

CALL FOR EVIDENCE

Ever since George Osborne stood up and delivered his revolutionary pensions Budget speech it seems that the world of later life and pensions has sent the industry into a spin of activity and drawing board development.

This has now been added to by further necessary work from the industry, following the FCA and DWP publishing a joint call for evidence on the disclosure of transaction costs for workplace pensions, last week. With effect from April 2015 independent governance committees and pension scheme trustees are required to report annually on the costs and charges involved in managing and investing the pension pots of scheme members. The regulator and the DWP are now seeking views on how information about transaction costs should be reported in a standardised and compatible format.

In essence, the request is for evidence on what costs should be included, how those costs are captured, how IGC's and trustees will receive cost information and in what format scheme members should receive information on costs.

The FCA has also published a report by Novarca which analyses methods of measuring and disclosing costs and charges. There seems to be an inherent implication that scheme providers will need to upgrade their systems to provide industrial scale reporting when there are complex product ranges. These transaction costs can be reported in a number of ways such as by fund, asset class, asset manager or employer and there will need to be a balance between achieving sufficient accuracy of detail to be of value to the regulator and the costs of obtaining such accurate information. This coincides also with some of the transparency cost regulation coming out of Europe from ESMA and it is apparent that not just in pension schemes but across the financial services market generally providers, fund groups, trustees and IGC's will need to have clear and transparent information on costs as part of assessing value for money offered by pension schemes and by savings providers to individual customers.

To be clear, this is a consultation currently where the regulator is looking to establish clarity and consistency across the market on how costs and charges information should be disclosed. The purpose is to give both pension savers and investors confidence that their money is working for them and exactly what they are being charged to invest it. Pension schemes will need to present the information to members in a clear and transparent way.

The industry has until 4th May to submit its responses and TISA will be responding accordingly following consultation with its member firms.

Peter Smith, Head of Policy Strategy Development