

DWP consults on the disclosure of costs, charges and investments in DC occupational schemes



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Introduction

On 26 October 2017, the DWP launched a [consultation](#) seeking views on the policy and proposed regulations for how costs and charges information should be published and made available to members; and for members to request information about the funds in which their money is invested.

Key points

- The DWP proposes to extend the contents of the Chair's annual governance statement ("the Chair's Statement") to include more detailed information on costs and charges, including an illustration of the compounding effect they have on members' pension savings.
- Trustees will be required to publish costs and charges information on the internet for public consumption.
- The DWP is also consulting on a proposal to impose a duty on trustees to disclose certain information on a scheme's pooled funds to members and recognised trade unions, on request.
- Members will be notified, via their annual benefit statements, where they can find the costs and charges information on the web, and that they can request information on the scheme's pooled funds.

Background

The Government is now under a legal duty to make regulations which ensure that information on costs and charges is provided. "It also considers that members have the right to know where their money is invested, where it is proportionate for trustees.. to tell them".

With this consultation, the DWP is exploring how it can help savers inform themselves about their pension savings in two areas:

- transparency and disclosure of the costs and charges they are paying
- where their money is invested.

“The key objective in requiring disclosure and publication of charges and transaction costs is to assist the function of a healthy market in an area which is perceived as being opaque. Publication of the information is aimed at enabling trustees and others to compare the value for money they are receiving with their peers, thereby driving better market outcomes”.

Costs and charges information

Application

The proposed new measures will apply to those schemes which are required to produce a [Chair's Statement](#). This means most occupational schemes which provide DC benefits but not, for example, those whose only DC benefits are AVCs.

Chair's Statement

Currently, the Chair's Statement must include the level (or range) of charges and transaction costs in the default arrangement(s) and the range of costs and charges in other funds. The DWP proposes to extend its content so that it sets out the costs and charges for each default arrangement and each alternative fund option which the member can select. This requirement will apply irrespective of the number of funds a scheme offers.

In addition, trustees will be required to provide an illustration of the compounding effect of the costs and charges affecting members' pension savings. When preparing the illustration, trustees must have regard to statutory guidance (a [draft](#) has been published alongside the consultation). The guidance is not intended to be “wholly prescriptive”. “It allows schemes a degree of flexibility based on the characteristics of their scheme membership, the fund offering and the scheme's own resources”.

Publication

Information on costs and charges must also be published, free of charge, on a website and be available for general public consumption. As a minimum, it should be published annually; on a similar cycle to the Chair's statement (which must be produced within seven months of a scheme's year end). However, the DWP will keep timescales under review and may shorten them, for example to three months, in the future.

The DWP believes that the existence and location of scheme cost and charge information on the web needs to be pro-actively “pushed” to members. It therefore proposes to require members to be provided with a web address where they can find the costs and charges for their scheme in their annual benefit statement.

Trustees will only be required to provide the information in hard printed copy, following a request, if they are satisfied that it would be unreasonable for the individual making the request to access the information online.

Investment disclosure

The Government has concluded that requiring DC schemes to disclose information relating to their pooled funds (strictly, collective investment schemes) will build confidence in pension saving. It therefore proposes:

- imposing a duty on trustees to disclose, on request, to members and recognised trade unions, the top level of funds in which members are invested and for which public information is available
- requiring trustees to tell members, via their annual benefit statement, that this information can be obtained on request

- requiring trustees to disclose the fund holdings over the scheme year.

The prescribed information should be available within seven months of the scheme year end date and be provided within two months of a request being made. Currently there is no intention to require this information to be published, but the DWP notes that “schemes with larger or more actively engaged memberships may decide that this is a more cost effective way of complying with this proposed requirement”.

Again, these measures will apply to those schemes which are required to produce a Chair’s Statement.

Investment: on the horizon

The Government is “looking again” at whether legislative change might be helpful in clarifying trustees’ legal duty to consider financially material risks including, where appropriate, those arising from environmental, social and governance factors”. It intends to publish an interim response to the Law Commission on this “no later than December 2017”.

In addition, the DWP is considering whether to expand and / or require publication of a scheme’s Statement of Investment principles.

Next steps

The consultation runs until 5pm on 6 December 2017, with the regulations due to come into force on 6 April 2018.

The FCA intends to consult on corresponding rules for workplace personal pension schemes in 2018.

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