PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION

# PLSA RESPONSE: CP24/16 VALUE FOR MONEY

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## ABOUT US

We are the **Pensions and Lifetime Savings Association**, the voice of workplace pensions and savings, and uniquely placed to collaborate with the new government on its goals for the pensions industry. We are a not-for-profit membership organisation, representing pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £1.3 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures.

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## EXECUTIVE SUMMARY

1. The PLSA welcomes this consultation from FCA, as well as the acknowledgement of the depth and technicality of the content through an appropriately long consultation period. Ensuring all savers into workplace pensions receive good value is of paramount importance, so it is right that regulators and industry take the time to get this framework right.
2. There are a great deal of technical and detailed elements to the proposals, especially in defining the metrics and framework data, and much of this reflects and is a product of the already extensive consultation and other engagement activity we have had with both regulators to date. We comment on each individual aspect in turn in response to the consultation questions.
3. We do, however, have broader concerns regarding the overall framework, and the extent to which it will both satisfy the consultation's stated objectives, namely improving saver value and driving focus towards long term value, and away from cost.
4. Our concerns are largely a result of such an ambitious initiative. This is a framework that covers many completely different shapes and sizes of scheme, with different governance structures, different membership profiles, and different scheme objectives. Among these, some defaults are just for a single workforce, while some cater for many – and among those, some take only specific employer types while some take on any employer. Offerings therefore vary incredibly widely, so comparing them is not easy.
5. Meanwhile, this framework appears to be aiming to improve saver value, drive consolidation, encourage continuous improvement in schemes, and increase allocations to (UK) unlisted assets. These are aims which do not all align.
6. These consolidation and investment aims *can* lead to better saver value and outcomes, however there is a danger that if they are pursued *at all costs,* we lose sight of the saver as the primary focus, and this can lead, in some cases, to worse outcomes, for instance where schemes providing good value (and rating green) are forced to wind up, purely because of the compliance cost of the new framework.
7. In other words, not all of these objectives are complimentary, so in its current form, the framework risks failing in a number of them. We explore reasons for this below:

    a) **Comparability of data points –** the framework is based on comparisons of certain data points between schemes. It follows that these data points need to be consistent from scheme to scheme, but there are a number of areas, particularly in respect of service quality, where membership profile differences mean certain metrics will not provide meaningful comparisons between different types of scheme.

    b) **Regulatory arbitrage** – for the same reason as above, if the framework is to apply across all workplace pensions, the data points must be workable for the two different governance and legal structures – trust and contract. Our members are concerned that FCA's unique rulemaking powers might lead to misaligned regulatory regimes, one introduced ahead of the other, leading to unworkable framework data requirements and meaningless comparisons. As such, it remains critical both regulators continue to collaborate and that final rules come into force for both sectors concurrently, only when consensus has been

reached. Failure to do so will mean flawed value assessments, and therefore any hope of consolidating under-performers will not be realised. In order to avoid arbitrage, legal changes will also be needed so that the same threat of wind-up applies to GPPs as to trust-based schemes.

c) The value assessment, as proposed, takes the form of a **RAG rating**. Our members have universally told us that the business-threatening consequences of an amber rating (inform employers and close to new business), will mean that in practice, very few schemes self-rate amber. Given the sheer number of data points to compare, as well as the number of areas which will require additional contextualisation, a wide range of different performance could effectively be masked within a green rating. This, alongside anything but close supervision to ensure proper compliance with the framework, could result in failing the objective of winding up smaller poor value schemes. In this context, too much reliance appears to be resting on the RAG ratings to achieve the following key elements of the causal chain: 'competing on longer-term value' and 'defaults not VFM improved or removed from the market'. The multi-year process for a scheme to pass from amber to red, and the fact that contract-based schemes cannot bulk transfer members will further impede the ability of the framework to realise the suggested benefits in the short to medium term.

d) Where demographic or other differences may render certain data points misleading, contextualisation is the proposed solution in the assessment process. However, this does not mitigate the **risk of uncontextualized data being taken from the Q1 disclosures and used in third-party league tables**. The availability of the data could lead to poor saver outcomes, for instance if uncontextualized one-year performance data is reported on, savers – or even employers - may act in certain ways that would not be in their best interests. More thought needs to be given to the availability and presentation of contextualized framework data, including with a private data run in year one to allow for review of the utility and fairness of each metric.

e) **The returns data proposed will discourage allocation to higher returning private assets, which are seen as key to shifting from cost to value**. The primary returns data for comparison is over one, three and five years. Typical holding periods for private equity and other 'productive' productive assets is 7-10 years, and with the J-curve effect, valuations at three years can often appear negative. Basing value assessments on such data will likely therefore disincentive this investment, as it may present schemes as poor value. We accept this could be explained in contextualisation at the assessment stage, but the point above about disclosure of uncontextualized data still applies.

f) **The asset allocation proposals have no bearing on value and should not be included in the framework.** The consultation concedes that this data is not part of the value assessment, yet it covers more data points than any of the three central components. Not only is this **completely disproportionate,** but at a time when government is seeking to increase schemes' allocations to UK assets, this may result in highlighting exactly why many schemes only hold modest UK allocations. Global markets have consistently outperformed UK ones for decades; any schemes pursuing higher UK allocations will therefore risk poor value assessments when compared to better diversified peers.

g) Finally, some of the worst outcomes occur when savers are tempted – often by incentives – to transfer out of the workplace environment entirely, and into **non-workplace consolidators**. Such schemes typically charge considerably more than a modern workplace default, despite often not offering any tangibly improved investment services. Therefore, in any conversation about value, we must consider including in scope those areas of the market that the very same savers can easily end up in.

8. **The overall quantum of disclosure therefore needs to be reduced and simplified**. This should include the removal of the asset allocation metrics, which are not clearly linked to value, a rationalisation of service metrics, and we also recommend **disclosures are conducted, at least initially, on a private basis**, so that industry and regulators can assess which data points are useful, comparable and fair, and which are not. Such an approach would also improve the proportionality of the overall initiative, which currently risks being overly burdensome – particularly given the risk that the objectives will not be met. Finally, as we discuss further below, the RAG scale needs to be more graduated, with at least one more level between the current green and amber.

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# CONSULTATION QUESTIONS

## SCOPE AND THRESHOLDS

Question 1: Do you agree with the proposed scope, thresholds and exclusions? Why or why not? If not, what alternatives would you suggest?

