

29 July 2022

**Abigail Coskun**

Department for Work and Pensions  
Caxton House, Toothill St  
London SW1H 9NA  
United Kingdom

Submitted via email to: [caxtonhouse.retirementdecisionscallforevidence@dwp.gov.uk](mailto:caxtonhouse.retirementdecisionscallforevidence@dwp.gov.uk)

**Consultation on ‘Helping savers understand their pension choices’**

Dear Ms Coskun:

State Street Global Advisors welcomes the opportunity to comment the call for evidence issued by the Department for Work and Pensions on ‘Helping savers understand their pension choices’.<sup>1</sup>

State Street Global Advisors, the investment management arm of State Street Corporation,<sup>2</sup> has a strong commitment to defined contribution (DC) pensions globally, with over 30 years’ experience and more than £500 billion in global DC assets.

As the primary goal of this call for evidence is to ascertain what information and support occupational pension scheme members require to help them make informed decisions, our comments draw upon our ‘New Choices, Big Decisions’ research.

The 4-part research study followed a sample of DC savers navigating retirement decisions post implementation of the UK pension freedoms legislation, introduced in April 2015:

- I. *Exploring Consumer decisions and behaviours* (February 2016)<sup>3</sup> – closely tracks 80 (55-70 year old) members deciding what to do with their DC savings
- II. *Pension Personalities* (May 2016)<sup>4</sup> – identifies common themes in how members approached their retirement decisions, thus the creation of pension personas
- III. *One Year on* (April 2017)<sup>5</sup> – revisits retirement decisions 1 year later
- IV. *5 Years on* (January 2021)<sup>6</sup> – revisits retirement decisions 5 years on

Overall, our research highlighted that savers would be better supported to make informed retirement decisions through appropriate automation, guidance and simplification of language.

---

<sup>1</sup> Helping savers understand their pension choices - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>2</sup> With €3.61 trillion in assets under management, SSGA is one of the largest asset managers in the world. For more information, please visit SSGA’s website at [www.ssga.com](http://www.ssga.com). This figure is as of March 31, 2022 and includes approximately €65.92 billion of assets with respect to SPDR® products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

<sup>3</sup> Series 1 - 15805\_SSGA\_TPP\_Report\_AW.indd ([netdna-ssl.com](http://netdna-ssl.com))

<sup>4</sup> Series 2 - 15805\_1\_SSGA\_TPP\_Report\_Template\_AW.indd ([thepeoplespension.co.uk](http://thepeoplespension.co.uk))

<sup>5</sup> Series 3 - dc-new-choices-big-decisions-3.pdf ([ssga.com](http://ssga.com))

<sup>6</sup> Series 4 - New-choices-big-decisions-5-years-on.pdf ([thepeoplespension.co.uk](http://thepeoplespension.co.uk))

We therefore provide detailed comments on the consultation questions in Annex A, based on member views from our research, in addition to comments on relevant questions in Annex B, although we note that these are intended for pension schemes and providers.

Please feel free to contact me should you wish to discuss our submission further.

Yours sincerely,



Alistair Byrne  
Head of Retirement Strategy and UK Distribution  
State Street Global Advisors

Consultation questions – Annex A

**(Q.1)**

- a. Do you feel that the information you receive from your pension scheme is enough for you to make informed decisions about using your pension savings, and if not, what do you think would have helped?**

Our research concluded that scheme members are not receiving adequate support to make informed decisions.<sup>7</sup> This was especially prevalent among members who had entered income drawdown as many stated that they received no support when deciding how to withdraw their savings. Those members were asked whether they were aware of any tools (*e.g.*, cash-flow modelling tools) or guidance (*e.g.*, ‘the 4% Rule’ as a yearly withdrawal rate) in this area, but the majority were not and did not know where to find such support.

- b. Do you feel that this information is clear and concise, and if not, how could it be improved?**

According to our research, the information that pension scheme members receive is often not clear, nor concise.<sup>8</sup>

On the one hand, there is no shortage of information that members can access, and websites such as *Pension Wise* prove to be a useful starting point. On the other hand, navigating the vast amount of information and being able to ascertain what is relevant to specific member needs is challenging. We believe

---

<sup>7</sup> (January 2021) New Choices, Big Decisions 5 Years On (Page 8)

<sup>8</sup> (May 2016) New Choices, Big Decision Pension personalities (Page 14)

that members would benefit from more concise information, excluding any jargon, and tailored to their specific circumstances.

In addition, members with several pension providers found the use of inconsistent terminology across providers' promotional materials perplexing. Materials should clearly describe the specific characteristics of the product offering and ensure consistency in the terminology used throughout promotional materials.

**(Q.2) As an occupational pension saver, do you expect your pension scheme to offer you guidance and support on the options available to you when accessing your pension, and if you do, what do you think that should look like?**

The initial phase of our research shows that members expect their pension scheme to provide guidance and support on the options available (including reviewing promotional materials from their main provider in detail). Public websites such as *Pension Wise*, *The Money Advice Service* and *Which?* are also used to verify information from providers.

