically recognised in the consultation paper.

To be clear, we consider that any investment decision whether held in cash or not, should be an active investment decision and potentially highlighting ready-made pathway solutions does not truly represent an active investment decision.

We would appreciate FCA providing additional guidance on cash like investments and consider excluding investments in investment managed accounts where cash is held as well as investments in structured products, deposit accounts and National Savings Investments. Each of these whilst being cash like investments, we consider have been established as an active investment decision by the consumer.

Equally, where a consumer decides to disinvest from other investments and hold the money in cash for a period of time, would this action be classed as an active investment decision. Does there need to be a trigger point at which the consumer is contacted again even though they appear to have made an active investment decision?

Despite the SIPP roundtable we consider that the FCA has misunderstood a fundamental issue with pension transfers/switches and how these are processed, particularly by SIPP operators.

Most pension transfers are carried out in cash and the cash account is used as a holding mechanism whilst the customer decides where to invest. SIPP operators already publish the interest rates on cash and disclose any interest retention to the customer. Equally some investment houses have a minimum investment limit and do not offer interest on cash. It might be to the detriment of the customer for cash to be passed to the investment house ahead of that de minimis limit being reached.

When a client establishes the scheme, this is more often than not accompanied by a specific investment instruction, for example to invest through a fund manager, platform, commercial property. In the absence of such an instruction firms will ask the client their intention.

We would be concerned that any move in this area despite the best of intentions, would frustrate a pension transfer and potentially lead to complaints in relation to establishment of the pension scheme.

**Q15: Do you agree with our proposals on the warning about investment in cash that the non-advised consumer will get when they enter drawdown or transfer-in funds in drawdown to a new provider?**

If the remedies proposed within the consultation paper come to pass, the inference is that longer term the number of consumers using cash will be severely diminished, yet conventional portfolio construction suggests that a proportion of cash is a sound choice. This is perhaps particularly true if a client is intending to withdraw pension income over a number of months or years.

We do however agree that a simple set of warnings could be provided where cash is being maintained. Noting that warnings are required annually once funds are received, your paper doesn't appear clear at which point this communication should be made so we would propose that these, whilst sitting outside of other risk warnings, might form part of any communication at the point the 'move' to drawdown is made.

The consultation refers to a comparison between the interest rate received by the consumer and inflation. The consultation doesn't consider practical implications of this rule where cash is spread across more than one cash or near-cash investment with differing interest rates (i.e. is the aggregate rate quoted and what about near-cash interments that provide a 'yield' rather than an interest rate). From a point of consistency and simplicity for the consumer, it would be better for one measure of inflation to be mandated e.g. RPI or CPI. RPI is used in illustrations to for consistency across the piece this might be a more useful indicator.

**Q16: Do you agree with our proposals on the ongoing warning around investment in cash?**  
agree

As with our suggestion on notifications in annual statements (Q3), we propose and agree with your comments that this warning could be issued with any annual statement notifications rather than as a separate exercise. This would avoid additional duplication for consumers and streamline processes for pension providers.

Where a customer as a result of the warning letters decides to either use the investment pathways or invest elsewhere, can the pension provider firm charge a facilitation fee?

**Q17: Do you agree with our proposed approach for the records providers should keep?**

We would refer you to our previous comments on records that are to be kept.

**Q18: Do you agree with our implementation timeline? In particular, do you agree with our view that these remedies should be implemented at the same time as investment pathways?**

We agree that it is sensible for the timeframes to be aligned. This will simplify matters for product providers as well as for consumers.

**Chapter 10: Actual charges information**

**Q19: Do you agree that, in relation to their decumulation pensions, unless charges are built into the disclosed price of the product, consumers should receive information at least annually on all the actual charges they have paid, aggregated and expressed as a cash amount?**

We agree with the comments in the consultation document that this could prove difficult. This is especially the case where there are assets managed through an investment manager firm or platform. Pension providers will know the specific costs of their 'pension wrapper', any adviser charges and any annual management costs of the investment manager. However, the pension provider, unless they manage the assets themselves as per an insured scheme or platform, will not typically have sight of transaction costs across the year.

You state that firms can use the same systems and data on transaction costs that they use when complying with MiFID disclosure requirements yet many, many firms will not be subject to the MiFID regime and therefore not currently have any processes or systems in place to capture the information. Obtaining this information and obtaining it within a timely fashion will prove very difficult in our opinion unless investment firms are mandated to supply this within 'x' days of request from the pension provider.

If costs were supplied to the SIPP operator in a timely fashion it does ask the question of how these charges should be presented where a client is not fully in drawdown. We have already described that a portfolio is not divided specially by assets but rather it is notionally split in the vast majority of cases. Without manual intervention, transaction costs are inflated and therefore misleading to the consumer. We have concerns that presentation of transaction costs in the manner expected would lead to consumer confusion, poor decision making and ultimately consumer detriment.