Yes, we agree that the focus should be on default arrangements, however, as per all our previous engagement with regulators, if the true purpose of this work is to improve value received by savers, non-workplace schemes also need to be in scope. Members of workplace schemes are widely targeted by marketing from non-workplace consolidators, which are often higher charging, despite not offering improved investment performance or any allocation to productive assets and private market assets. According to research from the People's Pension, 72% of people transferring pensions are unaware of fee differences, meaning savers could end up tens of thousands of pounds worse off in retirement, as a result or ill-informed consolidation decisions[1]. Under the framework as proposed, there will be two tiers of rigour in terms of the value offered by workplace and non-workplace schemes, to which savers will be vulnerable.

We also acknowledge the intention that decumulation will be included in a future phase of the framework. While challenging to measure, we urge regulators to consider how this might be included as soon as possible. Upcoming government reforms will require schemes to offer default guided retirement products, and these will become a key differentiator between schemes. As such, robust governance will be needed to ensure savers can rely on the value offered by those solutions, in terms of the investment strategy, income options and guidance surrounding these.

Finally, while this consultation relates to the contract-based market and IGCs, the framework will need to work for both contract and trust-based schemes if it is to deliver on its objectives. It will therefore need to come into force for both at the same time. We are aware of plans to enable master trusts to voluntarily adopt the framework early, but we would emphasise that, given the considerable cost of implementation, most will not prioritise that over more urgent projects. Under the assessment process, schemes need to pick both contract and trust comparators, which would therefore be a problem if the framework is not introduced all at once.

Question 2: Do you agree with the proposed application of the 80% threshold to determine whether legacy arrangements are quasi-defaults? Why or why not? If not, what would you propose?

Yes, this makes sense and we support alignment with existing DWP guidance.

[1] https://peoplespartnership.co.uk/media-centre/press-releases/savers-face-being-more-than-70000-worse-off-in-retirement-due-to-poor-pension-transfer-decisions/

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Question 3: Do you agree with the proposed 1,000 member threshold? Why or why not? Do you think there are risks around this level, for example excluding too many savers? If you don't agree, what would you suggest?

We understand the rationale for this threshold and agree that it allows some level of proportionality while ensuring the vast majority of savers in larger providers and master trusts would be captured. Among PLSA membership there is a very small number of trust-based schemes with fewer than 1,000 members, so the risk of many savers being excluded on this basis is small.

Paragraph 3.18 suggests bespoke defaults be subject to value assessment, but with less data disclosure. A similar slimmed-down process, but still providing a value rating, might be suitable for sub 1000 member bespoke defaults, as this might better enable the provider to challenge advisers and assess whether a transfer of members to a larger scale default would provide better value.

Finally, we understand that, for some providers which have multiple defaults and employers, there could be considerable cost and complexity involved in determining whether the exemption applies to a certain arrangement, and this in itself might change from year to year. One option may be to gradually reduce the 1,000 member threshold, such that after a period the exemption no longer exists.

## INVESTMENT PERFORMANCE

Question 4: Do you agree with the proposed investment performance metrics? Why or why not? If not, what alternatives would you suggest?

Yes, and we understand the rationale between the periods and cohorts across which disclosures are proposed, and the tables at annex 2 are helpful to present the data required. However, overall, the disclosure burden is considerable, so where possible – and where certain metrics may not be useful, we would prefer these are rationalised. For instance, if the focus is to be on long term performance, the one-year returns are arguably unhelpful and could be removed, in particular for the 30YTR cohort, for which short term volatility does not necessarily pose a problem.

In terms of the unbundling of investment and admin charges, we understand the increased transparency this provides, and welcome the transitional period; as we've noted previously, some firms will struggle to implement this where all services are provided internally.

Question 5: Do you agree with the proposed calculation methodology? Why or why not? If not, what alternative methodology would you suggest?

Yes, however we are not convinced by the utility of the "geometric average of annual performance in each year". This figure, as outlined in paragraph 4.11, doesn't represent the performance any individual will have had, or can recognise in the statements, and as such does not indicate value. Given the point above about proportionality, it could be removed.

We agree that risk adjustment needs to be factored in, however we are not convinced that ASD is necessary for all cohorts. As we have seen in recent years with SMPIs, historic volatility can be an

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unreliable proxy through which to make future return assumptions, and it could be equally misleading here in terms of risk – especially for members in the growth phase. Measuring volatility – especially for the 30YTR cohort – is potentially unhelpful, and so the use of ASD, and also potentially maximum drawdown, could be removed for this cohort at least.

Question 6: Do you agree with the proposed requirement for chain-linking? Why or why not? If not, what would you propose?

We support the intention behind the chain-linking proposals, though it will be important that sufficient weight can be given to the non-chain-linked data (paragraph 4.22) as changes to investment strategy can take time to realise benefits.

We also agree with the exemption for schemes that are merging, otherwise there could be a disincentive where the receiving scheme's value assessment suffers – that would run counter to the consolidation agenda. We would also suggest that not only mergers between providers are exempted, but that adviser/EBC-led defaults also be exempted when moving to a provider-led default, for the same reason. This exemption should apply so as not to penalise the receiving arrangement, provided trustees can show it is in members' best interests to close the old arrangement.

Question 7: Do you agree with the approach to in-scope legacy arrangement features? Why or why not? If not, what alternative approach would you suggest?

Yes, we agree that legacy arrangement features should be disclosed as proposed - we've argued in the past for their inclusion, as features like guaranteed annuity rates provide considerable value for members.

Guaranteed investment returns also provide good value for members, so we would not agree with the implication in paragraph 4.32 that assessment may not be based on them (and rather on the actual returns of the fund), unless the actual returns are higher. If the true priority of the framework is member outcomes and member value, it must focus on the guaranteed rate that members receive. Any focus elsewhere would suggest the objectives behind this framework relate to directing investment rather than improving saver value.

Question 8: Do you have further feedback on the incorporation of forward-looking metrics within the Framework? If included, how prescriptive do you think we should be on assumptions and methodology, and what would you propose?

We understand concerns about gaming forward-looking metrics, and that there is little consensus over which metrics could be used.

However, as proposed, the performance focus is limited to 1,3 & 5 year returns. There is a danger that these relatively short periods will mean different providers' investments herd around the currently more accessible listed markets. To fully realise the illiquidity premium of more innovative assets, such as private equity, venture capital and infrastructure, holding periods of 7-10 years (or more) are common, and in the early years, due to the J-curve, there can often be negative

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valuations. These investments will therefore be disincentivised if we only focus on the proposed returns periods, without factoring in expected future returns.

