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1. How will the trend for changing retirement patterns and provision affect what:

a. members need,

Response – whilst it is important to design funds which reflect changing patterns the over-riding need is for simplicity in default fund design and anything too complex may deter members from exploring alternative fund choices. Inertia is likely to drive choice. It would be helpful to assess the experience of the first 6-12 months of the Pension wise service to assess the sorts of decisions that members are making as well the needs they have, based on the new freedoms. However, it should be noted that the current generation of retirees may be less dependent on DC pensions than subsequent generations. The evidence at present is that the majority of retirees are looking for a secure retirement income, so for the majority of members targeting a lower risk/gilt-based investment structure from age 55 onwards seems to be the right approach. However, it is to be hoped that improved communications and member engagement over time will allow members to readily switch from this if they wish to remain invested for a longer period into their retirement.

3. What conclusions should be drawn from the evidence presented on spending, housing wealth and debt for the needs of future NEST members in retirement? What other data on consumption and wealth should we be taking into account?

Response - a growing need to spend on care related costs in later life is likely to be a growing theme which should be factored in to retirement planning, although we need to see the impact of the Care Act over time. It is also may be the case that paying off debt will form an important part of planning in the early years of retirement. Overall, TPAS believes that it is important for members not to treat their pension in isolation in their financial planning for retirement as it will form one part of the overall strategy. Schemes such as NEST can play an important role in communicating with members some years in advance of planned retirement so that they have a clearer idea of what they are saving for.

5. Taking into account current retirement decisions, what people say they want and what the evidence says about behavioural biases, how are savers likely to act under the new freedoms?

Response – current retirement decisions are driven by inertia and a strong default, so may not be a good guide to what will be the norm in 5 years' time. The questions received on TPAS's helpline provide an indication of likely behaviour. Common themes include: members wishing to take their pension as cash; concerns about paying for advice; lack of knowledge of pension issues; being overwhelmed by complex documents from schemes/providers; dealing with small pots; leaving decisions too late; uncertainties of tax liabilities. These sorts of comments are likely to shape behaviours in the near future. The bottom line is that people need to keep saving and saving more for their pensions, but we are waiting to see to what extent the inertia surrounding pensions decisions will endure versus the possibility of accessing pension saving in a flexible way.

6. What member behavioural risks do providers need to manage?

Response – a key risk is the consistent under-estimate of longevity and the Australian model provides an example of the risks and implications of this. There is also the risk of spending money very quickly if it is transferred to some form of "pension bank account" where funds can quickly evaoporate. This approach has some appeal but unless the options in later life are clearly set out at outset, there is the risk that cognitive decline will coincide when the member needs to make a major decision. Therefore clear decision-trees and strategies at outset will be important to minimise risks in later life. It is also important to be aware of pension scams – from TPAS's

evidence, we can see that people can be very determined to take their cash and to invest it inappropriately.

7. Are there other risks and objectives to be taken into account for DC savers approaching and in retirement?

Response – one particular risk is that of scamming and pensions liberation schemes which could become very commonplace, so it is important to draw members' attention to these issues and to design retirement options which will be sufficiently attractive and flexible. In the future members may have myriad DC pots to select from (though it is to be hoped that automatic transfers will mitigate some of these concerns). It will therefore be important for members to be aware of all their sources of pension, to consider consolidating them, or to have a plan of action of what to do with each of them. Perhaps more importantly is the need to start giving consideration to retirement income planning much earlier than 6 months before planned NRD, when the typical wake up pack arrives. The challenge is to engage members from age 55 onwards so that they can gradually assess their retirement options, and have time to take the necessary actions.

8. What works in terms of communicating and getting DC savers to engage with decision making in the approach to retirement? How can we help members make good choices before and during retirement?

Response – it would be helpful to send out short, meaningful benefit statements so that members have an annual snapshot of their pension at regular intervals.–That would be a good start. Thereafter, communications should be as concise as possible focusing on a single key topic and making it clear how it affects members. As has been documented elsewhere, wake up packs need to be much more engaging and brief. Providing members with straightforward decision trees (with 2 to 3 options at each junction) is also a simple way to help them focus on the issues they need to take into account. Providers need to be able to react quickly when members choose to engage. So for instance, to provide pension fund values or statements in the same way in which you might expect to see an ISA statement. In TPAS's experience, providers are no always able to help customers in this and other respects.

11. Should we consider having more than one default strategy for different types of member, and which variables can be reasonably used to differentiate member needs in the event of no member engagement?

Response – ideally yes, but can see difficulties in this approach. Income levels/contribution will usually be a good differentiator and could be used to decide whether a member should target annuity/cash or drawdown. In early years of NEST, it may be worth ascertaining the extent to which members have alternative pension provision as this will be a major factor in deciding which default strategy is appropriate for them.

12. Based on the member evidence presented should the default target retirement age remain the same as state pension age? If not what are the alternatives?

Response – this seems to be the most practical approach, but it needs to be clearly explained to members at outset and throughout that the age is only a "notional" one and is not set in stone so there is an opportunity to retire earlier and later. TPAS receives a number of angry and distressed calls from individuals who want to be able to plug the gap between the point at which they leave work (often not through choice) and the state pension age. There also needs to be the flexibility to change the default retirement age in period before planned retirement.

13. Based on the evidence presented, should purchasing annuity income be part of retirement planning for DC savers? If so - on average - what age should this purchase happen?

Response – it is likely that a guaranteed income will form the core part of many members' retirement planning. However, with interest rates so low (and annuity rates currently poor) and

annuity product ranges inflexible it is not unreasonable for members to defer purchase for some years (perhaps late 70s). The development of deferred annuity contracts as currently operate in the US, ideally to be funded by regular premiums, is also one to be considered. This will lock into a fixed income in later years, after having drawn down on various sources of income up to that point. For a sizeable number of members therefore, a hybrid approach to retirement planning could become the norm.

17. Does investing through retirement, as an alternative to immediate annuitisation, have a significant role to play in meeting the retirement needs of DC savers?

Response – as per earlier comments, for a growing number of members (albeit not the majority) this will have a significant role to play in the future and should form a core part of thinking in the design of default funds.