For those members of AMPS that operate SIPPs, they will have no influence over investment decisions and it feels anomalous for the operator to provide a complete list of all costs to the consumer not least because these costs would be the same whether the SIPP was established through provider A or provider B. The only variable here would be the SIPP wrapper cost and any product costs that the operator controls such as their fees for a property transaction. SIPP operator cost comparison should be the driver rather than the underlying investment transaction costs which are portable and the same irrespective of SIPP operator chosen by the consumer.

It would appear more sensible for the investment manager to directly communicate any costs to the consumer rather than this being feed through the pension provider.

**Q20: Do you agree that our rules should require disclosure of transaction costs, but not specify how transaction costs should be calculated?**

Transaction costs are likely to be explicit and so we do not understand why the guidance needs to specify how they should be calculated although we understand that there is an expectation that they would be calculated in accordance with existing MiFID II transaction cost reporting requirements. We do however refer you back to our comments in question 19 above in relation to transaction costs.



**Q21: Do you agree that firms should disclose the adviser charges paid out of the product, or clarify that adviser charges are not included in the annual pension charges figure they disclose?**

This is an appropriate measure and increases transparency to the consumer. That said, it is our experience that consumers do sign up to adviser charges agreements which will make the distinction between payment from the product or the investment. Additionally, charges are disclosed in pre-retirement illustrations as well as typically on illustrations for clients in drawdown and so they should be aware of charges being applied to the pension scheme.

**Q22: Do you agree with our implementation timeline?**

Despite our objection to the proposals we agree that a 12-month implementation period is reasonable.

### **Annex 3 Cost benefit analysis**

**Q23: Do you have any comments on our cost benefit analysis?**

Our comments in relation to the Cost Benefit Analysis are more general in that we do not believe sufficient weight has been given to the impact on re-designing systems, product development and governance of offering investment pathways or referral to organisations providing investment pathway solutions.

## Appendix 1 – AMPS membership roundtable discussions March 2019

### EXECUTIVE SUMMARY

#### Introduction

Following the publication by the FCA of CP19/5: Retirement Outcomes Review, AMPS commissioned four roundtable sessions, facilitated by Enhance, to garner opinion from AMPS members as to the likely impact the proposals would have on their businesses, so that this could be considered by AMPS when preparing their response to the consultation. This report summarises the output from the four roundtable sessions, which were attended by a range of Sipp operators including smaller firms falling within the small provider easement, as well as larger firms who were contemplating offering investment pathways.

#### Methodology

Four roundtables were facilitated by Enhance, two in Manchester and two in London. Each followed the same format, with a presentation deck that provided a broad overview of the three main facets of the proposals (investment pathways, cash as an active investment decision and actual charges information) followed by more in-depth discussion around these three areas. In all sessions, taking account of the FCA's policy objectives, attendees were encouraged to propose a solution to any areas opposed.

In addition to notes being taken in regards to discussion points raised in the sessions, a questionnaire/survey was issued to electronically (via Survey Monkey) to attendees prior to their attendance to the roundtables. The survey sought to obtain views via a numeric scale 1-5 as to respondents' level of agreement or disagreement of certain aspects of the proposals. This was revisited in the sessions (via a paper version) where the same questions were posed to see whether, as a result of further discussion, attendees' views had changed.

This executive summary summarises the main headlines from the survey results along with the main views expressed on the main facets of the proposals. Then follows separate sections linked to each of:

1. Investment pathways;
2. Cash as an active investment decision; and,
3. Actual charges information.

#### Questionnaire headlines

Based on responses received (after the roundtable sessions), an overview of the analysis of the responses is shown below. It should be noted that these are based on individual responses rather than per firm.

## **Investment pathways:**

- Around half the respondents were broadly in agreement with investment pathways, with a further 27% 'neutral'.
- Around a third of respondents felt the classification of 'non-advised' consumers would prove challenging.
- Regarding the four pathway investments and the associated process, half the attendees disagreed with the proposals (anecdotally, this was more around the objectives rather than the process).
- After the roundtable sessions, the majority (70%) understood the distinction between 'offering' and 'referring' investment pathways; however, this compared with 37% before the sessions, suggestive of the fact this is a difficult concept to understand without further clarification.
- Overwhelmingly (96%) attendees are unable to earmark or attach pathway investments to drawdown pots - this is because of the common systems approach of apportioning fund splits across crystallised and uncrystallised funds.
- There is lack of clarity on the role of the SFGB's drawdown comparator, with 86% of respondents unclear as to what the drawdown comparator is or the role it will fulfil in investment pathways.
- Despite the earlier statistic linked to earmarking of funds, in regard to their ability to implement the investment pathways in their current form, only half the respondents answered in the negative.
- Only 14% of respondents agreed that investment pathways would be beneficial to their clients.
- In respect of the process linked to the small provider easement, this seemed clear to attendees, with only 20% reflecting they were unclear.
- Reporting data to the FCA appears to prevent a challenge, with only 32% agreeing they would be able to record the data as framed in the proposals.

## **Cash as an active investment decision:**

- There is broad support for this proposal, with only 30% attendees disagreeing with the proposal.