Forward-looking data points are the solution to this, as these would take account of more innovative investment strategies. Various solutions to this have been discussed, including Sharpe ratios, though given the volatility basis for these, they may be more suitable for members nearer retirement. An alternative option might be for funds to have a benchmark, perhaps from central Capital Markets Assumptions, for expected returns for each asset class. That way, projected returns for a given default could be calculated on a more consistent basis, depending on their asset allocation, and if their investment strategy included a higher weighting to private markets and 'productive' assets, this would be reflected.

The real difficulty here is finding a consistent manner to project returns across different scheesm and strategies. Ultimately, a compromise might be enabling schemes to select appropriate metrics for their own strategy, with guardrails around this. While this may not lend itself to direct comparison, it would aid the contextualisation and explanation of investment strategy, chosen risk levels, and we think that by comparing a scheme's projections over time with its past performance, any attempts to over-promise or game the system would become obvious. We also think that given the protracted timescale until the framework is implemented, there should be time for the detailed work necessary to agree a workable approach among industry.

#### ASSET ALLOCATION DISCLOSURES

Question 9: Do you agree with the approach to asset allocation disclosures? Why or why not? If not, what would you suggest? Do you think asset allocation disclosures will support better decisions in the interests of savers?

Given the consultation acknowledges that asset allocation disclosures will not be used for the assessment of value provided to members, the purpose of their inclusion is unclear, especially as there are a considerable number of data points among them, meaning the cost/burden of compliance will be considerable. In fact, the asset allocations require far more data points than any of the actual components used for assessment of value, and in some cases these will make up well over half of the total data disclosed. This is not proportionate.

The inference from the proposals for the UK/non-UK split is that the purpose is rather to highlight which arrangements are investing consistent with the government's growth agenda. However, we consider that this might, in reality, demonstrate exactly why UK schemes have, on average, low allocations to domestic assets[2]. Returns data[3] highlight that global and European large cap equities have consistently outperformed UK large-cap over the last five years, and underpinning DC investment strategies is the trustees' fiduciary duty to invest wherever will generate the best return for members.

[2] https://www.ft.com/content/875606ba-a67c-4ad0-842a-259d90908022

[3] Returns data

Question 10: Do you agree that asset allocation disclosures should be limited to firm designed in scope arrangements only? Why or why not? If not, how would you broaden this requirement and to what arrangements?

We agree that it makes sense to exclude bespoke defaults, given particular organisations might have specific reasons for their asset allocations, making them less comparable. However, as above we don't think they should be included at all.

Question 11: Do you agree that we should require the disclosure of the overall asset allocation of the whole arrangement, as well as for the YTR points? Will this be of use to firms, and will it be an added burden to disclose?

No, this should not be included. Each YTR allocation is proposed and so it's unclear what additional use the 'overall' allocation is. Overall asset allocation for the whole default (paragraph 5.9) does not reflect the value any individual member receives, and is heavily influenced by the demographic profile, so it **does not provide any indication of value.** Given the overall need for proportionality, such metrics need to be omitted.

Question 12: Do you agree with the proposed definitions for UK assets? If not, what would you propose?

The definitions make sense, and we agree that look-through is not required due to the complexity of this and the difficulty in reaching consistent methodologies for it across the industry. That said, even requiring the UK/non-UK split is going to be labour intensive for schemes. Existing 'disclose/explain' rules have created a significant reporting burden and this proposal is even more granular, with no clear link to value – which, theoretically, is the purpose of the whole exercise.

We would also highlight that assets that "include all those with a primary listing on a UK market and constituents of UK market indices" are often not "UK assets". In fact, large constituents of the FTSE100 are global firms, and so this inclusion will simply highlight the allocations to companies listed on the London Stock Exchange – and the relative success of that institution, rather than showing any development of domestic investment, which is presumably government's aim with the inclusion of this data. Further, this approach is inconsistent with that stated for private debt, for which "UK assets should reflect borrowers located in the UK".

Question 13: Do you think we should break out 'Quoted but not listed' (eg AIM) and if so, how would that be useful? Would there be additional cost to doing this and can you indicate how much?

Given the already lengthy list of asset allocation disclosures, this further breakdown should not be required.

Regarding the definition of cash (paragraph 5.20), it is not clear whether the proposed disclosure would include or exclude cash which may sit with a manager prior to allocation to, e.g. a new LTAF or other less liquid structures, e.g. private equity funds. Once capital is allocated to such investments, there can be relatively long periods before it is drawn down by funds.

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## COSTS AND CHARGES

Question 14: Do you agree with the proposed costs and charges metrics? Why or why not? If not, what alternative metrics would you suggest?

Broadly we agree with what is proposed, and that these disclosures align with the breakdowns required for investment performance. However, given the need for proportionality, and to avoid unnecessary disclosures, we would suggest minimising the need for cost and charges data from further in the past (e.g. 10, 15 years), as this will likely have very little relevance to the modern charges of a scheme. This may also be the case with charges from five years previous, though we understand that this data will be needed for the netting of performance.

We **strongly disagree** with the proposal (paragraph 6.4) to include employer-borne charges in the disclosures and net performance figures ***as if they are member-borne.*** On the assumption that this framework has member value and member outcomes at its heart, any cost members do not have to cover themselves will directly improve the value they receive. Two schemes with identical investment performance will provide materially different value to members if one employer covers costs and the other does not. We would also highlight that any assumption that an employer-borne charge might translate into increased contributions were the scheme to consolidate is inaccurate, and in many cases not reflective of reality. The inclusion of employer-borne costs can only suggest that the primary focus of the framework is therefore the investment and growth agenda, ***not*** member outcomes. A further complexity of the proposal is that while some employer subsidies are paid for through an AMC rebate, some are met from a central pot, so this approach would require a notional apportioning of costs against different defaults and member cohorts.

Finally, given the disclosures include both active and deferred members, there is a danger that this data could be used in non-like-for-like comparisons with new providers. The costs and charges disclosed from an existing provider will involve some cross subsidy from the (generally more profitable) active members to the (generally lower margin) deferred members, However, when an employer gets a price from a new scheme, that price will only be for active members, and as such, the provider will be able to offer a much lower figure than the incumbent.

Question 15: Do you agree that historic costs and charges information should be calculated in the first year of implementation, rather than waiting for this data to build over time? Please explain your answer. If you do not agree with either approach, what alternative would you suggest?

We agree with the proposed alternative, where only the most recent year's costs and charges are disclosed. The most relevant costs to the ongoing value of the scheme are the most recent ones, therefore the lack of older data should not be a problem.

