TISA

Response by TISA to:
The Value for Money Framework: consultation

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **three distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the investing and saving landscape.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here:** https://www.tisa.uk.com/about-tisa/

Executive Summary

We welcome the opportunity to respond to this consultation and support the overall objective of establishing a Value for Money framework that improves outcomes for pension savers. A well-designed framework can enhance transparency, support competition and drive improvements across the market.

A key theme of our response is the importance of consistency. The framework should be based on common methodologies, assumptions and assessment approaches to ensure that comparisons are meaningful and that the resulting disclosures support, rather than hinder, decision-making. While the framework has evolved positively, significant complexity and areas of uncertainty remain, particularly in relation to investment performance, costs and charges, data requirements and the interaction between regulations, rules and guidance.

We therefore support a phased implementation approach but recommend extending the timetable. Year one should focus on regulatory reporting, testing and establishing consistent interpretation across the industry before any public disclosure of VfM assessments or ratings. Until there is confidence that metrics are being calculated and assessed consistently, published results are likely to be difficult to compare and could lead to unintended consequences.

We broadly support the proposed investment performance framework but have concerns regarding the proposed chain-linking requirements, which could distort assessments, create barriers to beneficial consolidation and produce outcomes that do not accurately reflect the performance of receiving arrangements. We also believe there are opportunities to simplify certain aspects of the framework, particularly in relation to costs and charges, asset allocation and member cohort disclosures, while improving comparability and reducing implementation burden.

More generally, we encourage a proportionate approach that remains focused on the framework's central objective of assessing the overall value delivered to members. Additional complexity should only be introduced where it provides a clear and demonstrable benefit. We also believe that any regulatory consequences attached to VfM ratings should only be introduced once the framework is operating consistently across the market.

Our recommendations are intended to support the development of a credible, practical and proportionate VfM framework that delivers meaningful and comparable assessments of value for pension savers.

We look forward to ongoing engagement with you to progress and implement this important initiative.

Question responses

Chapter 2: Scope and Thresholds

Question 1: Do you have any comments on our proposals for phasing?

We welcome the decision to adopt a phased approach to implementing the VfM framework. Given the scale, complexity and significance of the proposals, we recommend extending the phased implementation timetable while maintaining a proportionate approach. It is in everyone's interest that the framework operates as intended from the outset, rather than relying on business-as-usual experience to determine whether the metrics and assessment methodology are appropriate.

While the core components of the framework have remained broadly consistent throughout recent consultations, the underlying metrics have undergone a number of changes. Significant complexity remains, particularly in relation to investment performance and charges. Certain disclosures require calculations at arrangement level, while others require members to be grouped by years to retirement (YTR). There are also areas where the draft regulations, COBS requirements and consultation proposals do not fully align. As schemes and providers continue to scrutinise the proposals in greater detail, additional questions and potential issues are emerging.

Our discussions with members indicate that there remains a substantial amount of detail to be resolved. Even once the final requirements are confirmed, it will take time for both industry and regulators to reach a position where the interpretation and calculation of metrics, as well as VfM assessments and comparisons, are applied consistently across the market. Until that point is reached, we believe publication of VfM data should be deferred, as results are likely to be largely incomparable and therefore unsuitable for public disclosure. Similarly, commercial consequences should not be attached to ratings until there is confidence that assessments are being conducted consistently across all schemes.

There also remains uncertainty regarding the Exchange portal, including how data will be submitted and updated, and whether the platform will be capable of calculating and displaying comparator averages within the proposed implementation timescales.

We propose the following enhancements to the phased implementation approach:

- Remove the requirement to publish VfM assessments for all arrangements until year 2, assuming that a consistent industry-wide approach to interpretation and assessment has been achieved by that stage. Even where data is anonymised, there remains a risk that it could be linked back to the originating scheme. During the first year, assessment data should be provided solely for regulatory purposes.
- Remove the requirement for other in-scope arrangements to submit data in year 1. Many of these arrangements may cease to operate or fall out of scope before year 2, making early reporting disproportionate and of limited value.

We note that a multi-employer in-scope arrangement is defined as an arrangement used by more than one employer. Under this definition, an arrangement using an investment strategy designed by an employee benefit consultant (EBC) and adopted by two of its clients within the same scheme could be classified as a multi-employer arrangement, despite the scheme itself having had no influence over the investment strategy. We therefore recommend that bespoke arrangements are defined as those designed by advisers or EBCs, while multi-employer arrangements are limited to those where the investment strategy has been designed by the scheme.

Question 2: Do you have any comments on our proposal to limit the first data collection period to 6-months?

As the proposed collection dates exclude significant industry busy periods, such as calendar and tax year-end, the data gathered is unlikely to provide a representative indication of the experience and outcomes that will be observed in year 2.

Question 3: Do you have any concerns about our proposed exemptions and inclusions?