## **Actual charges information:**

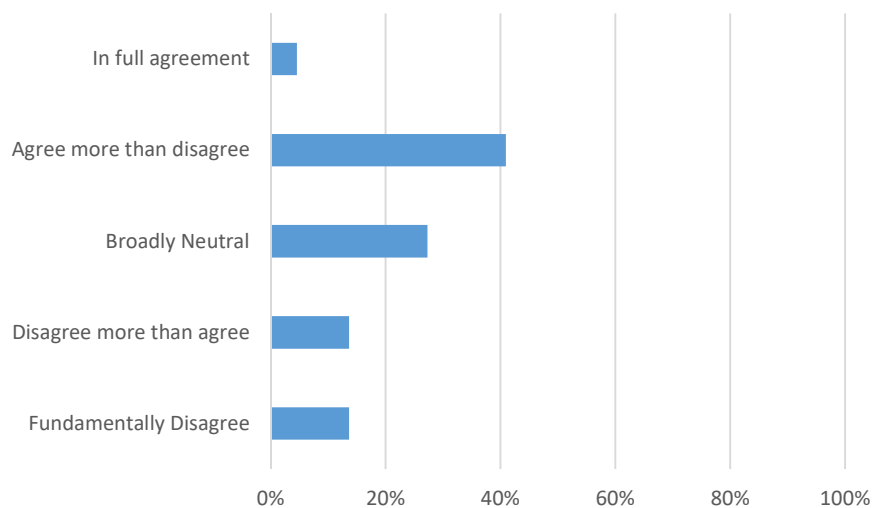
- There was large majority (90%) of attendees who were unclear as to what costs should be represented in the annual statement of actual charges.
- This reflected in three quarters of attendees prima facie not being able to reflect the charges as stated in the proposals and 100% of attendees being unclear as to how to implement the draft rules.

In summary, the statistical analysis outlines that:

1. Whilst broadly supported, it is the process associated with investment pathways that provides the biggest concern, particularly linked to how these can attach purely to drawdown funds - this of itself gives rise to unintended consequences (see next section).
2. There is universal concern regarding the representation of actual charges information, both conceptually and also the associated process, which is unclear in part due to lack of clarity provided by the FCA within the proposals.

## Investment pathways

Q1 In regard to primarily non-advised consumers struggling to decide where to invest their drawdown funds, an investment pathway comprises a ready-made investment solution, for example a multi-asset fund, into which these funds can be invested. Overall, does your firm support the principle of investment pathways?

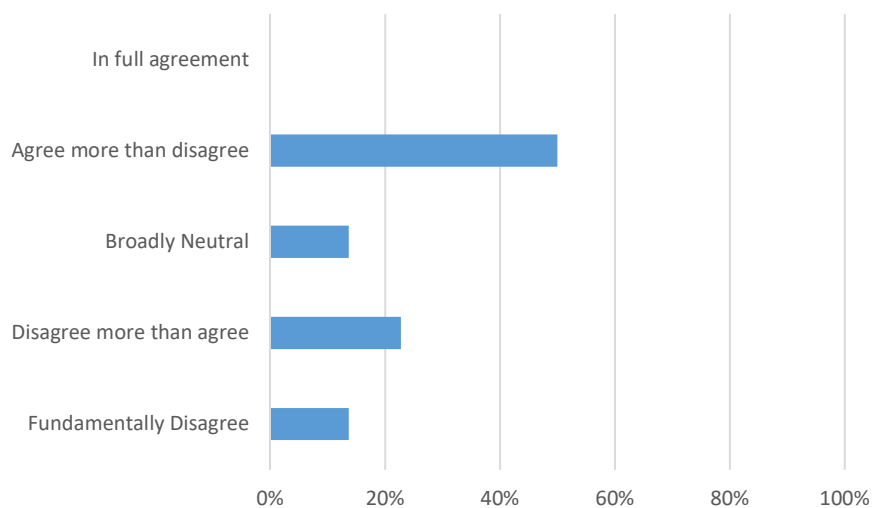


Answer choices	%
Fundamentally Disagree	14%
Disagree more than agree	14%
Broadly Neutral	27%
Agree more than disagree	41%
In full agreement	5%

Q2 Aside from the definition of a consumer who has not sought advice, a 'non-advised' consumer is also one where, in regard to further designation of drawdown funds, a later investment decision is made:

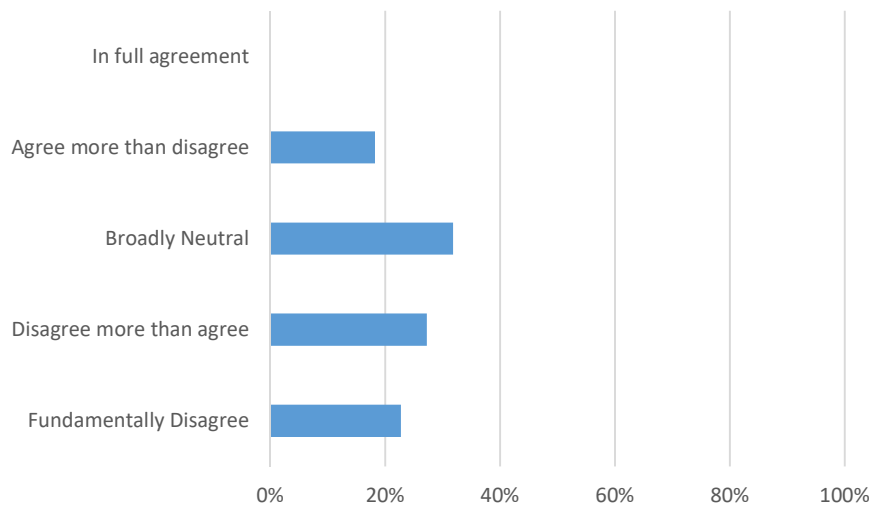
- a) more than 12 months after the transaction they were advised on; or
- b) within 12 months of the transaction they were advised on and they have not confirmed that their personal or financial circumstances are unchanged since they received the advice.