Question 16: Do you agree with our proposed approach to converting combination charging structures to annual percentage charges? Why or why not? If not, what alternative would you suggest?

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While we understand there is a difficulty in displaying a combination charge as a percentage, we would challenge the proposal to use an estimate of future charges in the context of scheme comparisons. Some of the largest master trusts will be in this category, and so they will inevitably be used as comparators for much of the market. However, if their disclosed charges are the result of an estimate, at an undefined point in the future, the charge comparisons will not be on a like-for-like basis, and schemes using 'today's' figures will be at a disadvantage. We understand that a more granular version of the existing charge cap compliance table has been discussed – we would like to know regulators' rationale for the proposed approach as opposed to that one.

Question 17: Do you agree with the proposed approach to unbundling? Why or why not? If not, what alternative would you suggest?

We support the intention behind the unbundling proposals, and implemented correctly these should provide more transparency. We also welcome the acknowledgement of the challenges for firms to implement, and the phase-in period proposed.

The methodology doesn't account, however, for the fact that firms do not always have quotable prices for the internal investment services they provide, and that these would usually be provided at a discount to the price they would be sold at on the open market. As a result, the proposal to use standalone product rates, or market estimates (paragraphs 6.29, 30), could result in distorting the theoretical service costs, as these would be the result of subtracting unrealistically high investment costs from the total costs figure. In extreme cases, given the low total charges for large employers, this could result in a negative service cost.

Broadly, it seems the intention behind unbundling is to shine a light on the different (service) costs employers are charged. Given these translate through to the total costs and charges that will be highlighted by the cohort table, it may be the case that those disclosures alone achieve the policy intent, without needing an imperfect methodology to estimate unbundled charges.

Question 18: Do you agree with the proposed approach to multi-employer cohorts? Why or why not? If not, what alternative would you suggest?

Despite only requiring disclosure for the 30 YTR cohort for the most recent year, this approach does pose a considerable data burden for schemes. We would propose that, to reduce the burden, the asset bands table is not required, and that the data is only split out by number of members – this second table still gives some indication of the types of employer demographic given the requirement for average contribution per saver.

Furthermore, it is not clear what additional value the proposal at paragraph 6.33: to require the cohort tables for multi-employer schemes where charges to not vary by employer. As there would just be one set of costs and charges, the table would not aid any additional comparison of value.

## QUALITY OF SERVICES

Question 19: Do you agree with the proposals on scope? If not, what alternative approach would you suggest?

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We agree that services offered by a scheme are important to the overall value delivered to members, and welcome that the consultation acknowledges the difficulties in measuring qualitative elements.

We also agree with the suggestion at paragraph 7.3 that saver outcomes can be good indicators of service quality, however given the diversity in membership profile of different types of scheme, more attention will be needed on how to use the metrics proposed to ensure fair comparison. As per our letter to regulators in February 2024 (included in annex), providers with more smaller pots, or serving the lower income portion of the population, will typically see far lower member engagement, and this is no reflection of service quality, or of value. Uncontextualized comparison of these metrics – perhaps by third parties using the data – would therefore lead to misleading conclusions.

The services element of the framework is arguably the most contentious of the whole framework, and as such, a number of approaches have been proposed to us to address the risk of misleading comparisons. There are different views among our membership over which of these is the best approach, however, there is consensus that the approach to this component requires a rethink to make it achieve the objectives. Options include:

- A first full year of the VFM process would consist of private publication of the data. This would allow for full review of the utility of all data points, including evidence-based assessment of the risk of publishing certain statistics where they could be taken out of context.
- Requirement for a subset of the service disclosures for a specific cohort of schemes (e.g. monoline master trusts) in order to prevent distortive comparisons.
- Inclusion of service metrics is delayed until further work can be completed to ensure a fair and useful set of metrics.
- The service element is removed entirely from the framework, to allow a focus on the purely quantitative metrics.

Question 20: Do you agree with the five proposed indicators of service quality? If not, what alternatives would you suggest, with metrics?

Yes, the indicators cover key elements of service and administration. These will need revisiting when decumulation options are included in the framework.

However, as per our response to question 21, many of the proposed metrics under the five indicators are problematic. One solution would be for regulators to prescribe these five categories, but allow schemes the latitude to disclose a set of metrics within each which is most relevant for their membership. These could be controlled by guidelines, for instance, timeframes, and quantitative elements. This would avoid the potential for misleading comparisons between set metrics, but given the proposed scope for contextualisation, it would also not mean comparisons are any less objective.

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Question 21: For each of the five proposed indicators, do you agree with the proposed metrics for measuring these? If not, what metrics would you suggest? We would particularly welcome views on these metrics.

- Administration is one of the more quantitative elements and the metrics proposed cover both quality/speed of processing, as well as data quality.
- In terms of saver satisfaction, the approach to complaints processing is reasonable, provided the times are all measured consistently, given we are aware different providers measure times on different bases. If member value is the priority of this work, there is a preference for end-to-end measurement as this more accurately reflects experience members receive. The data point on number of complaints received in the previous year needs to be reported as a proportion of membership. Absolute numbers are not comparable across schemes whose memberships range from hundreds to millions. Furthermore, time taken to resolve a complaint doesn't account for how thoroughly a scheme has addressed the issue. Some schemes might achieve faster resolution times via standardised answers, compared to schemes that fully investigate each one, so the quality of resolution should also be considered as part of the assessment process.
  We are also conscious that schemes may not automatically have data on complaints escalated to the FOS. Metrics requiring this data may be more easily sourced from the FOS itself, rather than schemes.
  We have concerns over the satisfaction survey. We understand why it is proposed to be used following defined engagement events, however, this approach will inherently lead to only more engaged members being surveyed, i.e. those that have proactively begun one of those events.
- The consultation rightly notes the difficulty measuring support for retirement decision-making, though we agree it is important. While different people's circumstances vary, we agree that the second proposed metric is a measure of an outcome that – for the majority – would not be optimal – hence we proposed this metric in previous engagement. The first metric, however, is entirely a measure of book quality, and so this data mustn't be disclosed and made publicly available for comparison, as this would lead to misleading conclusions. One possible alteration to the metric might be "% of savers with a pot of >£30k". This would align with the second question and ensure the metric applied to similar demographics of saver across different schemes.
- As with the previous metric, the proposed data points on ease of amending a pension will be dependent on member demographics. Therefore, these need consideration in relevance to scheme cohort type disclosures (as we discuss in question 19), with the possibility that monoline master trusts use a subset of disclosures. At the other end of the spectrum, members of a well-run scheme with generous contributions may consider themselves better prepared for retirement, and therefore have little reason to engage regularly, and so these metrics arguably also do not provide much insight into services provided for those individuals either.

