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15th May 2014

Private Pensions Policy and Analysis
1st Floor, Caxton House
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By email: reinvigorating.pensions@dwp.gsi.gov.uk

Dear Sir/Madam

Response to 'Better workplace pensions: Further measures for savers'

We are writing with our response (below) to your consultation document on the above.

Members of the Association of Consulting Actuaries 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 advise schemes covering the majority of members of private sector defined benefit and defined contribution schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

We hope you find this response helpful. If you wish to follow up any points, please contact me on paul.macro@mercer.com

Yours sincerely

Paul Macro
On behalf of
ACA Defined Contribution Pension Schemes Committee
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Response to ‘Better workplace pensions: Further measures for savers’

Administration

1. **We would welcome views on the potential benefits of accreditation of administrators, and what role government and regulators could play in supporting this.**

   We agree that accreditation could be beneficial (and would assist in the initial selection of administrators) but would suggest that this considered only in light of outcomes of the initiatives in motion from the Pensions regulator and PASA.

2. **We would also welcome suggestions of other approaches to helping trustees and Independent Governance Committees (IGCs) ensure that their scheme is being administered to a good standard.**

   Agreed service standards and assessment against these should form a regular part of any governance body’s routine work (and already implicit in the DC Quality Features). Trustees and IGCs could also be encouraged to communicate the agreed standards and compliance with these to members, as well as testing members’ experiences.

Mastertrusts

3. **Should mastertrusts have to meet the same independence standards as providers of contract-based schemes?**

   We see no reason why this should not be the case as it is important to ensure a level playing field across the various pension provider frameworks.

4. **We would welcome views on the proposed definition of ‘independent’ at Annex B.**

   We broadly agree with the definition but have the following two comments:

   - The 5 year and 3 year requirements regarding employment or business relationship may be seen as excessive, although this is subjective.
   - The (also) subjective nature of the requirement to determine independence of character and judgement will be difficult to apply in practice and result in varying outcomes. Would reliance on the conflicts of interest requirements in the DC Code of Practice be sufficient here?

5. **Should the independence requirements be applied in different ways to different models of mastertrust. In particular, how should the independence requirements be applied to mastertrusts that use an independent trustee firm to act as their corporate trustee?**

   As already noted, we believe that it is important to have a single set of standards and requirements across all arrangements. However perhaps it would be useful to set out how the independence requirements should be applied to corporate trustees; for example, is it the case that “any” employee of the corporate trustee company must satisfy the definition, or just those who are involved with the scheme in question, the latter of which would be our preference.

Trust-based governance

6. **We would welcome views on the proposed quality standards for trust-based governance which are summarised at Annex B.**

In terms of coverage, we consider that for the benefit of doubt, DC AVCs in an otherwise DB scheme should also be clearly excluded. We do not consider the above requirements would further improve the governance of such funds given that the Pension’s Regulator’s DC Code of Practice already applies in full to AVCs.

7. **Are the requirements listed at paragraph 8 the right quality standards to be set in regulations for trust-based schemes?**

We believe that this question incorrectly references page 8 but are uncertain as to the correct reference.

8. **Should trust-based schemes be required to have a chair of trustees?**

The vast majority of such schemes already have a person fulfilling this role, but we would have no issue with formalising this as a requirement.

9. **Will the new reporting requirements help drive compliance with the standards and regulation of these?**

Yes.

Transparency

10. **We would welcome views on how these transparency requirements could be made to work effectively in unbundled trust-based arrangements (including mastertrusts).**

We see little reason why they cannot be applied in the same manner in unbundeld arrangements.

11. **We would welcome views on whether the transparency requirements we propose for DC schemes should, in the future, be extended to DB schemes, to enable sponsoring employers to further scrutinise the costs of such schemes.**

The aim of the new requirements is to address issues specific to DC schemes and these features are generally not present in DB schemes. Having said this, because the employer generally makes up any shortfall through a recovery plan, they already take a much keener interest in the costs of running DB schemes though we do not see the need to require this information to be provided to employers.

Employers and trustees should though be able to request information about transaction costs from their investment managers, and many managers already choose to disclose them in any event, but that the measures for DB schemes should not be the same as for DC schemes. We see little benefit though of members (or others outside the arrangement) being given the right to request this information.

Response by:

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