Our firm will be able to easily categorise such consumers?



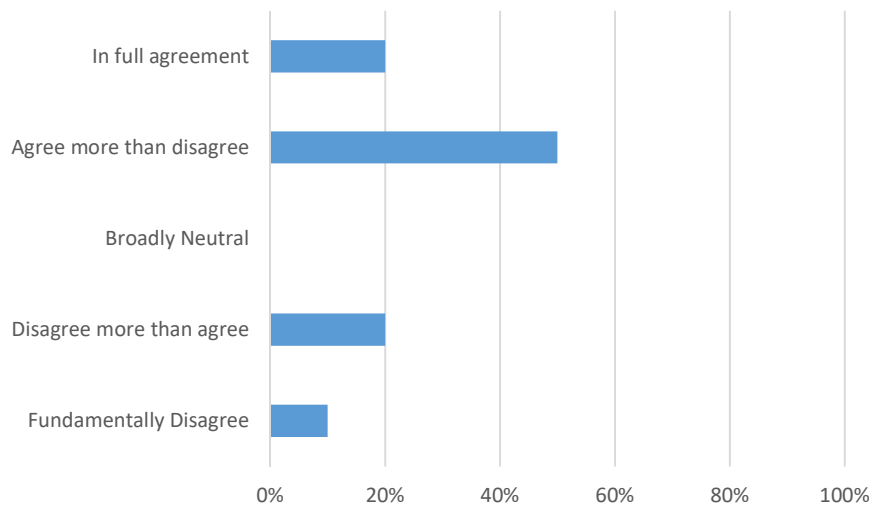
Answer choices	%
Fundamentally Disagree	14%
Disagree more than agree	23%
Broadly Neutral	14%
Agree more than disagree	50%
In full agreement	0%

Q3 Does your firm agree with the four objectives and process for offering the investment pathways (choice architecture)?



Answer choices	%
Fundamentally Disagree	23%
Disagree more than agree	27%
Broadly Neutral	32%
Agree more than disagree	18%
In full agreement	0%

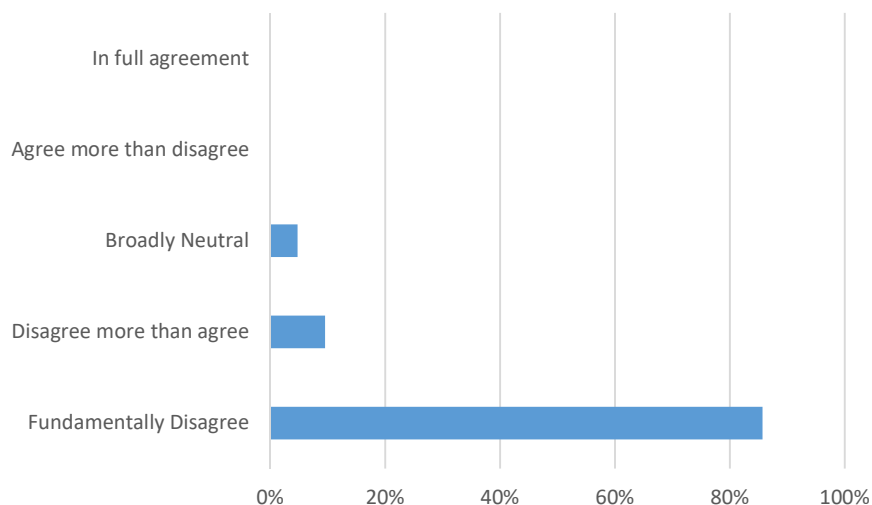
Q4 Our firm is clear on the distinction between the terms ‘offering’ an investment pathway; and, ‘referring’ a client “through transfer to the drawdown fund operated by another firm” who offers pathway investments.



Answer choices	%
Fundamentally Disagree	10%
Disagree more than agree	20%
Broadly Neutral	0%
Agree more than disagree	50%
In full agreement	20%

Q5 Whilst investment pathway solutions can apply to both crystallised and uncrystallised funds, it is envisaged the pathway investments will typically be used for drawdown funds.

