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Dear David,

Disclosure of costs, charges and investments in DC occupational pensions

This is the response of the Financial Services Consumer Panel (the Panel) to the DWP's consultation on disclosure of costs, charges and investments in DC occupational pensions.

The Financial Conduct Authority (FCA) is required to set up and maintain a panel to represent the consumer interest. The Panel represents the interests of all groups of financial services consumers and operates independently of the Financial Conduct Authority. The emphasis of its work is on activities that are regulated by the FCA, although the Panel may also look at the impact on consumers of activities that are not regulated but are related to the FCA's general duties.

We have long argued for an increase in transparency of costs and charges for retail investors and pension scheme members. We took part in the Investment Association Working Group, which developed a template for asset managers to report costs and charges to Trustees and IGCs. We are also part of the FCA's Institutional Disclosure Working Group.

We understand that the Government seeks to strike a balance between ensuring that scheme members receive the information they need to assess the costs they are paying, and not overburdening schemes and their trustees. However, if the Government wants to encourage members to access this information, it may need to be more prescriptive.

Member engagement is low, with a small proportion managing their accounts online. The Pensions Dashboard may help, but that is still some way off. It may help for costs and charges information to be supplied in hard copy, where schemes communicate with their members in this way. For those schemes that provide only online accounts, members could be alerted by email.

Finally, we would like to mention the FCA working groups on institutional disclosure and fund objectives.

The success of the two proposals, relating to how savers can inform themselves about the costs and charges they are paying, and where their funds are invested, will depend on the implementation of the FCA's proposed remedies for the Asset Management Market Review. As an example, putting the names of the funds in the scheme portfolio is unlikely to give members the necessary information about whether an ESG fund actually meets its objectives. The way fund disclosures work currently means it is not possible to compare or understand what they do, and how. The Panel believes there needs to be mandated templates of disclosure in both areas.

We have only responded to those questions where we have concerns or feel we can add value.

Yours sincerely

Sue Lewis
Chair, Financial Services Consumer Panel

Chapter 1 – Disclosure of cost and charges information

Q02: We propose that: The Chair’s Statement should be extended to include the actual charges and transaction costs for each default arrangement and alternative fund choices. Do you agree with the proposal?

Yes, but the information should be available in a format that allows pension scheme members to compare the costs easily across all the funds offered by the scheme.

Q03: We propose that cost and charge information should be:

(a) Published annually

(b) The responsibility of the scheme trustees or managers to publish

(c) At the discretion of trustees and managers of where to publish, as long as it is publically available and can be indexed by major search engines

Yes, but there should be more direction to trustees to consider those members who are digitally excluded or who may not be office based. The availability of the information will need to be flagged clearly to members, with an explanation of how to use it.

Q05: We propose that a web link to the location where cost and charge information for their pension scheme can be found is given to members as a matter of course when they receive an annual benefit statement.

Yes, but schemes will need to make strenuous efforts to engage members with the information. A link will only work for those few who are already engaged.

Q08: Do you agree with the proposal that trustees should only be required to provide a hard printed copy if it would be unreasonable for the individual to access the available information published online? Do you have any other evidence or thoughts about how these proposals will affect members of protected groups and what mitigations, if any, may be required?

No. At the very least, members should be notified, in writing, of the change in regulation and what this means to them in terms of comparing costs and charges on their chosen fund(s) against others available.

Simply providing a link to online information will not be enough. Members need to be given a good reason to access the information and to understand what the purpose of the information is. Otherwise they will not use it.

It is also not clear what would be deemed “unreasonable”. Does this mean that the individual must have no access at all to the internet? Or no access at work? We would encourage the Government to give further thought to this and undertake research with pension scheme members.

Q010: Do the draft Regulations deliver our policy intent, or are there aspects which you believe will not deliver our objectives? Do you foresee any unintended consequences?

Not without more work to encourage members to access and use this information.

Q011: Are there any other proposals in this consultation on which you would like to offer comments?

Our additional comments are covered in our covering letter.