UK Platform Group

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UK Platform Group response to FRC consultation
"Proposed revision to AS TM1: Statutory Money Purchase Illustrations"

The UK Platform Group ("UKPG") represents 26 businesses regulated by the FCA as platform service providers. These businesses provide investment, custody and administration services to UK consumers and their advisers and have more than £600 billion of funds under direction.

We support the intent of the FRC's recent consultation to review, and if necessary, change the assumption methodology for AS: TM1 as a result of the introduction of Pensions Dashboards. We agree it is important to remove any unnecessary inconsistency between different pension schemes' projected values, and to ensure that there is consistency between the information shown on Pensions Dashboards and annual statements.

As we look forward to Pensions Dashboards going live, it's important we take every opportunity to make pensions information simpler for customers to understand and engage with. It will also be simpler for the industry to implement a single set of rules.

However, although we broadly agree with the intention, we do not agree with the proposed methodology and believe it creates a false perception of accuracy which could result in customer confusion and ultimately undermine the key objectives of the Pensions Dashboards. Instead, we ask the FRC to rethink their approach.

There are no evident benefits for customers or providers to introducing the proposed method. Instead, it is likely to lead to detriment on both sides:

- It will be more complicated for customers to understand their projected values. Volatility is a concept most customers do not understand easily, especially why it should have a direct relationship with projected return. A platform SIPP customer could hold a significant number of funds and investments within their SIPP, and therefore extensive notes will have to be added to projections to show what rates have been assumed.

- It will be more complicated, if not impossible, for platforms to implement on a practical basis, and will create a disproportionate amount of work and resource requirements. Thousands of funds and direct investments are held on platforms which will require reviews creating a highly significant workload throughout the year. The proposals also do not appropriately factor in the government's desire for greater investment into illiquid assets.

Instead, the UKPG advocates the FRC adopts a different approach which reflects that an illustration can be no more than an indicative value of what might be achieved in retirement. This approach could be based on a single rate or set of rates of assumed growth based on asset class. This will be simpler for customers, leading to higher engagement, as well as simpler for pension schemes to implement.

Another key aim should be developing a methodology that creates more consistency between SMPI projections and those under the FCA COBs rules. Historically this lack of consistency between the two approaches is likely to have increased customer confusion and made them less likely to engage with their pensions. One way of achieving this consistency is to use the same annuity basis as well as the same assumptions for inflation and growth rates.

If you have any questions or would like to discuss this further please contact the UKPG through Sarah McGuffick (Secretary) at [redacted]