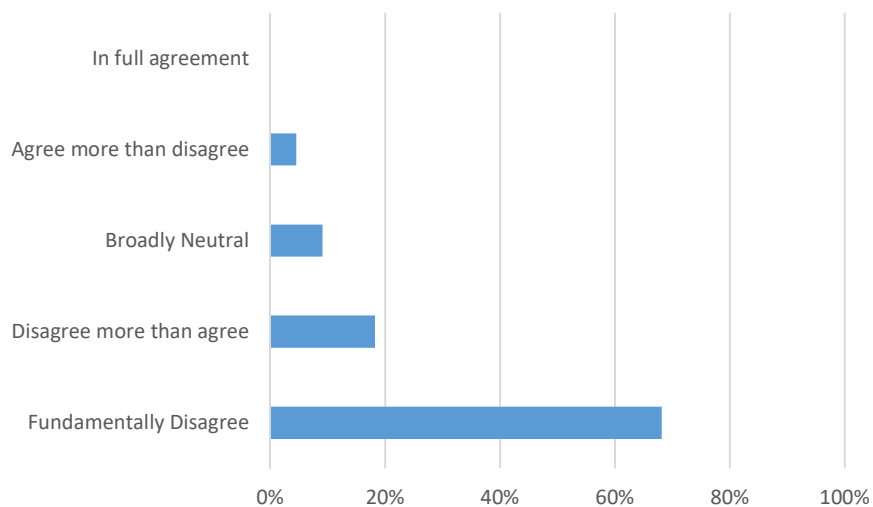
Where crystallised funds are held in a pathway investments and uncrystallised funds are held in something different, our systems will be able to earmark the pathway investment purely to the crystallised pot.



Answer choices	%
Fundamentally Disagree	86%
Disagree more than agree	10%
Broadly Neutral	4%
Agree more than disagree	0%
In full agreement	0%

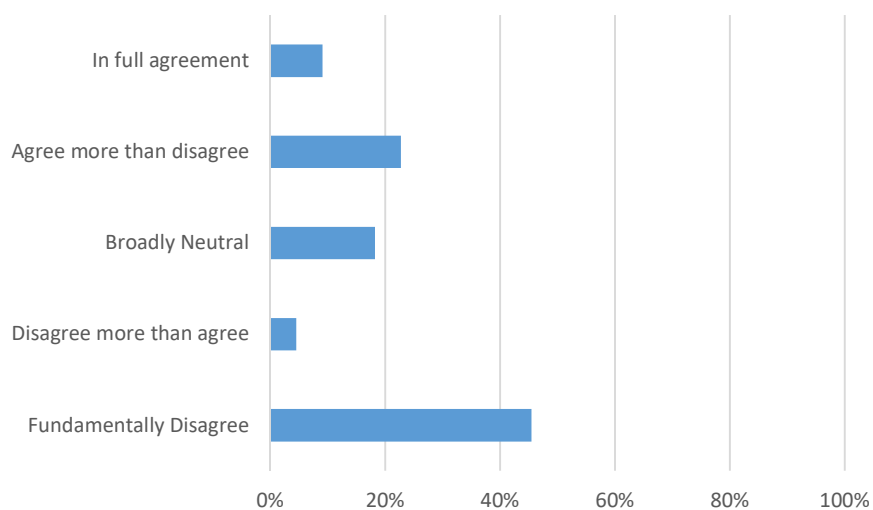


Q6 Our firm is clear on what the Single Financial Guidance Body (SFGB) drawdown comparator is and the role it will fulfil in investment pathways.



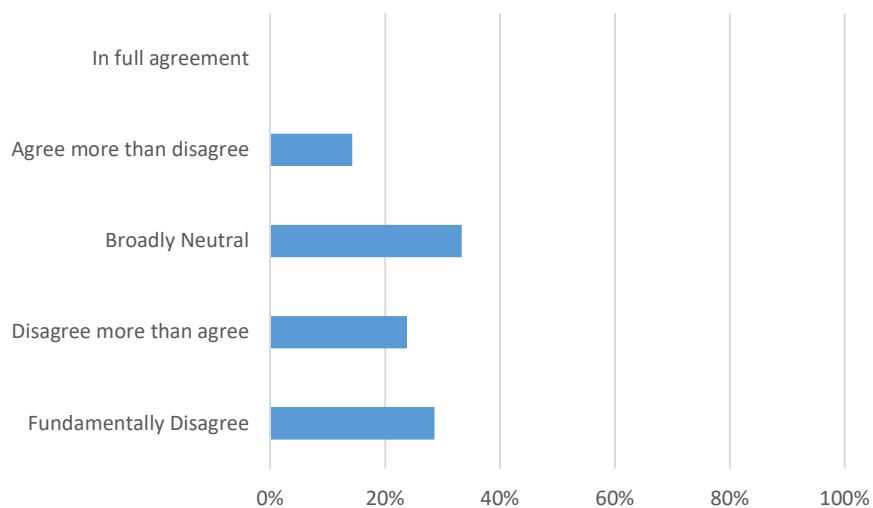
Answer choices	%
Fundamentally Disagree	68%
Disagree more than agree	18%
Broadly Neutral	9%
Agree more than disagree	5%
In full agreement	0%

Q7 My firm has the ability to implement investment pathways in their proposed form.



