

Media Release

3 June 2010

For immediate release

Annuity survey suggests tentative support from annuity providers to NEST, reports Xafinity Paymaster

NEST will be relieved to read that 65% of respondents to Xafinity Paymaster's latest Annuity Industry Survey rejected the view that the small size of pension pots arising from NEST meant that current annuity providers would not want to be involved in handling NEST decumulation and annuity payments going forward.

Xafinity Paymaster's insurance and payroll director, Keith Boughton, raised some interesting discussion points when talking about the group's latest report.

"NEST is going to produce thousands of small pension pots that once they reach decumulation stage will need an annuity solution. The question is who will want to play in this space? The current annuity providers will want a slice of the market but at what cost? Is a government backed annuity solution the answer? And, fundamentally what is best for the NEST member? With a small pot are they going to get the advice they need to maximise the return on their retirement income going forward? – our latest annuity survey report has revealed some polarised views within the annuity market."

The proposal of a government supported annuity provider to support the administration of the smaller annuity pots from NEST was accepted by 14%, but rejected by 67% and 14% taking a "wait and see" approach at this stage.

Those who were against a government supported annuity provider claim that cost effective advice and administration can be achieved for pots of less than £5,000 and can already be handled by existing providers. To be cost effective, the solution would be execution only via the web backed up by limited decision tree style advice, reported Xafinity.

Respondents who agreed with the statement for the government supported provider went so far as to suggest that a National Annuity might need to be the way forward as they do not believe that the current range of annuity providers and products can or will effectively support all customer situations.

Interestingly, some respondents suggested that the currently active annuity providers will join the panel for a short period whilst they "test the water". This stance is supported by a quarter of respondents who believed that the currently active annuity providers will not wish to be involved in a NEST annuity solution due to the low margins associated with small pots.

Wide ranging views from annuity industry professionals regarding issues such as NEST, product development and the impact of Solvency II and RDR are included in Xafinity Paymaster's latest survey report released this week. A strong and consistent theme coming out is the need for access to far greater range of advice at

and throughout retirement. Copies of the report can be downloaded from the Annuities section on www.xafinitypaymaster.com

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Notes to journalist:

- A copy of the survey results are attached to this media release
- Photograph of Keith Boughton attached
- Insurance companies, some active and some not active and other influencers that specialise in the annuity space took part in the survey. This is a small group and we've had over a 40% response rate. The report indicates that participants have strong views and sometimes these are quite polarised and interesting.
- Survey report can be downloaded from the Xafinity Paymaster website – annuities section - <http://www.xafinity.com/Microsites/Xafinity-Paymaster/Services/Annuity-Payments-and-Administration.aspx>

Background information:

About Xafinity Paymaster

Xafinity Paymaster is a leading business process outsourcer providing pension, payroll and annuity administration for a large number of insurance companies and more than 800 pension arrangements. Xafinity Paymaster delivers large scale financial administration for more than 140 major public and private sector organisations and makes payments totalling over £11 billion per annum to pensioners, dependents and annuitants in 180 countries worldwide.

About Xafinity Paymaster's Insurance and Payroll division:

- Paying 2.2 million pensioners and annuitants including 45,000 residents overseas
- Role in managing 10% of UK deaths
- Administering over 600,000 annuities on behalf of insurance companies.
- UK's leading independent provider of annuity services for insurance companies.

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