We have no concerns with the proposals.

Question 4: Do you agree with the proposed exemptions (full and partial) for contract-based arrangements where there is a transfer or a plan to transfer? Why or why not?

We do not agree with the proposed approach.

Depending on the scheme terms and conditions and the circumstances of the transfer, it may already be possible to undertake a bulk transfer without member consent within a contract-based scheme. In addition, we expect the proposed contractual override to be in place before the VfM framework is implemented, thereby placing FCA-regulated and TPR-regulated schemes on a more consistent footing.

We therefore consider that the requirements relating to bulk transfers, including any associated exemptions, should be applied consistently across all affected schemes. We recommend that further work be undertaken to develop a more aligned approach and ensure equivalent treatment across the trust-based and contract-based sectors.

Question 5: Do you have any further comments on our proposed scope?

We have nothing further to add.

Chapter 3: Investment performance – Backward-looking metrics (BLMs)

Question 6: Do you agree with the proposed updated methodology? Do you envisage any issues with calculating investment performance metrics on a basis that tracks members experience over time, while excluding contributions? Please specify where problems might arise, if any.

We agree with the proposed updates.

The pricing points applied to assets are not uniform across the market and may, for example, be based on either midday or end-of-day valuations. As exposure to market movements can vary between these pricing points, outcomes may differ solely due to methodology rather than underlying performance. To remove this source of inconsistency and support meaningful comparisons, we recommend mandating a standard pricing point for all calculations.

Question 7: Do you agree with the removal of standalone BLM disclosures at 5YTR? Are there any issues associated with its removal?

We welcome efforts to simplify the framework and reduce the number of data points collected, provided this can be achieved without undermining the framework's objectives.

However, we note that de-risking strategies may begin 10 to 15 years before a member's retirement date. Removing the 5YTR metrics would therefore result in the loss of potentially valuable information on investment performance during this important phase of the member journey, which would not be captured by the 0YTR metrics alone.

Question 8: Are you comfortable with ASD as a risk metric for all arrangements, or should some arrangements calculate their volatility metrics differently. Please specify under what circumstances and what modified calculations you would recommend.

We are broadly comfortable with the proposals. While the treatment of less frequently valued illiquid assets could potentially create an artificial impression of lower risk, we note that ASD will be calculated using monthly data points. This should provide sufficient flexibility for the majority of assets that are not priced on a daily basis and help ensure a proportionate assessment of risk.

Question 9: Are there any circumstances in which a scheme would not have access to the historical cost information required to apply the same chain-linking methodology to costs as done to gross performance figures, noting the more limited scope under which chain-linking is applicable?

While the proposals remain under consultation, we recommend that the inclusion of chain-linking is reconsidered, as we do not believe it aligns with the underlying objectives of the framework.

The purpose of closing a default arrangement and transferring members to another is to improve member outcomes. However, where chain-linking applies, it may have an adverse impact on the rating of the receiving arrangement. For example, an existing Green-rated arrangement used by thousands of employers could be reclassified as Amber solely as a result of chain-linking, despite there being no change to its underlying performance or member outcomes. Employers could therefore receive communications that do not accurately reflect the quality of the arrangement.

We anticipate scenarios in which multiple arrangements are transferred into a single receiving default. In such cases, each transfer and associated chain-linking calculation further dilutes the actual performance record of the receiving arrangement, creating significant complexity and potentially producing a performance measure that bears little resemblance to the arrangement's genuine long-term performance.

While we welcome the proposed exemptions, they may create unintended barriers to consolidation. Firms may, for example, delay transfers until the receiving arrangement has accumulated three years of historical performance data in order to avoid adverse and complicated chain-linking calculations and consequences.

We therefore recommend expanding the scope of the exemption criteria so that chain-linking is applied only in circumstances where there is a genuine risk that transfers could be used to obscure or reset a history of poor performance. This would better support the framework's objectives while avoiding unintended distortions to VfM ratings and unnecessary barriers to beneficial consolidation. Or alternatively, disclosing the fund performance of arrangements which have been consolidated separately.

Where an arrangement is only partially closed and the majority, rather than all members are transferred out, we do not believe this would trigger a chain-linking event under the current proposals. This appears to provide a potential route to circumvent the chain-linking requirements, which may be an unintended consequence of the framework. We recommend that this scenario is considered further to ensure that arrangements with substantially similar outcomes are treated consistently, regardless of whether a full or partial transfer has taken place. Failure to do so could create opportunities for regulatory arbitrage and undermine the policy intent behind the chain-linking provisions.

Question 10: Would there be a material reduction in burden if net performance were to be calculated first, and then chain-linking applied to it, rather than chain-linking costs in order to derive accurate net performance metrics?

Yes, this would provide a useful simplification to the calculation process and reduce the associated administrative burden.