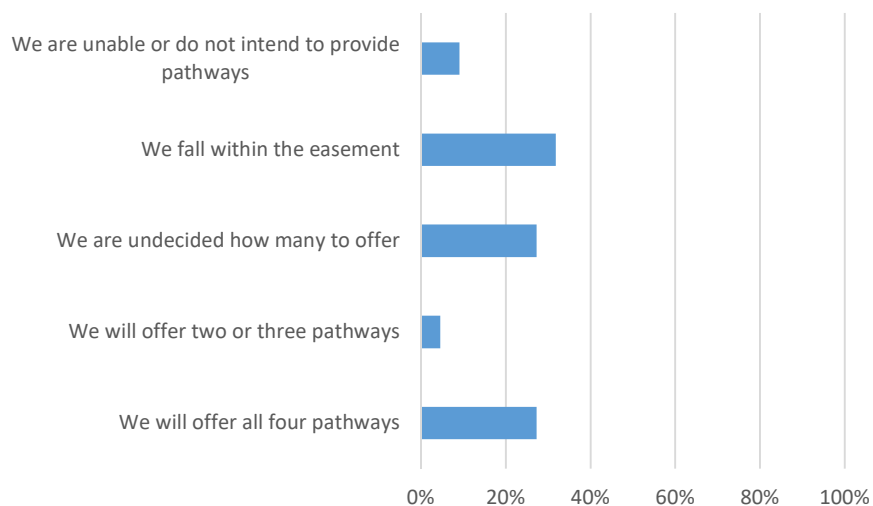
Answer choices	%
Fundamentally Disagree	45%
Disagree more than agree	5%
Broadly Neutral	18%
Agree more than disagree	23%
In full agreement	9%

Q8 The investment pathways as proposed will be of benefit to my firm's clients?



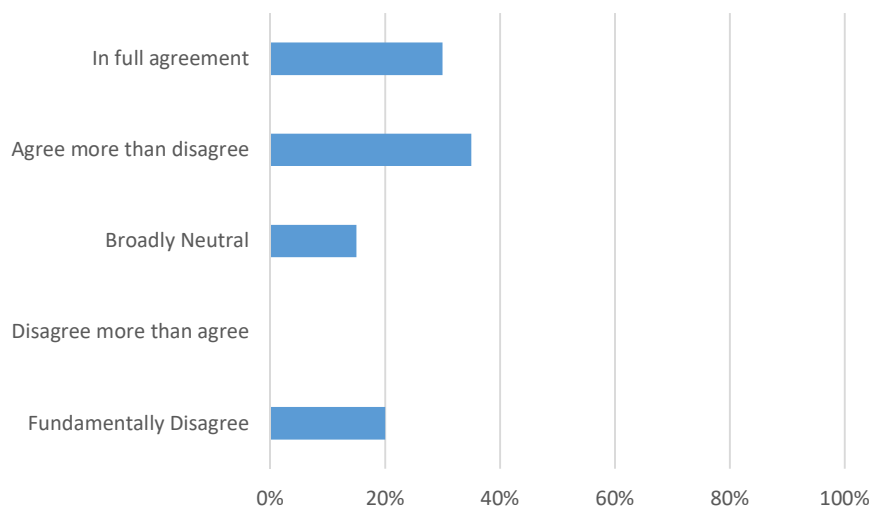
Answer choices	%
Fundamentally Disagree	29%
Disagree more than agree	24%
Broadly Neutral	33%
Agree more than disagree	14%
In full agreement	0%

Q9 In respect of the investment pathways, which one of the following most likely applies to your firm?



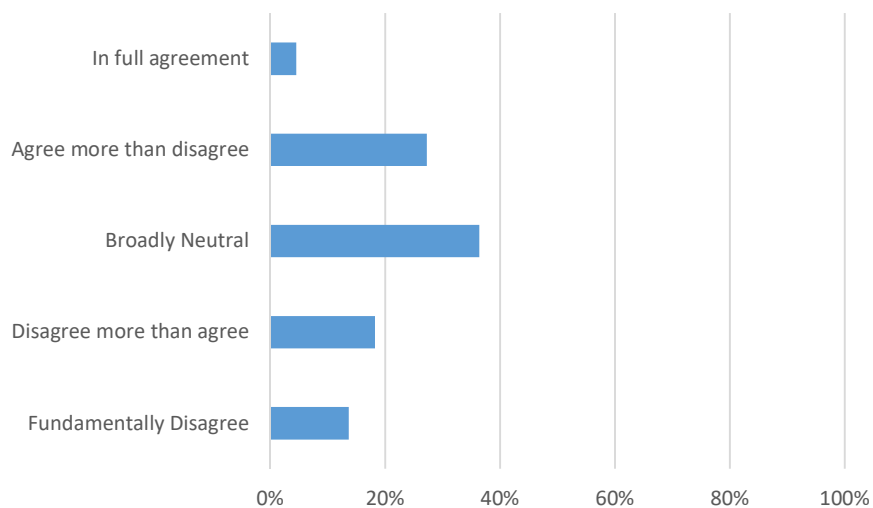
Answer choices	%
We will offer all four pathways	27%
We will offer two or three pathways	5%
We are undecided how many to offer	27%
We fall within the easement	32%
We are unable or do not intend to provide pathways	9%

Q10 In respect of the small provider easement, we are clear on the process for how this will work.