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- The metrics on saver engagement support are in the same category, uptake of services offered will largely depend on member age and pot size. We agree the tools, modellers and support schemes offer is important, but this must be assessed separately from members' uptake of it. Paragraph 7.47 suggests contextualisation to explain these figures; this will help with the VFM assessment process, however it will not help where data is publicly available and used in third party league tables.

As above, the solution we propose to these issues is that regulators define a specific subset of engagement metrics for universal AE schemes (monolines that will accept any employer) to compare with (although not for admin metrics – these should apply market-wide). That way it's a true like for like comparison, and only relevant data is disclosed, meaning it's not an issue if taken out of context on 3rd party league tables.

Question 22: Do you agree with our proposal to include a non-employer related email address and phone number when defining common data? If you don't agree, please explain why not.

We do not think these two items should be included. These are not data items schemes will all hold, and whether or not they have them will usually depend on whether an employer has provided them, or if a member has engaged. While in some circumstances they could be useful to a scheme, they aren't indicators of value, and under GDPR rules there needs to be a clear purpose for data that is held.

Question 23: Do you agree with our proposals for an event-based member satisfaction survey? We would particularly welcome feedback on the trigger events and proposed questions.

As above, we are not convinced as to the utility of such a survey, primarily because the prescribed events will naturally bias it towards already more engaged members. This could lead to distortive effects in the comparisons unless carefully managed. The three metrics proposed at paragraph 7.36 could be particularly misleading:

- An absolute number of surveys issued will naturally bias towards schemes with both more members in absolute terms, and more engaged (typically more wealthy) members
- % of responses received will – even more so – bias towards those more likely to engage
- It is unclear what value the % of membership represented will bring to assessments, but this too will tend to favour schemes with more engaged memberships.

If a survey is pursued, it will, however, be important industry has the chance to define trigger points and metrics and we would be happy to work further with our members and regulators to help define this in more detail.

Question 24: Do you think that a firm should be able to provide a saver specific view of access to tools and saver use across its digital offerings? If not, what metric would you suggest?

We understand this question refers to individuals' usage of tools provided. Such data can be useful to providers, however it is very challenging to gather consistently – even within one scheme, let alone across the industry. In the interests of proportionality, we suggest this is omitted.

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## ASSESSMENT AND OUTCOMES

Question 25: Do you agree with our proposed conditions for the selection of comparator arrangements? If not, what would you suggest?

Most of the conditions make sense. We agree with having a mix of contract and trust-based comparators, though regulators need to be mindful that this makes it all the more important to have complete alignment between the two sectors' implementation of the framework – otherwise consistent comparison will not be possible.

Regarding the £10bn assets requirement, it is not clear whether it is the provider or arrangement which needs to be this size. Paragraph 8.7 would suggest it is at provider level, but page 16 of the draft regulations refers to 'pension arrangements…2 of which have total in-scope assets of at least £10 billion', which suggests that it is the comparator is the individual arrangement, *not* the provider. Clarity on this is required. If the intention is the latter (i.e. individual arrangements of >£10bn), this would currently limit comparators to circa four or five master trusts. It will also mean that the majority of schemes compare against a master trust with a combination charging structure. As per our response to question 16, the use of predicted future charges could make this an unfair comparison.

The proposal for comparison to schemes open to new employers broadly makes sense. As per our points in question 3, bespoke defaults would only realistically move to a larger multi-employer scheme. However, we are conscious of the benefits offered by certain large single-employer trusts, which in some cases have already implemented private markets strategies, and offer good value to their members, so in these cases, comparison to similar peers may be helpful.

Finally, we broadly agree with the requirement for comparisons with non-peer schemes (paragraph 8.12), however, as we cover in detail in chapter 7, the comparison and assessment of service and communications needs to be separate, and must be done on a basis that recognises different membership profiles. Therefore, some separation and cohorts will be needed to ensure schemes are compared fairly. On this basis, we do agree strongly with paragraphs 8.16 and 8.19 which propose trustees/IGCs include tailor their assessments to account for the specific features of their scheme and specific membership profile.

Question 26: Do you agree with the assessment process we have outlined above? Do you have views on what should be considered a material difference in value relative to comparator arrangements? If you think that RAG ratings will not be sufficiently comparable, what refinements would you suggest?

Overall, the proposed step by step process is clear. We also support that regulators will not define what differences between schemes are 'material' or not (8.22), as doing so could have major distorting impacts on the market, while individual schemes need to be able to contextualise key scheme features (e.g. membership profile or guarantees).

However, this does mean that assessment does come down to subjectivity over what 'materially worse value' might be, and in the context of the RAG rating system – and the severe consequences

for a commercial scheme rating 'amber', it is likely all schemes will do all they can to rate themselves 'green'. This represents a flaw in the framework, and a risk to it achieving its objectives of scheme consolidation.

Amber – as currently proposed – results in schemes having to communicate this result with employers, and close to new business. For a commercial multi-employer scheme this would be terminal: the scheme would lose credibility, and along with it, business, and when you factor in the lost business pipeline and time for the action plan to rectify issues, that scheme would effectively be out of the market for several years. This is especially the case, as in-year assessments, while theoretically allowed, would not be possible in practice because green rated schemes will not provide in-year data with which to compare. Therefore, amber schemes would have to wait a full year until there are new disclosures to make another assessment.

Our members have proposed various alternatives, ranging from 'energy efficiency scales' to a five-light RAG system, but the key point is to have an intermediate step between green and amber. As such, level 2 could allow 12 months to make demonstrable improvements before having to alert employers and close to new business. See diagram below for proposed levels.

| | |
|---|---|
| Emerald | Super-value arrangement |
| Green | As proposed |
| Green minus | Scheme/firm does not need to make any formal notifications, and can continue to accept business for the forthcoming year. But improvements must be undertaken in that time to achieve 'green' by the following year. If that is not achieved, scheme will become 'amber'. |
| Amber | As proposed |
| Red | As proposed |

Furthermore, the risk is raised at paragraph 8.38 that allocations to long-term productive assets might result in an amber rating. This is a clear risk, since their return takes time – typically private equity funds run for 7-8 years, and with the J-curve, often see (theoretical) losses in the early years. Such investments also typically cost more than listed equities. Given the mandatory returns data is only over 1, 3 and 5 years, and that future projected returns are currently excluded from the framework, there is no tangible consideration within the framework of these types of assets, and so the risk of them bringing a scheme down to amber may disincentivise schemes from investing in the kinds of assets government would like to encourage. This is particularly the case with UK assets, which over recent years have offered inferior returns to global – the framework provides a clear disincentive from tilting to the UK, as it would starkly highlight where doing so has resulted in worse saver outcomes.