Question 11: Would trustees or firms have the necessary data to retrospectively determine if an arrangement would have been classed as quasi-default up to 10 years prior, so as to apply chain-linking where necessary?

We believe firms are likely to encounter practical challenges in obtaining this data consistently across all scenarios.

Chapter 4: Investment performance – Forward-looking metrics (FLMs)

Question 12: Do you agree with the proposed requirements for FLM disclosures and safeguards? Why or why not?

While we broadly agree with the proposals, we have concerns that publishing Capital Market Assumptions could create competition-related issues in a manner comparative to the publication of minimum and maximum charges. As such, we recommend that CMAs are provided to the regulator for supervisory purposes only and are not made publicly available.

Chapter 5: Asset Allocation Disclosure

Question 13: Do you agree with our revised proposals in relation to Asset Allocation? Please provide details of any concerns you have relating to our proposals.

We have no strong concerns with the proposals. However, we note that schemes may be reliant on underlying fund managers to provide the detailed data required to classify assets accurately, which could create practical challenges for some providers.

We also see a specific issue with the requirement to disclose asset mix at 0YTR. The relevant cohort would comprise members whose Selected Retirement Date (SRD) falls within that calendar year. In practice, however, the disclosure would only capture members whose SRD is exactly 31 December and whose retirement event has not yet occurred, resulting in a very small, or potentially non-existent, cohort.

Other members captured would typically fall into one of two categories:

- Those that have already reached retirement, in which case their asset mix may have changed following the retirement event; or
- Those that have not yet retired at their SRD and therefore should not be included within the 0YTR cohort, as they remain more than 0 years from retirement.

To address this issue, we suggest allowing firms to disclose their strategic asset allocation for a representative or model member at 0YTR, rather than requiring disclosure of the actual asset allocation of a cohort that may be too small to provide meaningful or representative data.

Question 14: Do you have any comments on the definitions used above? In particular, do you have any comments on the definition of 'UK-based entity'? Is there an alternative definition you would suggest?

Question 15: Do you agree with our proposed definitions? In particular, do you agree with our definitions of UK assets? Are there any areas where definitions need to be tightened to ensure consistency of measurement?

We have no strong concerns with the proposals but would recommend that the definitions are aligned with Government interpretations. This would help ensure a consistent approach to measuring and reporting asset allocation across related initiatives and avoid the risk of divergent and unintended outcomes.

Chapter 6: Costs and Charges

More broadly, the purpose of the VfM framework is to introduce a more holistic approach to assessing the value that pension arrangements deliver to members, with the specific aim of moving away from a traditional focus on costs and charges in isolation.

Against that backdrop, the complexity of the requirements within this component does not appear proportionate and risks undermining the wider objectives of the framework. We do not believe the proposed level of detail will provide proportionate value to members. As such, we would encourage further engagement with industry to explore opportunities to simplify the underlying metrics in line with VfM objectives.

This could be addressed through the development of a standardised model member framework, with all schemes reporting their strategic asset allocation applicable to each model member cohort. Such an approach would provide a more consistent and comparable basis for disclosure, while avoiding the practical challenges associated with reporting actual asset allocations for cohorts that may be very small or non-existent at a particular reporting date.

Question 16: Based on the new proposed calculation methodology, we would be interested in views on whether, to help mitigate the risk that there are few – or no – members within the retirement cohorts it would be more practical to calculate the median based on the number of employers, rather than members.

We would recommend considering the use of a model member framework as per our general comments for this section above.

Question 17: We would be interested in views on whether all multi-employer arrangements should disclose maximum, minimum and median cost metrics, in order to highlight variations in the treatment of small or large pots.

We have no strong views on the proposal. However, given the overarching objective of the VfM framework to provide clear and meaningful assessments of member outcomes, we would recommend retaining a strong focus on simplicity and proportionality. Any additional complexity should be justified by a clear and demonstrable benefit to the effectiveness of the framework.

Question 18: We would be interested in views on whether member-level calculations (Option A) or the model pot size approach (Option B) would be more effective.

We have no strong views on this issue, recognising that both options have limitations. However, we would reiterate the need for a proportionate approach, ensuring that any additional complexity delivers clear and meaningful value within the framework.

Question 19: Do you agree with our suggestion that the variable effects of complex charging structures on pots of different sizes should be disclosed separately from the effects of commercial variations of fee terms? Do you agree with our proposal for achieving this?

We have no strong views here.

Question 20: How should the separate pot size effect disclosures be used in the assessment of value? Should they be based on peer-to-peer comparisons (consistent with the rest of the VFM Framework) or should trustees / IGCs carry out value assessment internal to the arrangement, to determine whether the small pot members are excessively disadvantaged compared to their fellow members with larger pots?

We have no strong views here.

