

5th September 2023

**Retirement Decisions Policy Team
Department for Work and Pensions,
Caxton House,
Tothill Street,
London, SW1H 9NA**

Submitted via email to: caxtonhouse.retirementdecisionscallforevidence@dwp.gov.uk

RE: Helping savers understand their pension choices

BlackRock¹ is pleased to have the opportunity to respond to the Department for Work and Pensions' (the "DWP") consultation on helping savers understand their pension choices.

BlackRock manages the pension savings of over 12 million people in the UK. Our investment approach is rooted in our fiduciary duty: we start with our client's objectives, we seek the best risk adjusted returns, and we underpin our work with research, data, and analytics.

We welcome the opportunity to comment on the issues raised by this consultation paper and will continue to contribute to the thinking of the DWP on this and other topics.

Retirement choices are some of the most significant financial decisions people will make in their lifetimes – the decisions taken on how much to spend and when, are going to impact their financial wellbeing for the rest of their lives. As such, consumers need to be able to make informed decisions and we fully support the introduction of a decumulation framework for DC occupational schemes.

When we responded to the first consultation on this topic, we were supportive of the DWP providing a framework in this area and we are therefore pleased to see the proposals being put forward in this consultation. There are, however, a few areas we believe need further consideration, in order to make the framework most useful and usable for schemes and their members.

DWP proposals

We are supportive of DWP's plan to introduce a duty on trustees to offer a decumulation service (either directly or through a partnering arrangement).

However, we would note that decumulation is complex and it is important to recognise from the outset that there is not a one-size-fits-all approach that will work for all retirees. Decumulation is a highly personalised journey, and it is impossible for trustees to know what is appropriate for every one of their members.

With this in mind, we would suggest that one default solution per scheme may not be appropriate and instead that schemes should offer (either directly or through a partnering arrangement) a core number of products based on existing retirement needs and behaviours. DWP would set out the behaviours or outcomes, for example regular income,

¹ BlackRock is a leading provider of investment, advisory and risk management solutions, and has been active in the UK for over 20 years. Our purpose is to help more and more people experience financial well-being.

but not the design of the product. This would deliver a consistent core number of decumulation options for members of all DC occupational schemes. Any additional options offered should be at the discretion and design of the scheme trustees.

Indeed, the demand for innovative retirement income products is already growing and we see across our client base that schemes are now building their accumulation offer with decumulation in mind. However, we believe that the introduction of this duty will further stimulate innovation in this space.

Ultimately, to produce the best outcomes for pension savers, we need a competitive landscape. In this respect, we believe the Value for Money framework should be extended to decumulation from the outset of the new framework, albeit with a range of decumulation specific metrics.

Member guidance

Given that trustees will not have an overview of members' circumstances, for example whether they have just one pot or multiple, a guidance framework for member decision-making will be helpful.

This framework should encourage members to consider all relevant factors, rather than just the pension pot they are about to access. We thus agree with the approach of setting out a series of questions that will guide members to the most appropriate solution. However, we believe these may need to be expanded slightly to help members make decisions which take in their wider circumstances. For example, this could include a question on whether they had considered consolidating other pension pots or asks them to consider whether this will be their only income stream.

Developments in open banking and pensions dashboards over the coming years will be helpful in contextualising people's decisions around retirement, as too will the FCA's review into the advice/guidance boundary. We urge DWP to continue its close working relationship with the FCA on this topic given its importance to the success of this framework.

BlackRock is supportive of a new, well-regulated market for personalised guidance, which builds on the UK's strengths in data analytics and technology and allows schemes to use nudges and steers to help consumers better understand their personal retirement journey, both in accumulation and decumulation.

CDC-in-decumulation

Overall, we support innovation in the retirement income market and believe that there is potential value in a decumulation-only CDC product, particularly as part of a suite of other retirement income solutions. We believe that future CDC decumulation-only products could comprise an entire product or form one part of a hybrid pension, for example the element people draw on when they enter late old age.

However, given the complexity of CDC and a members' inability to transfer out of the product, there would need to be significant guardrails around any defaulting of members into a decumulation-only CDC product. Member communication will also be key, while scrutinization of individual communications is clearly unfeasible, we feel it would be advisable to publish principles on how CDC-in-decumulation should be explained to members.

Finally, it is important to note that while CDC is one of the ways which we can best manage longevity risk, this is not the only way to do so. In our previous response, we highlighted our

BlackRock®

US retirement solution [LifePath Paycheck](#),² which allocates a portion of members' investment to insurance products that are designed to give the option to purchase annuities.

With this in mind, we would stress that, to build a truly innovative and competitive market, it is not appropriate for the regulation to prioritise any one type of decumulation approach, including CDC. Instead DWP should look to layout principles about the type of outcomes members may want to see based on existing retirement needs and behaviours and let the market build products that fit this.

Availability of retirement income solutions

As stated in our original response, a saver's retirement support and options should not be dependent on which scheme they save into. We thus support the proposal to extend the duty to offer decumulation services to the NEST trustee board. As the UK's largest Master Trust, with over 11 million members, we believe that different treatment of NEST's membership in respect of decumulation would not be a good customer outcome.

Conclusion

We fully support the introduction of a decumulation framework for DC occupational schemes and are pleased to see the proposals being put forward in this consultation. However, there are a number of areas where further thought is needed to ensure the framework delivers the best outcomes for retirement savers.

We welcome the opportunity to comment on the issues raised by this consultation paper and will continue to contribute to the thinking of the DWP on any issues that may assist in the final outcome. We welcome further discussion on any of the points that we have raised.

Yours faithfully,

Gavin Lewis
Managing Director
Head of BlackRock's UK
Institutional Client Business
gavin.lewis@blackrock.com

Muirinn O'Neill
Vice President
Global Public Policy Group
muirinn.oneill@blackrock.com

² See BlackRock: [Helping savers understand their pension choices response](#) July 2022