

Charges transparency

A trade union perspective

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Pros and cons of transparency

- Other issues more important (contributions, governance, wider costs)
- DC charges coming down anyway (thanks to scale)
- But evidence suggests even trustees in DC schemes can struggle to comprehend complex charging structures
- Transparency will breed trust (although fear of backfiring!)
- Many employers completely new to pensions – transparency addresses information asymmetry

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Example of consultancy charges

- The next scandal? Code cannot prohibit them
- But will simplify (amplify?) information on impact of advice costs
- Modelling of impact of pots will be useful for trustees as well as employers
- Scrutiny should lead to lower charges
- But does it at the same time *legitimise* the practice?
- Do employers care what their employees pay?

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Transaction costs

- Consumer groups have campaigned for inclusion of 'transaction costs'
- Some are fees incurred by a fund and may already be disclosed; trading costs like commissions/taxes/dealing spreads less likely
- Should employers choosing an investment fund be made aware of likely transaction costs – and how they impact on member pots?
- Costs may be incurred through improving performance of a fund
- Transparency is only way to test this

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Trustees - bundled

- Code matters most for contract-based schemes
- Also very relevant to multi-employer/master trusts; trustees ultimately responsible for disclosure (overseeing providers/advisers)
- Code can help MNTs to ensure trustee board is disclosing appropriately
- Compiling a charges summary document could also help with member communications

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Trustees - unbundled

- Code less relevant where trustee boards tied to single employer or small group
- However, auto-enrolment changes employer obligations, so should go through exercise to boost transparency
- Unbundled schemes should also update charges disclosure when re-brokering contracts
- Again, can help MNTs to hold trustee boards to account

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Disclosure to employees

- Do we need another code for employees?
- ABI leading work across industry/regulators to develop 'protocol'
- Disclosure regime likely to be reviewed by government
- Comprehensive or meaningful disclosure?
- Are trustees sufficient to protect members against charges?
- Will disclosure to members help MNTs?

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