



Department
for Work &
Pensions

Consultation Questions: **Broadening the investment opportunities of Defined Contribution schemes**

Name of respondent(s)/organisation (please provide):

Renny Biggins (Head of Retirement) on behalf of The Investment & Saving Association (TISA)

Pension Scheme type (cross all those that apply)	
Master Trust (500+ employers approx.)	
Master Trust (fewer than 500)	
Single-employer trust	
Contract-based	
Defined Benefit	
Hybrid	
Administration	
Investment consultant	
Consumer organisation	
Law firm	
Other (please state)	Consumer focused membership association

*Please indicate, next to any responses given, if you are **not** content for DWP to publish relevant sections of your responses in the future. Without a specific request for anonymity, we reserve the right to publish your response in full.*

Disclose & Explain questions on draft regulations

Question 1: Do you have any comments on the draft regulations in relation to the disclose and explain provisions? Please include in your answer any comments on whether you consider they meet the stated policy intent.

We welcome efforts to improve outcomes for pension savers. As such, we support proposals which give DC schemes the ability to access many private and long-term investments, and in turn the returns these asset classes offer. It is crucial that proportionate governance and consumer protection remains in place and trustees are provided with the necessary guidance and support required to ensure that scheme members benefit from these opportunities where appropriate.

Question 2: Are there other elements not covered in these regulations that you would expect to see?

N/A

Disclose & Explain questions on draft statutory guidance

Question 3a: Do you have any comments on the proposed regulatory asset allocation disclosure requirements included in the draft statutory guidance?

Disclosing asset allocations based on age will produce some inconsistent results where ages fall into a default arrangement de-risking strategy. Where de-risking occurs at the same age for all members, then consistency is achieved. However, most default arrangements will commence de-risking based on proximity to selected retirement age (SRA). A typical example is two members aged 53 in the same default arrangement which has a de-risking strategy commencing 10 years before SRA. One has an SRA of 58 and the other has selected 65. The asset allocation for each member at age 55 will be different as one member will already be 7 years into their de-risking strategy whilst the other will not have started on this glidepath.

The disclosures and figures will therefore be influenced by the number of members who have selected an SRD which commences before a specific age-related disclosure, whereas for lower ages this will not be the case.

It is important that disclosures are made on a 'like for like' basis to enable accurate and transparent comparisons to be made.

Question 3b: Are there any areas where further clarity might be required?

More detail and/or examples relating to 'synthetic allocations' for assets such as derivatives would be beneficial, as this is a complex area and would help trustees understand the obligations placed on them.

Impact Assessment Questions

Question 4: Do you agree with the information presented in the impact assessment?

N/A

Question 5: Do you have any comments on the impact of our 'disclose and explain' proposals on protected groups and how any negative effects may be mitigated?

N/A

Performance fee measure questions on draft regulations

Question 6: Do you have any comments on the draft regulations in relation to the performance fee measures? Please include in your answer any comments on whether you consider they meet the stated policy intent.

It is proposed that specified performance-based fees are measured and disclosed as a percentage of the average value of total assets held in the default arrangement. However, even a larger performance fee would be reflected as a small percentage using this formula and may create misleading perceptions.

From a transparency perspective, it would be more appropriate to measure the performance fee(s) against the average value of the assets to which the fee(s) are related. This then provides a meaningful figure which could be used to assess whether the fees charged are proportionate to the potential return generated.

Given that performance fees will be linked to assets which typically have higher volatility, there needs to be more transparency in the regulations and guidance to highlight that default arrangements which include these assets in the mix, will expose members of those arrangements to greater potential risk. Trustees may then decide that although potential returns look higher, the increased risk is not appropriate for the member demographic.

Question 7: Are there other elements not covered in these regulations that you would expect to see?

The regulations apply to relevant occupational pension schemes, however it would appear that Group Personal Pension workplace schemes are not in scope. Given that all AE scheme members are exposed to the same risks and should benefit from the same good quality standards regardless of the type of workplace scheme, these rules should also apply to FCA regulated workplace schemes. Given a more joined up strategy to regulatory change is being adopted by DWP/TPR and FCA to ensure consumer journeys and experiences are aligned, we would have expected this approach to apply here with FCA issuing corresponding rules, as they did when the charge cap and the recent de minimis were introduced.

Performance fee measure questions on draft statutory guidance

Question 8a: Do you have any comments on the performance fee sections of the draft statutory guidance?

Whilst we welcome the less prescriptive nature of the draft regulations, there are some complicated areas and challenges for Trustees, where more guidance and support will be required to ensure the requirements can be met as intended and good consumer outcomes are achieved.

In particular, more support is needed in helping Trustees understand the various performance fee structures and associated member outcomes and ensuring that fairness is achieved for all scheme members in terms of the costs and benefits derived.

Question 8b: Are there any areas where further clarity might be required?

N/A

Cost and Benefits question

Question 9: Do you have any comments on the impact of our proposals, in relation to the exemption of performance-based fees on protected groups and how any negative effects may be mitigated?

N/A