VALUE FOR MONEY IN DC

Comment from the Association of Consulting Actuaries (ACA)

ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

Value is for life, not just pre-retirement, says ACA

15 December 2021: In its response to the joint TPR / FCA discussion paper on Driving Value for Money in defined contribution pensions, the Association of Consulting Actuaries (ACA) cautions against "one size fits all" benchmarks and voices support for raising the bar on scheme governance and quality.

Unlike the paper, the **ACA response** highlights the need for accumulation and decumulation to be considered together otherwise there can be a significant erosion of value at the point or beyond retirement.

ACA DC Committee Chair, Tess Page, comments:

"We are delighted to see TPR and FCA work together to seek to ensure that defined contribution (DC) pensions offer all members great value. Particularly pleasing is the focus on value beyond just costs and charges, including net of fees investment performance and administration standards.

"One note of caution is that it remains essential to allow governance bodies flexibility in their assessments to reflect different membership characteristics and objectives. Mandating industry-wide benchmarks would hark back to balanced fund medians in the 1990s, with all the herding risks that brings. Narrowing the focus to purely financial value may not be in the best overall interests of all members.

"Perhaps our main red flag though is that the discussion paper acknowledges that the focus is on value for members only in the accumulation phase. We strongly argue that accumulation and decumulation must be considered together. There is potential for significant erosion of value at the point of, and beyond, retirement. Having raised standards in the accumulation phase, policies, regulatory bodies, and the broader industry must now accelerate progress on delivering value at, and beyond, the point at which a member takes their retirement benefits."

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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