



leading on tax incentivised savings

**TISA RESPONSE TO  
DEPARTMENT FOR WORK AND PENSIONS  
CONSULTATION ON DRAFT GUIDANCE – THE USE OF  
DEFAULT OPTIONS IN WORKPLACE PERSONAL  
PENSIONS**

**RESPONSE TO CONSULTATION FROM THE TAX  
INCENTIVISED SAVINGS ASSOCIATION**

**December 2009**

## **About TISA**

TISA is the not-for-profit body for the retail financial services sector working for the betterment of tax incentivised savings with the industry, consumers, Government – including HM Treasury (HMT), Department for Work and Pensions (DWP) and HM Revenue & Customs (HMRC) and the Financial Services Authority (FSA) to enhance and improve the range, features, benefits, promotion and quality of savings schemes available to all UK citizens.

TISA represents the interests of over 100 firms involved in supplying products to savers and investors and is the lead industry association supporting individuals' across the broad range of savings and investment vehicles, including Individual Savings Accounts, Child Trust Funds, Savings Gateway, Personal Pensions, Employer based schemes, and other consumer-centric savings schemes and initiatives.

TISA was formed on 1st July 2007. It is built upon the membership and resources of the former PEP & ISA Managers' Association (PIMA) and embraces its principles of constructive engagement with Government and regulators to improve the effectiveness and promotion of savings schemes for consumers thus improving take-up, fulfilling government objectives and through that the interests of its members.

TISA's scope incorporates the whole gamut of tax incentivised savings schemes and its membership is open to any organization involved in the provision or distribution of savings products to UK consumers.

TISA welcomes the opportunity to respond to this consultation.

We are pleased to have the opportunity to respond to this consultation document. Overall, we think the draft guidance is helpful, proportionate and constructive. We would not propose to answer all the consultation questions in detail, as we believe there are others better placed than us to do so. However, there are two areas we would like to make some comment on.

## **GOVERNANCE OF THE DEFAULT OPTION**

The consultation specifically addresses itself to Workplace Personal Pensions and many smaller and medium sized employers will use such schemes to provide pension for their staff. Their approach will typically be somewhat "hands off" and they will rely on the scheme "operator" such as an insurance company to design the "default" fund option and to explain it to members. The governance function will, appropriately, sit with the

operator in such circumstances. We think that the situation for contract or trust based occupational pension schemes needs to be factored in here, where typically there will be much more active engagement by the employer, who will typically be advised, perhaps by an employee benefits consultancy. These employers will typically be larger and will in a number of cases actually be the scheme “operator”. We think they should have similar governance obligations to their members as those proposed here for Workplace Personal Pensions, thus maintaining, as far as possible, a “level playing field”.

## **STAKEHOLDER CHARGING CAP**

As drafted, we think there is some danger of the regulations being read as imposing a charge cap on the whole administration of the scheme, including the fund management charge, and we think that this needs clarification. As it stands, per capita charges in aggregate for the administration of, say, a smaller Trust-based DC or DB scheme can be north of £50 or £100 per member per annum. This does not necessarily make them bad value assuming those costs are borne by the employer. However, even for fund charging, we think there are potential dangers in mandating a Stakeholder charge cap. Innovative fund approaches are appearing which offer levels of guarantee within the fund which are attractive to members in the current climate especially, and these funds will typically charge more. We think it right that the scheme operator should have due regard to the pricing of the fund; but we think that the guidance should be revised to remove the reference to Stakeholder charging

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