Additional DWP guidance would be beneficial for members when accessing their pension options. Although most members were comfortable that they were making sensible and logical choices, it was clear throughout our research that retirement decisions were being made without fully understanding the options and implications.

Based on these findings, our research report<sup>9</sup> listed several questions which we believe members should be encouraged to consider. Some of these questions include:

- *Do I really need to take any of my pension money now?*
- *Do I really need to take all 25% of my tax-free cash out now, or am I just finding ways to spend it because I can?*
- *Does my provider offer the best product, or should I look around for a better deal?*
- *More and more people are living in their 90s, what if I am one of them?*

As alluded to above, members that had entered income drawdown would see significant merit in the development of a guided drawdown product. Members particularly valued the flexibility to change their mind at any stage, as well as the access to financial expertise in order to assist with making difficult choices. Furthermore, although those members may not have opted for a guided drawdown themselves, it would have provided a benchmark against which to assess their own decision-making; in fact, most, including some with a financial adviser, said that they would have considered such an option if it had been made available to them.

**(Q.3) Thinking about other potential sources of information and support, aside from your scheme, who do you see providing these and what do you expect from them?**

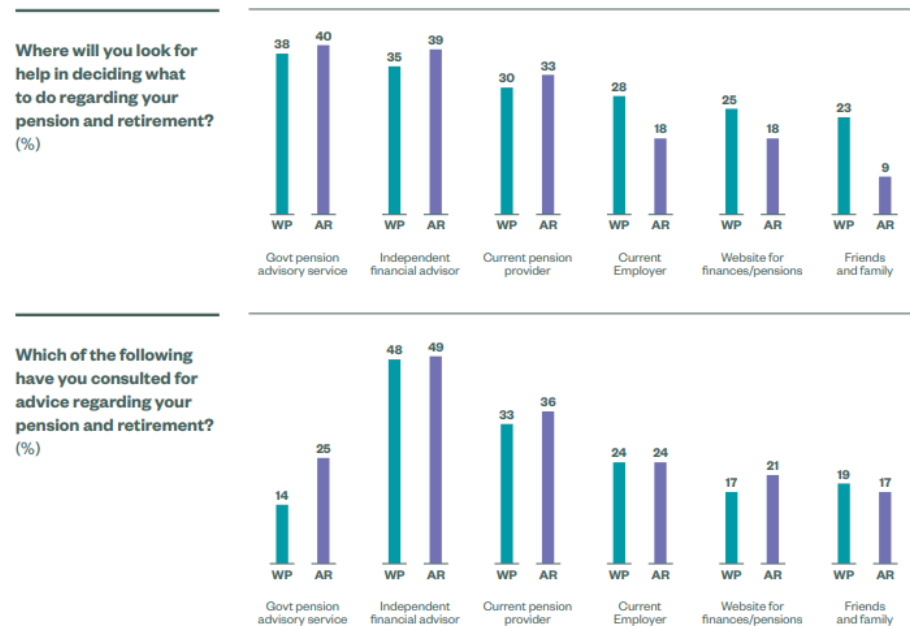
As mentioned, websites such as *The Pension Wise* are widely used, although members could benefit from being made aware of such resources earlier in their decision-making.

---

<sup>9</sup> Series 1 - 15805\_SSGA\_TPP\_Report\_AW.indd (netdna-ssl.com) --- A full list of questions/areas in which we believe guidance would be useful can be found on page 14.

According to our Global Retirement Reality Report, pensions and retirement services such as those provided by the *Money and Pension Service* are preferred resources to help support savers. This is of course following any advice received from independent financial advisors (“IFAs”). However, in our experience, it is generally uncommon for pension scheme members to have access to an IFA.

**Figure 1: SSGA Global Retirement Reality Report 2018 UK Snapshot (1,603 UK savers surveyed)**



WP=working population  
AR=approaching retirement

Consultation questions – Annex B

**(Q15.a) How do you envisage the decumulation landscape in the trust-based pensions market developing?**

We envisage increased solutions which combine flexibility in the early stages of retirement with predictability and security in old age. In our view, a drawdown product combined with a deferred annuity (or other source of guaranteed income) would offer an improved decumulation path for the vast majority of retirees.

In conjunction with the University of California, we have launched a product with these features in the United States. ([IncomeWise™](#)). This solution transfers a portion of retirement savings into a deferred annuity (a Qualified Longevity Annuity Contract), providing predictability and security later in life. While the UK market has some different features compared to the U.S., we think aspects of this approach could be suitable for UK pension scheme members.

**(Q 16) In your opinion, would a structured solution in the style of investment pathways benefit members with trust-based pensions, and why?**

Yes – as mentioned, members struggle to navigate the complexity of options available when making retirement decisions. Investment pathways could provide a semi-automated solution. Simple and easily accessible investment pathways could also alleviate decision-making burden that pension scheme members face, in a similar way that a financial adviser would, but at a lower cost.