Answer choices	%
Fundamentally Disagree	20%
Disagree more than agree	0%
Broadly Neutral	15%
Agree more than disagree	35%
In full agreement	30%

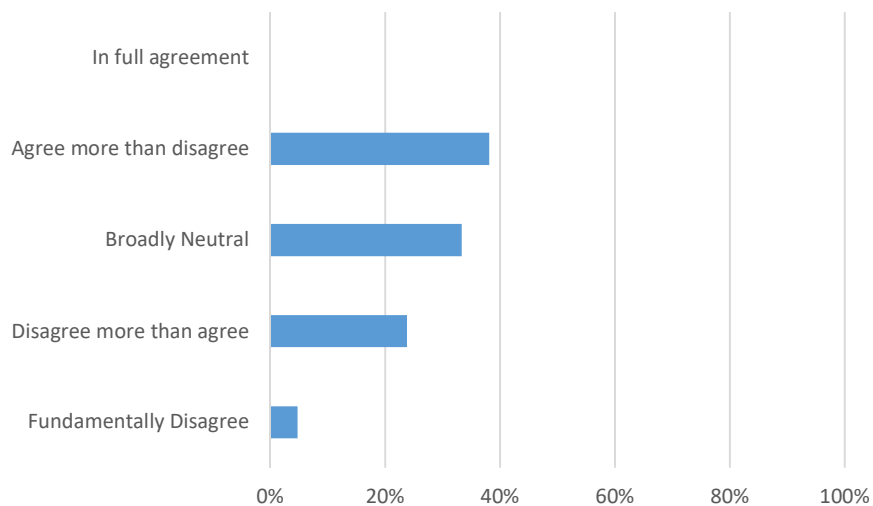
Q11 Our firm will be able to record and report to the FCA the data required.



Answer choices	%
Fundamentally Disagree	14%
Disagree more than agree	18%
Broadly Neutral	36%
Agree more than disagree	27%
In full agreement	5%

## Cash as an active investment decision

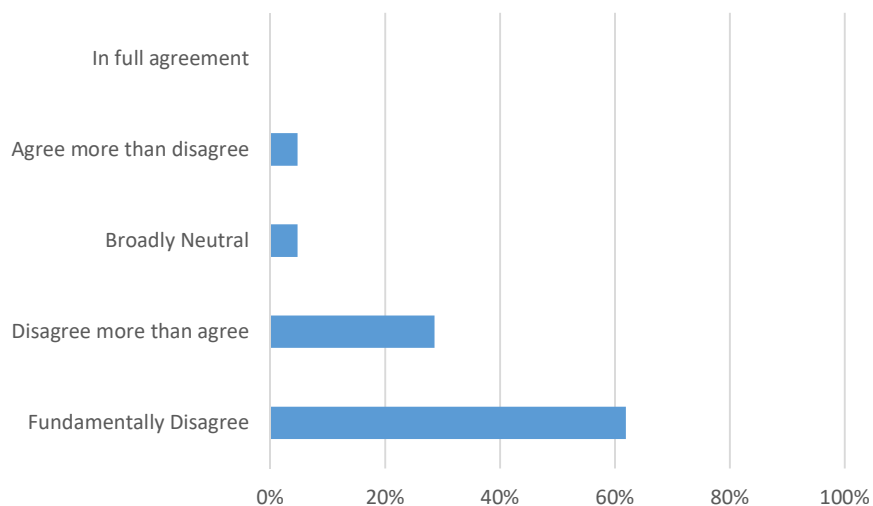
Q12 Does your firm agree with the FCA's proposals regarding ensuring cash investment is an active choice?



Answer choices	%
Fundamentally Disagree	5%
Disagree more than agree	24%
Broadly Neutral	33%
Agree more than disagree	38%
In full agreement	0%

**Actual charges information**

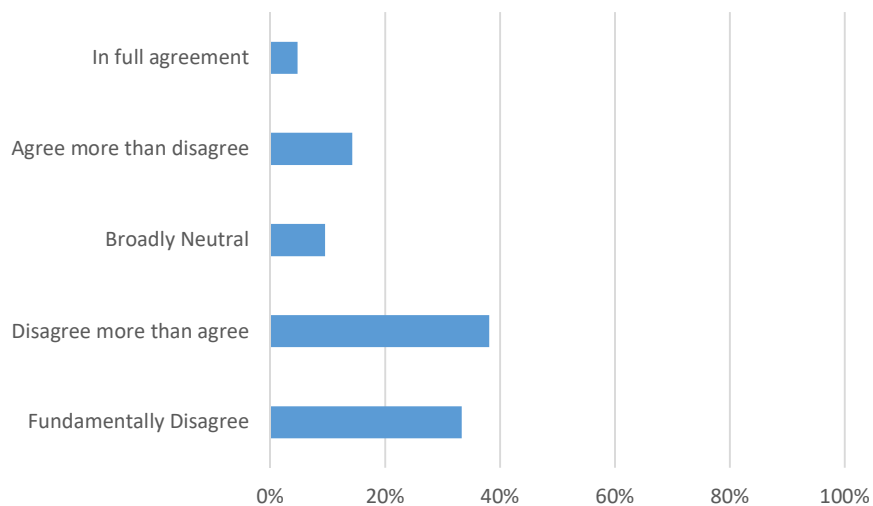
Q13 The FCA proposals are clear as to what costs should be included in these statements.



