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David Farrar
Private Pensions and Arms Length Bodies Directorate
Department for Work and Pensions
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7 December 2017

Dear David

Disclosure of costs, charges and investments in DC occupational pensions

The Association of Professional Pension Trustees is an organisation of over 160 individuals who act as professional independent trustees to UK occupational schemes, some as sole practitioners and some working in firms of such practitioners. Our members represent a large number of mainly larger pension funds with combined assets of several hundred billion pounds.

Our aims are to:

- encourage and promote the highest professional standards in those who practise as professional pension trustees
- promote the role of professional trustees

We would be delighted to discuss any aspect of our response with you.

Yours sincerely



Nita Tinn
Association of Professional Pension Trustees

Question 1

The proposed Regulations on costs and charges apply to the same schemes to which the existing requirements to assess charges and transaction costs and to prepare an annual governance statement applies currently. Do you agree with this proposal?

We agree that that the proposals should apply to the same schemes.

Question 2

We propose that:

The Chair's Statement should be extended to include the actual charges and transaction costs for each default arrangement and any alternative fund choices.

Do you agree with this proposal?

We agree with the proposed extension to the existing Chair's statement. However, we are concerned that the inclusion of so much technical information in the Chair's statement will have the effect of defeating the initial objective which was to provide relevant information to members in a form which was both accessible and understandable. By including the SIP and full disclosure on charges within the statement we are in danger of producing a document similar in length and complexity to the annual report and account which is neither read nor understood by the members. We would therefore propose that all technical information on charges, default options etc is contained in an annex and that the main statement is restricted to messages including the overall VFM assessment.

Question 3

We propose that cost and charge information should be:

- (a) Published annually;*
- (b) The responsibility of the scheme trustees or managers to publish;*
- (c) At the discretion of trustees and managers of where to publish, as long as it is publicly available and can be indexed by major search engines.*

Do you agree with these proposals?

If member-borne costs and charges are to be monitored effectively it is important that information is provided on a regular basis. An annual interval is perfectly reasonable. We accept that it should be the responsibility of a scheme's trustees to prepare and publish this information. We are satisfied that trustees should be permitted to exercise discretion as to where information is published.

Question 4

We recognise that how the information is contextualised and presented to members is important.

We therefore propose:

(a) that the 'default investment strategy' and 'Costs and charges and value for members' sections be published to provide appropriate contextualisation to the cost and charges information;

(b) that schemes are required to show the cumulative effect of costs and charges over time, as set out in the draft Statutory Guidance.

Do you agree with these proposals?

See our previous comments. Technical information can be difficult for many members to follow, and so appropriate contextualisation is essential for members to appreciate the impact of changes on fund values. We believe it is particularly important that members are shown the cumulative impact of charges.

Question 5

We propose that a web link to the location where cost and charge information for their pension scheme can be found is given to members as a matter of course when they receive an annual benefit statement. Do you agree with this proposal?

We believe that the provision of a web link is perfectly adequate.

Question 6

Is any further guidance or support required to achieve to meet the proposed regulatory obligations in the proposed Statutory Guidance?

We do not believe that any further information is necessary.

Question 7

Do you agree with the proposed penalty regime?

The proposed penalty regime is entirely consistent with that which is currently in place, and we agree that it is appropriate. However, we would hope that the penalty regime would not be used as a blunt weapon by the Regulator and that the Regulator would work with Trustee Boards to improve disclosure through providing examples of best practice etc. as part of its guidance.

Question 8

Do you agree with the proposal that trustees should only be required to provide a hard printed copy if it would be unreasonable for the individual to access the available information published online? Do you have any other evidence or thoughts about how these proposals will affect members of protected groups and what mitigations, if any, may be required?

We agree that trustees should only be required to provide information in hard copy form in exceptional circumstances. It is to be expected that in the significant majority of cases members will be able to access information online.

Question 9

Thinking about the current administrative processes undertaken by the scheme, can you give an indication of the additional time/costs of incorporating our proposals into existing process?

We have no comment to offer.

Question 10

Do the draft Regulations deliver our policy intent, or are there aspects which you believe will not deliver our objectives? Do you foresee any unintended consequences?

We believe that the Regulations achieve the stated policy intent in full.

Question 11

Are there any other proposals in this consultation on which you would like to offer comments?

We have no comment to offer.

Question 12

Do you believe that members, and recognised trade unions should have the right to request this information and that the requirement to disclose this on request is proportionate?

In the interests of achieving true transparency over costs and charges, it is entirely appropriate that trustees be required to disclose information on request.

Question 13

Do you agree with the proposed timing and penalties for pooled fund disclosure on request? Do you agree with the policy that trustees should disclose the pooled funds invested in over the previous scheme year? If not, what alternatives would you propose?

We believe that giving trustees seven months after the end of the scheme year to prepare information is perfectly adequate. It is also appropriate that information should relate to pooled funds used over the preceding scheme year.

Question 14

Do you agree that restricting disclosure on request to only the pooled funds in which members were directly invested is more helpful to members and less burdensome to trustees?

It is important to ensure that the disclosure requirements do not become too onerous for trustees. We agree that the proposals strike a pragmatic balance between providing members with information about the impact of costs and charges whilst ensuring that trustees are not burdened with a time-consuming and expensive workload.

Ideally, information provided to members should be tailored to cover just the funds that they have used over the course of the scheme year.

Question 15

Do you agree with our proposed policy on disclosure of top-level pooled funds only, combined with 'look through' of unit-linked contracts and mandates to the 'first tier' of underlying pooled funds?

We agree that focusing on just top-level pooled funds would be perfectly adequate.

Question 16

Are there any circumstances where trustees and scheme managers would not be aware and would be unable to obtain information about the pooled funds in which their members are directly invested?

If there are circumstances in which they are unaware, please clarify how trustees remain compliant with their fiduciary duties in these scenarios.

We do not believe that there would be circumstances where this is likely to cause difficulties.

Question 17

Do you agree with our proposal that schemes should give standard information about the availability of further information about pension scheme investments in the annual benefit statement?

Are there any reasons why this requirement would be burdensome or undesirable?

We are satisfied that the use of standardised wording would be perfectly adequate, and that it would not represent a burden for trustees.

Question 18

Thinking about the current administrative processes undertaken by the scheme, can you give an indication of the additional time/costs of incorporating our proposals into existing processes?

We have no comment to offer.

Question 19

Are there any areas where the regulations do not meet the policy intent?

We are satisfied that the proposals meet the policy intent in full.

Question 20

Are there any other proposals in this consultation on which you would like to offer comments?

We have no further comment to offer.