Chapter 7: Quality of Services

Question 21: Would it be helpful if we defined STP as a fully automated process for the purposes of VFM and asked schemes to confirm:

- **What percentage of payments fall within this definition?**
- **The mean and range of all contributions falling outside this definition?**

To support consistent interpretation and application, it would be helpful for STP to be explicitly defined. We have no concerns with the reporting proposals.

Question 22: Do you agree that the metrics for trust-based and contract-based complaints processes are now comparable? Are there any further steps that we should take?

We welcome the move to disclose only the percentage of complaints rather than the absolute number. However, this change does not appear to have been reflected in the COBS drafting set out in Annex 12.

We also believe the drafting could be clarified in relation to the use of "days" and "business days", as the consultation proposals, regulations and COBS provisions do not appear to be aligned. For VfM purposes, we recommend that time periods are measured in calendar days to align with the timelines adopted by the Financial Ombudsman Service

Question 23: Are partly upheld Financial Ombudsman decisions recorded as a separate category by firms or included within the upheld figures?

We do not believe the Financial Ombudsman Service (FOS) distinguishes between "upheld" and "partly upheld" complaints. However, the Pensions Ombudsman does make this distinction.

Chapter 8: Assessment Process

Question 24: Do you agree with the proposed approach to consider decumulation aims separately for the 0 YTR cohort? Why or why not?

Yes, we agree with the proposed approach.

Question 25: Would decumulation aims be more appropriately considered in step 3 rationalisation?

It would be logical for the rationalisation process to take place at the end of Step 1. However, it would only be undertaken by schemes whose arrangements had not achieved a value rating.

We have no strong concerns with the existing proposals.

Question 26: Do you agree with the decumulation aim sub-categories? Why or why not? Are they sufficiently clear, or do they need to be defined?

We recommend that "Universal" be separated into a standalone category to reflect the likely differences in investment strategy between those targeting universal and flexible decumulation objectives.

As Retirement CDC is likely to emerge as a distinct decumulation objective in future years, a new category should be introduced at that stage to accommodate it.

Question 27: The proposed shift in approach for the first year of the Framework moves away from a more granular assessment of value that we have consulted on previously. We welcome feedback on where stakeholders consider there to be concerns in relation to the data sets, the proposals set out in CP26/1 for the publication and use of multi-employer cohorts, and the proposed changes.

Please see our response to Question 1.

Question 28: Does the second factor for consideration proposed for weighting BLMs and FLMs risk excessive use of FLMs? If so, should we restrict this factor more explicitly? For example, to significant investments in assets affected by 'J-curves'?

We have no concerns with the existing proposals.

Introducing explicit restrictions that apply only where J-curves are evident would favour certain asset classes, particularly private assets, and may therefore result in inconsistent treatment across different investment types.

Question 29: Do you agree with the simplified approached proposed for multiemployer arrangements for year 1? Why or why not?

Please see our response to Question 1.

Question 30: Do you agree with the simplified approach proposed for single employer arrangements for year 1? Why or why not?

Please see our response to Questions 1.

Question 31: Would the simplified approach be appropriate if it was applied from year 2/on an ongoing basis, for all in-scope arrangements completing assessments, with consequences attached? In particular, we are interested in feedback in how it may impact the assessment outcomes of SETs, bespoke and legacy arrangements.

Potentially yes but this is hard to answer without the benefit of hindsight.

Question 32: Do you agree with the proposal for multi-employer arrangement consideration of minimum, median and maximum? Why or why not?

We have no strong concerns with the proposals.

Chapter 9: Actions for arrangements offering poor value

Question 33: Do you agree with the proposed actions for not value arrangements? Why or why not?

The onboarding of a new employer can be a complex and lengthy process, with contractual agreements often being finalised at a relatively late stage. We therefore recommend that schemes rated Amber are permitted to continue onboarding employers that have reached a defined stage of the onboarding process, rather than requiring them to restart the process with a new scheme or arrangement.

For multi-employer arrangements, we recommend that communications are directed only to the employer cohorts that fall within the Amber rating. Otherwise, employers whose cohorts are assessed as delivering value may receive communications stating that they are participating in an arrangement that is not providing value, despite their own cohort being rated positively and requiring no remedial action. This would create unnecessary confusion and concern among employers.

Chapter 10: Disclosure Requirements

Question 34: Do you anticipate that a shorter initial data collection period would create any practical or analytical challenges, and if so, how might these be mitigated?

As the proposed collection dates exclude significant industry busy periods, such as calendar and tax year-end, the data gathered is unlikely to provide a representative indication of the experience and outcomes that will be observed in year 2.

The lead time between publication of the final rules and the implementation date will significantly influence the extent to which practical implementation challenges arise.

Question 35: Do you agree to proceed with data publication in November given the risks identified? How likely are these risks to emerge and what steps could we take to address them effectively?

We reiterate our recommendation that no data should be published for year 1.