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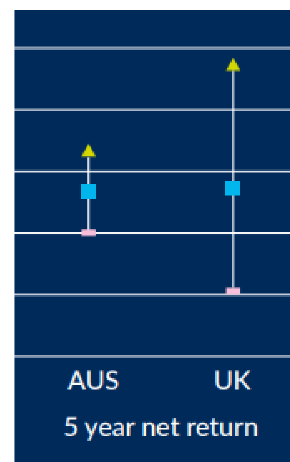
Finally, some of our members have raised that there is no allowance in the framework for arrangements offering 'super value, and that such a rating (e.g. 'emerald') should be considered. This is especially the case as to align with the government's growth agenda, there needs to be recognition of where schemes seek to innovate, rather than simply 'stay in the pack'. Paragraph 8.37 indicates that the framework is overly focused on underperformers: "for an in-scope arrangement to be assessed as providing value, it must not be materially worse" – there's no mention of seeking to be ***materially better.*** This risk could result in the kind of investment herding seen in Australia, where there's far more homogeneity of returns (see diagram – and link below for more detail[4]).




To help address all of these concerns, as well as to best establish suitable metrics, we recommend a year-one private data gather and assessment. If assessments were shared with regulators – but not published – this would allow issues with the framework to be resolved and processes to be standardised, without the risk accompanying public disclosure.

Question 27: Do you agree that a multi-employer arrangement should be rated amber if it fails to deliver value for a material number of savers in relation to at least one employer cohort? If not, what would you suggest?

It is important that value is assessed through employer cohorts, however, it is unclear from paragraph 8.40 whether providers would need to complete the whole process separately for each cohort. The proposal is to rate amber if the arrangement doesn't offer value to 'a material number of in-scope savers' but it doesn't define 'material'. In reality, for the reasons we explain above, multi-employer arrangements may use this subjectivity to avoid self-assessing as amber where one cohort appears worse value than others. It should be noted that performance and service level will not vary between cohorts, so any differences in value within an arrangement would come down to costs.

Question 28: Do you have any concerns about our proposals for assessing bespoke in-scope arrangements? If you do have concerns, please explain them. If you anticipate negative effects, what can be done to address those?

It is unclear from the proposals where the process has been streamlined for bespoke arrangements, as the proposal states that all three components (performance, cost and service) should all still be considered. Could regulators clarify whether it is around the disclosure of that data – rather than the assessment of it – that bespoke arrangements are to be considered more proportionately?

Question 29: Do you agree that IGCs should consider and report on whether their firm's current scale may prevent it from offering value to savers? If not, what would you propose?

[4] https://corporate-adviser.com/master-trust-gpp-defaults-report-performance-sector-growth-and-bulk-transfer-data-by-provider/

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It makes sense that for schemes assessed as poor value, consideration of scale should factor into their improvement plan, however, the suggestion of this is somewhat vague, and doesn't suggest what 'sufficient scale' is, therefore, most schemes may simply conclude their scale is not a barrier to better value.

There is a false assumption that scale *always* correlates to more exposure to 'growth' assets and better returns. In reality, some large single employer trusts are already allocating to a range of private assets – more than some much larger master trusts. This is because commercial constraints don't squeeze their investment budget in the same way. As such, the push to a more consolidated, commercial market is not guaranteed to see more investment in productive assets.

Question 30: Do you agree that IGCs should consider how ESG considerations have been taken into account across firm-designed in-scope arrangement? Do you think this is sufficient and if not, what would you suggest?

We are firmly of the view that ESG factors have a considerable impact on the value offered to savers, however there is already a range of existing reporting which schemes must complete to evidence their ESG strategy. Therefore, any duplication of – or overlapping with – these rules would only create additional cost to schemes, without clear benefits. It would make sense if over future iterations of the framework, existing reporting requirements could be rationalised and incorporated within VFM, rather than duplicating reporting. The inclusion of ESG factors would also need to be carefully considered, as allowing for value to be demonstrated in this way might provide another qualitative route with which to justify/explain poor performance.

### ACTIONS FOR ARRANGEMENTS OFFERING POOR VALUE

Question 31: Do you agree that firms should inform employers of amber and red ratings and proposed steps to address the poor value, where an employer's current and past employees are at risk? If not, why not and what would you suggest?

As per our response to question 26, the framework won't work where a commercial scheme has such a huge disincentive from rating amber – there needs to be more nuance, so that a scheme might still be offering value (green) but be at the bottom edge of that category. This way a scheme could have a year to improve (without disclosures to employers resulting in commercial impacts). In the proposed framework, any amber rating could easily result in lost business and wind up – when in reality some slight changes to investment strategy might've seen the scheme score alongside its peers.

Question 32: Do you agree that firms should not be allowed to accept business from new employers into an arrangement rated amber or red? If not, why not and what would you suggest?

As above, there needs to be a level below green in which employers can continue to accept business over a limited period in which they seek to regain green.

Question 33: Do you agree with our proposed actions and timings for firms with arrangements rated amber or red? If not, what alternative approach would you suggest?

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See above for our views on amber schemes, but subject to an intermediate level being introduced between green and amber, we are content with the proposals for amber and red arrangements, subject to the same wind-up requirements being applied between contract and trust (as per response to question 34). There is a lack of consistency between paragraphs 9.6 ad 9.10 however. Communication is only required to employers within amber/red cohorts, but not to those deemed good value, but it appears the entire arrangement must close to new business, even for good value cohorts. Further clarity on this is needed.

Question 34: Do you think that we should require firms to transfer savers out of red-rated arrangements, subject to enabling legislative changes? What are the costs associated with the proposed actions and are they proportionate? If you don't agree with our proposed actions, what would you suggest?

As the consultation highlights, bulk transferring members from contract-based schemes is not possible. Of course, it is possible for trust-based schemes, however if we are to maintain alignment of the framework between both governance structures, more thought will be needed as to how to manage red rated contract-based arrangements in order to avoid regulatory arbitrage, and the risk of members in such schemes being 'left behind', in what would become a new form of legacy scheme.

While bulk transfers of trust-based scheme members are possible, it is very important that the cost of consolidating is borne in mind. This can be a complex and costly process, and so in some circumstances – for example where most members are near retirement and so unlikely to benefit from greater investment growth – transfer may not be in their best interest.

