



leading on investments and savings

# Response by TISA to the

**Department for Work and Pensions:**

**Quality standards in workplace  
defined contribution pension  
schemes.**

**Call for evidence**

September 2013

TISA has a growing membership of over 120 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, through 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.

## **CALL FOR EVIDENCE RESPONSE**

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

- TISA has been working closely with the DWP on shaping the new landscape to help reinvigorate workplace pensions and create a successful Automatic Enrolment environment.
- The call for evidence is a positive move to get industry views on this most challenging subject.
- The need for better standards, administration and governance is critical for the success of “pot follows member” TISA will continue to support the DWP in introducing measures to ensure better member outcomes.

Although the call for evidence is aimed at Scheme providers, administrators and advisors, TISA would like to give input to the following issues raised in the paper.

### **Scheme Governance**

It is essential that an individual responsible for running a scheme has suitable skills and experience. The TPR has done an excellent job on developing its DC Code of practise and we very much hope that this is replicated in any proposed legislation.

TISA also supports Member nominated or executive directorships involvement in Governing Bodies and will be interested in the industry’s response to this paper.

The biggest challenge is the conflict of interest between member and scheme as you have identified. Some DC Scheme Providers have good governance in place today and it might be helpful to recognise a “best practise model” that is currently effective when developing the standards.

TISA supports the Approaches framework stated on P11 of the call for evidence as a starting point.

### **Investment – Default Options**

TISA believes that Default Funds and their application are vital to the success of Auto enrolment. With no active engagement likely for many auto enrolled members the proper investment selection is needed to provide adequate member benefits.

TISA is still working on the principles behind good scheme design at present but would endorse the view that Default Options should be regularly reviewed (minimum annually)

This is an area where minimum standards legislation is need to ensure a proper outcome for scheme members.

The Statement of Investment Principles used by occupational schemes is a good practise that should also work well in the DC market place.

### **Administration and Record Keeping**

Accurate data is essential to administrating scheme membership and calculating true pension benefits. It will prove critical to the pot follows member activity.

Most Providers and Administrators will confirm that the most important stage of capturing and verifying records takes place at the point of member entry to the scheme. The role of the Adviser and administrator is key here.

Thereafter annual statements do give the member this chance to correct or update data. Loss of contact with the member is a major contributory factor to weak record keeping. Inactive membership often has the poorest data.

TISA awaits with interest the call for evidence findings to discover whether the quality of data held varies between in house provision and that provided by TPA's. Costs may well drive activity levels here.

### **Scale**

Overall there is probably a disadvantage to smaller schemes that have to contend with costs associated with governance, administration, investment advice and its compliance.

TISA believes that alternatives should be sought as the papers states or exemptions for smaller schemes should be considered.

### **General Comments.**

In response to the question "would minimum standards as legislation help?" TISA believes that legislation is required to provide standards that would allow automatic transfers to bed in more effectively.

Management Reporting or the Scheme Service Exception Reporting could be important tools to monitoring.

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