tax incentivised savings association

Response by TISA to

# NAPF Consultation Telling employers about DC pension charges – a consultation on a draft Code of Conduct.

July 2012

**TISA response to NAPF Consultation: Telling employers about DC pension charges – a consultation on a draft Code of Conduct**

The Tax Incentivised Savings Association – TISA has a growing membership of over 130 organisations interested in the UK market for retail financial services products, from Child Trust Funds, through Individual Savings Accounts to Pensions. We have Advisory Councils in Retirement Saving, Wraps and Distribution, whose observations and thinking have contributed to this response. We are distinguished by the very wide scope of our membership, from Banks, though Investment Houses and Life and Pension providers, to Distribution organisations and IFAs. We are not, therefore, restricted to representing a sector approach, but rather the views of a very broad church indeed. We also, as an organisation, start from the principle that what is good for the consumer must, in the long term, be good for the business of our membership.

**CONSULTATION RESPONSE**

TISA is pleased to have the opportunity to respond to this Consultation. Whilst we would not propose to respond in detail to all the consultation questions, we would wish to make the following observations.

## Summary

TISA is strongly supportive of the purpose of the NAPF Code of Conduct. TISA believes that the code and provision of a charging document should apply to all pension schemes being used for automatic enrolment, irrespective of whether they are occupational schemes or contract based schemes, and irrespective of whether the employer is setting up a new scheme or using an existing scheme

We agree that there is a need for greater clarity and transparency in the charges levied on both employers and employees by pension schemes and the advisers providing services. TISA would welcome a requirement that all charges should be clearly and accurately stated in writing in a "Summary of Charges" document for employers and a requirement to provide the employer with information in a standard format to help employers make comparisons between schemes. We agree that information on charges should be provided prior to an employer selecting their auto-enrolment scheme.

TISA broadly supports the scope of the proposed Code, in that it should apply to all parties providing services to employers in setting up and administering pension schemes. This approach is important in ensuring that all charges, including "hidden charges" are taken account of. However, we believe that further consideration is given to the requirements where schemes are arranged by an advisor who charges a fee, since such advisors are already required to provide such information under current regulations. The code should be applied to services provided either through consultancy charging or commission and to services provided directly to employers by a scheme. We would like to see the Code used for all funds, rather than just the default fund, used for automatic enrolment schemes.

TISA supports the need to differentiate between those charges paid by the employer and those payable from employee contributions or invested funds. We agree that a standardised Charges Guide should be used to enable employers to make meaningful comparisons. However, we envisage some challenges in implementing the approach given the number of potential players contributing to the overall charges and the potential lack of clarity around the responsibilities of each party in ensuring that the overall information provided is accurate and complete. TISA takes the view that it will be helpful for employers to have a comparison within the Charges Guide, rather than just the information for the scheme under consideration.

TISA believes that it is not helpful to use example members as major variations may be seen in the charges for different groups of employees. Once systems and processes are established to create a Charges Guide, it should be possible to provide individual illustrations for all scheme members. We believe that there is a risk in using projections in a way that might dissuade employees from remaining in the scheme once auto-enrolled. We leave it to others with detailed practical expertise to comment on the most appropriate solution.

We support the view that charges should be explicit for both active and deferred members. TISA is concerned about the impact on deferred members of schemes which levy higher charges and we take the view that making such charges explicit would be helpful.

The implementation of the Code is likely to require some considerable thought as there are many complex issues to be considered. We believe that it is too ambitious to aim for implementation by the end of this year. Our view is that implementation should be mandatory and is included in the responsibilities of the Pension Regulator.

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