Question 35: Do you think that requiring transfer from arrangements could benefit one group of savers to the potential detriment of others? If so, please explain and can you suggest an approach that doesn't risk detriment to some savers?

We do not think such transfers would cause *real* detriment to receiving schemes, as long as they were done fairly, and due consideration was given to issues such as the holding of any assets which could not be transferred in specie (or simply re-registered), and fair distribution of any performance fees. With the proposed exemption to chain-linking for consolidating arrangements, transfers should also not negatively impact receiving schemes' value assessments.

## DISCLOSURE REQUIREMENTS

Question 36: Do you agree with our proposals for how the Chair's annual reports should be expanded to include the results of VFM assessments? Are there any proposed elements that in practice would not be useful?

The IGC report would seem like the logical place to publish value assessments, as would the Chair's Statement for trust-based schemes. However, as per our previous engagement on VFM, there is a lot of overlap between both these existing regulatory documents, and the new framework.

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Therefore, in order to maximise efficiency, utility and value of the framework itself, full rationalisations of those processes, removing duplication, is needed.

We also highlight that the end-March deadline for publication of framework data is very challenging. In many cases, schemes will be dependent on administrators for data: many admin SLAs are 6-8 weeks after quarter end. That doesn't allow schemes enough time to collate and review such a large volume of data ahead of publishing.

Question 37: Do you agree with requiring a narrative explanation for the RAG rating for all firm-designed in-scope arrangements including those rated green? Do you think this requirement should be limited to amber and red ratings?

This seems sensible, as long as it is of limited length and doesn't materially increase the burden of compliance; we consider that the explanation of a scheme with clearly good performance should be straightforward.

However, the proposal to include an assessment of scale at paragraph 10.8 is inconsistent with paragraph 8.42 which proposes schemes only need include an assessment of scale if they have rated poor value. If a scheme has rated green, there is no justification for this.

Question 38: Should IGC Chairs be required to produce a plain-language summary of their reports?

In terms of consistency with the trust-sector, this would appear to overlap with existing Chair's Statements, which are theoretically supposed to be saver facing. Therefore, it should be one or the other – not both.

Question 39: Do you agree with the need for a features table and the contents we are proposing? Are there changes we should consider? Do you think that the disclosure requirements for bespoke arrangements should be different and if so, in what way?

Yes, the proposed features table will provide crucial information on the scheme, though where there's an employer subsidy, there needs to be space to expand on this.

Question 40: Do you agree with our proposed approach to publication including requiring publication of a flat file? What other solutions would best support the aims of the Framework in due course?

We agree framework data and assessment should be consistently disclosed, however, as we've said elsewhere, a year-one private disclosure is important.

Question 41: Do you think we should require machine-readable RAG ratings and potentially other information from the IGC Chair's annual report? What do you think are the benefits and costs or possible negative effects of this?

More thought needs to be given to the exportability of potentially non-contextualised data to third parties. Absent major changes to – in particular – the services section, contextualisation will be pivotal, so this must always be provided anywhere the data is displayed.

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## AMENDMENTS TO CURRENT HANDBOOK REQUIREMENTS

Question 42: Do you agree that the proposed new rules should be under existing requirements for IGCs, with carve outs as appropriate? If not, what alternative approach would you suggest?

Question 43: Do you have suggestions for further amendments to existing requirements for IGCs and if so, why do you think these are needed?

We understand that the VFM framework is likely to remove the need for the illustrations and costs and charges tables in the PS20/02 requirements, so these could be removed, along with the annual publication of all transaction costs.

Question 44: Do you agree that we should exempt "accidental workplace SIPPs" from COBS 19.5 and the requirement for an IGC or GAA? If not, what would you propose?

## FUTURE DEVELOPMENT

Question 45: How do you think the use of data will evolve and what other measures may be needed?

We'd encourage regular ongoing review of the framework, including all metrics and efficacity of each. Where some end up being unnecessary, these should be removed, while if gaps emerge, consensus should be agreed on how to address these. An example of this is forward-looking performance, which could encourage more innovative investment strategies.

League tables on performance are a natural next step, and one which government and regulators clearly want to see; some of these exist already on more comparable quantitative elements. However, more thought needs to be given to how these may be enabled for qualitative components, such as service, where the data points, if presented without context, will be misleading.

Finally, it is disappointing that this section is where the only reference to non-workplace schemes is to be found. As above, these products are often far higher charging than workplace schemes, despite having no clear performance benefit. Given the preponderance of members switching to them, it is crucial that if value is to presented in the proposed way for workplace, non-workplace schemes also follow the same process.

Question 46: We invite views on the roll out, evolution and future phases of the framework, over what time periods, and on the correct sequencing of these developments.

As we discuss in the section on scope, we would support the inclusion as soon as possible of both non-workplace schemes and decumulation. Given the former compete for the same members as workplace schemes, they need to be held to the same high standards, while decumulation offerings – pending the Pensions Bill – will be required of all trust-based schemes, and will be a key factor in the overall value they offer.

In terms of saver facing VFM disclosure, we would urge consideration of the lack of uptake of saver-facing Chair's Statements. With the focus on default arrangements, i.e. those catering for

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savers who do not engage, it follows that consumption of this data would be very limited. On that basis, we do not see VFM as an urgent inclusion on dashboards, especially when the consistency of certain metrics remains unclear. For instance, dashboards use SMPI projection data, which uses a similar volatility-based methodology as the proposed ASD risk metrics within VFM – but these are inconsistent with methodologies used for FCA-regulated modellers. Poor saver experience can result where differing pictures are given.

Question 47: Do you have any comments on our cost benefit analysis?

Most of our comments are already made in response to specific areas above. However, we would highlight the suggestion at paragraph 42, that there's an expectation that value assessments will drive more employer switching between providers. This is a reasonable expectation where an employer is in an amber or red arrangement, however, as above, we expect the vast majority to be rated green. There is, however, no clear breakdown within the green-rated schemes, so it would be difficult for employers to differentiate between these offerings without conducting very detailed analysis themselves of all the data and contextualisation. Given the trend for employers to outsource much of their pension management and expertise to commercial schemes, it is unlikely a significant proportion will have the resource to do this internally, so we would not expect any significant increase in employer engagement in that green rated segment. As an aside, we would also point out the pivotal role EBCs and consultants can have in provider selection and the value of an arrangement. Given FCA's previously stated intention to regulate that sector, some more attention and clarification over the intersection of this VFM initiative with those intermediaries would be helpful.