Answer choices	%
Fundamentally Disagree	62%
Disagree more than agree	28%
Broadly Neutral	5%
Agree more than disagree	5%
In full agreement	0%

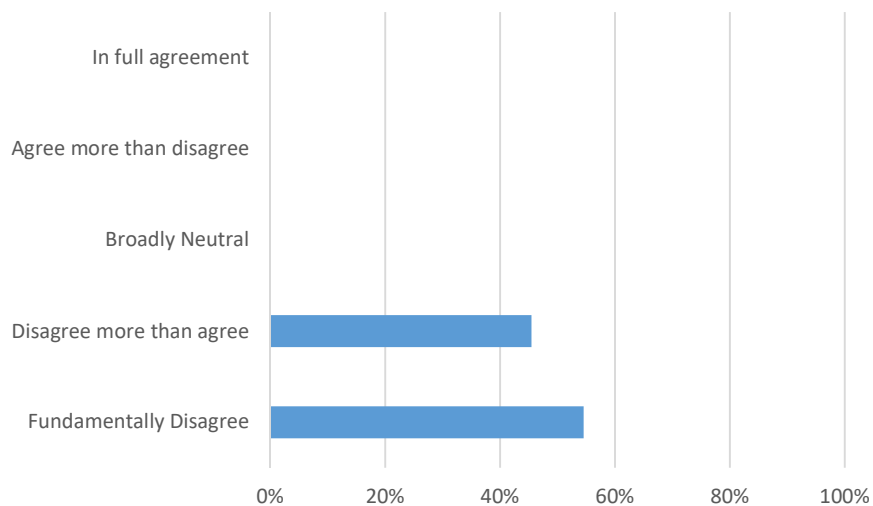


Q14 My firm has the ability to provide the annual transaction costs, aggregated and expressed as a cash amount.



Answer choices	%
Fundamentally Disagree	33%
Disagree more than agree	38%
Broadly Neutral	10%
Agree more than disagree	14%
In full agreement	5%

Q15 My firm is clear on how costs and charges, including transaction costs and where applicable, adviser charges, are apportioned between accumulation and decumulation pots and we have the ability to present the information as stipulated in the draft Made Rules.



Answer choices	%
Fundamentally Disagree	55%
Disagree more than agree	45%
Broadly Neutral	0%
Agree more than disagree	0%
In full agreement	0%

## About AMPS:

### History:

- Founded in 2005 to provide a collective voice and lobbying forum for representatives of the self-invested pensions industry (Self-Invested Personal Pensions, SIPP, and Small Self-Administered Schemes, SSAS)
- Formed by merging the Association of Pensioner Trustees and SIPP Provider Group in anticipation of the simplified pensions regime introduced on 6 April 2006 (“A Day”).

### Structure:

- Managed by a Committee of elected members
- Monthly Committee meetings with a formal agenda
- Sub-Committees dealing with various key areas: Compliance, HMRC Technical, Legal and Platforms

### Membership\*:

- Approximately 150 SIPP Operators including James Hay, Suffolk Life and AJ Bell
- Membership operates/administers the vast majority of both SIPP and SSAS
- Number of SIPP under administration: 1m+
- SIPP assets under administration: £125bn+
- Number of SSAS under administration: 16,000
- SSAS assets under administration: £26.5bn+
- Law firms which specialise in pensions and compliance issues
- Information technology firms which provide ancillary services to SIPP/SSAS operators
- Independent compliance firms

### Objectives:

- To provide an industry forum for the exchange of views and knowledge for our members
- To interact with government departments and regulators on industry issues
- To liaise with other Industry bodies in areas of mutual interest
- To provide a source of informed comment to the media

### Activities:

- Engagement with HM Revenue & Customs, Department for Work and Pensions, The Pensions Regulator, HM Treasury and Financial Conduct Authority
- Providing training to our membership through regular targeted conferences and workshops
- Issuing newsletters to our membership
- Reporting items of interest on the membership website and facilitating open discussion and forums
- Responding to government-led and regulator-led consultations
- Maintaining close links with other industry bodies including the Association of British Insurers (ABI), Tax Incentivised Savings Association (TISA), Investment and Life Assurance Group (ILAG) and Personal Investment Management and Financial Advice Association (PIMFA).

\* Membership data based on latest estimates

**Distribution**

This is a public document available on the AMPS website: [www.ampsonline.co.uk](http://www.ampsonline.co.uk)

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**Dated**

4<sup>th</sup> April 2019