Given this, we are also concerned that the overall expectations of performance improvement, as outlined for example in paragraphs 55-61, 74 and 75 may be optimistic, especially over a ten-year time horizon. The expectation that between 1-3% per annum might be found either suggests you assume that defaults are on average either underperforming the market by this amount currently, that there are a great number of arrangements dragging average performance that would leave the market in that period, or that after VFM assessment a great number of arrangements might somehow be able to outperform the market on average across the period. Without better understanding what information has been used to derive this assumption it is difficult for us to ascertain whether the average performance improvements are reasonable. It would be beneficial to consider a whole of market private data gather to assess this question fully before judging that the framework is proportionate.

Finally, we are conscious that, until schemes and firms implement the framework, it is difficult to accurately estimate what elements of the framework are possible and what providing each part costs. However, looking to similar initiatives, the Consumer Duty showed that estimates were some way short of the eventual implementation cost, and speaking to our members, it has been flagged that the estimates in the CBA are definitely lower than is realistic. As part of a year-one private run of the framework regulators should fully assess the practicality, utility and cost-benefit of every metric.

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# ANNEX – 9 FEBRUARY 2024 LETTER

Dear FCA, tPR, DWP

## RE: VALUE FOR MONEY – COMMUNICATIONS & SERVICES STRAWMAN FEEDBACK

We write in relation to the updated comms and services strawman, circulated by the VFM team on 29 January. As you know, in November we consulted our members to provide a set of in-depth feedback on the original strawman for the services and administration component. At that time, overall feedback was that the proposed metrics placed too much emphasis on input elements that a scheme might offer, i.e. metrics that were not true proxies for good communication, and that to truly measure the efficacity of communications, it would be more helpful to assess outcomes.

In this respect, we welcome that the updated strawman largely reflects many of our suggested changes, and we welcome the open approach you have taken to working through these with our memberships.

However, since making these suggestions we have heard louder concerns from some members in the automatic enrolment market about the definitions of value and how that might differ between cohorts of schemes.

We are also conscious there remain other details of these metrics that will need more consideration – for instance, the period over which certain engagement events are measured, whether proportions of memberships include whole scheme memberships or only those who have accessed their savings, as well as what is meant, for instance, by 'using' apps and modellers. There are also details to be refined such as the threshold pot sizes for certain measures, such as taxed lump sums.

Therefore, we would highlight the importance of allowing more time for the detail of final metrics to be agreed, while we would like to draw attention to the two remaining overarching concerns raised by members below.

## UNFAIR COMPARISON OF ENGAGEMENT DUE TO INCOMPARABLE MEMBERSHIPS

You are already aware of the concern that certain schemes, e.g. AE Master Trusts, will likely score lower on any engagement metrics, irrespective of their offering, as they typically serve savers that, as a natural consequence of the inertia that has underpinned auto-enrolment, are less likely to be engaged and more likely to be young, low to middle income earners that are still some way from retirement. Indeed, FCA's own Financial Lives data indicates that "pensions engagement among those contributing to a DC pension was higher than average for older adults, higher earners, those with bigger pots, those with higher self-rated knowledge of financial matters". This indicates that engagement levels are strongly correlated with demographic, economic and educational factors.

We acknowledge that the VFM team is proposing schemes include contextualisation information at the assessment stage to explain why they may place more or less emphasis on certain metrics,

however schemes remain concerned that wherever there are quantifiable metrics, this is where third parties and commentators will inevitably focus. Therefore, it is possible the contextualisation at the assessment stage alone will not be sufficient to mitigate such schemes stacking up poorly against peers, especially with a six-month window between disclosure and assessment.

Furthermore, what 'good' looks like for one scheme won't necessarily be the same as for another. For some AE schemes, active engagement during accumulation may be less of a priority, especially where a majority of members are already saving sufficiently for an 'adequate' retirement income. Other schemes may seek to engage but expect a low response rate on points such as saving more, especially when serving lower earners. Meanwhile, default funds are an integral way of building appropriately diversified strategies, and securing significant AUM to feed illiquid investment. Therefore, measures which encourage members to make additional contributions, or actively make fund switches, may only be suitable for certain types of scheme.

As a result, while we are not proposing wholesale changes to the metrics in the strawman, we would like the VFM team to consider the following amendments to the disclosure and assessment approach:

- Comparisons and assessments of service measures are conducted on a cohort-based approach, where similar schemes compare relevant metrics for their memberships. Cohort breakdowns would need further discussion (as would how they fit with the cohort approaches elsewhere in the VFM framework) but as a starting point they could be between universal AE master trusts, underwritten AE schemes (insurance & GPP), and retail schemes. This way, the metrics used for comparison within each cohort could be different, and chosen to reflect the particular objectives of that type of scheme.
- There remains the risk of some data still being removed from its context and therefore used to convey an incorrect picture of a scheme's engagement quality. Therefore, we also suggest that data on comms and engagement to be disclosed privately – at least for initial runs of the VFM process – and only be made available on an anonymised basis with other schemes in the same cohort for the purpose of the comparisons and VFM assessment. This would mean all the data is still available for its intended purpose, but prevent it from being used elsewhere, without the necessary context and accompanying information.
  Initial, private iterations of the process, will also allow schemes, providers and regulators the opportunity to further consider the metrics used in a contained environment, fix issues, and survey all stakeholders.
- Once the data is publicly disclosed it will be key to ensure that schemes are given the option to provide a small amount of context, up front and alongside the initial data disclosure. This may be a short explanation of the significance of engagement metrics to that scheme, or an indicative comparison within their cohort, but the aim would be to prevent those disclosures being incorrectly interpreted ahead of assessment.

#### COMMS/SERVICES ASSESSMENT ACROSS NUMEROUS DEFAULTS

Our understanding of the current proposal is that the metrics in the strawman would need to be disclosed for every firm designed, EBC designed and quasi default fund. Although there are some logical arguments for this within the investment performance and cost components (these vary in different defaults with different strategies), the services and administration within each provider **do not** typically vary between defaults. Therefore, the significant resource and build required for schemes and firms to break these metrics down for each default would not represent good value for members because the data **would not** show any meaningful difference between defaults. It would be more proportionate – and just as informative – if schemes could aggregate service and admin data across their defaults, and disclose it at an aggregate level.

We look forward to continuing the discussion of these issues with you.

Yours sincerely

| **Ruari Grant** | **Charlie Bagley** |
| --- | --- |
| **Policy lead: DC & Master Trust (PLSA)** | **Manager, Conduct Regulation (ABI)** |

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