



PASA CONSULTATION RESPONSE

**Review of the Default Fund Charge Cap &
Standardised Cost Disclosure -
Consultation response**

August 2020

Review of the Default Fund Charge Cap & Standardised Cost Disclosure – Consultation Response

Chapter 2: Potential changes to transaction costs

Q1. What are the advantages or disadvantages of extending the cover of the charge cap to include some or all transaction costs?

PASA won't respond to this as there is no direct link to administration issues here

Q2. What would be the impact on scheme member returns/industry if some or all transaction costs were covered by the cap?

PASA won't respond to this as there is no direct link to administration issues here

Q3. Should there be a combined transaction cost and charge cap, or should these be separate?

Any changes to the current methodology would impact administration services as they would need to plug in this additional data points to manage the two measures Costs would be incurred by the Administrator for this change to amend processes, workflows, data flows with the investment manager and create coding to ensure that the Chairs Statement included these costs in the projections of costs and charges.

Q4. Who should be responsible for complying with a transaction cost cap?

PASA won't respond to this as there is no direct link to administration issues here

Chapter 3: The level of the charge cap

Q5. If we lowered the cap, what would be the impact on (a) scheme member outcomes (b) industry?

PASA – Continually focusing on price rather than value could impact on the budgets available to administrators to maintain and raise administration standards and this could impact negatively on member outcomes.

Q6. How have investment approaches altered as a result of the introduction of the cap? What changes have there been in asset allocation, management style (active, passive, factor based)?

PASA won't respond to this as there is no direct link to administration issues here

Q7. Have schemes changed administrator or asset manager in response to the cap?

PASA won't respond to this as there is no direct link to administration issues here

Q8. What links have you found between cost and performance?

PASA won't respond to this as there is no direct link to administration issues here

Q9. How much notice should be given for any reduction in the cap?

We feel that a minimum of 18 months' notice should be given in order for the administration delivery mechanism to be adequately designed and amended. A longer period might apply if there is also a transaction cost charge cap to be incorporated to allow for the investment management functions to provide the supporting systems and data.

Chapter 4: Use of combination charges

Q10. Do you agree with the suggestion to incorporate new conditions into flat fee structures? If not, what other ideas do you have to address the effect flat fees can have on small dormant/deferred pots?

We believe that most administration systems should be able to handle the new conditions though there would be some implementation work to configure systems and outputs accordingly.

Q11. Should any approach to limit flat fees apply for all scheme members with a pot below certain sizes, or only for deferred scheme members? At what level should the limit apply in each case?

The Small pots challenge is we believe primarily an issue for deferred members where funds do not benefit from contributions inflows. There will be implementation implication for administration systems to configure revised flat fees and amend outputs but this is an argument to allow a practical implementation period rather than prohibit such a change.

Q12. Are you aware of any issues that would make it difficult to implement this kind of mechanism to limit flat fees, in particular, in relation to the broader issues around the desirability of consolidating small dormant/deferred pots?

It would mean additional processes and oversight for the administrator which will add cost to operational delivery. Consolidation of Small pots might be desirable but will involve regular transfer processes which might themselves add costs material to the pots being transferred. Consideration must be given to efficient and scalable technological solutions and approaches.

Q13. What would be the impact on scheme members/industry?

PASA is concerned existing business plans have been approved on the basis of existing administration services. TPR's authorisation focused heavily on this. If these business plans need to be revised due to a lower cap, this will directly impact the scheme administration. Scheme managers/trustees may need to reassess budgets and this could negatively impact on administration standards. PASA believes this would be harmful to member outcomes. For example, if budgets for both communications and administration are constrained service quality could also be reduced. This in turn could reduce member engagement. This would clearly be a backward step and undo a lot of work schemes have done to improve this area.

Chapter 5: Standardised cost disclosure templates

Q14. Is legislative intervention required to support the uptake of the CTI templates?

PASA won't respond to this as there is no direct link to administration issues here

Q15. How easy is it to request cost information from asset managers?

PASA won't respond to this as there is no direct link to administration issues here

Q16. Do you believe that scheme members and recognised trade unions should have the right to request the information provided on the CTI template, and that a requirement to disclose this on request is proportionate?

PASA won't respond to this as there is no direct link to administration issues here

Q17. Should DB schemes be required to adhere to the same standards?

PASA won't respond to this as there is no direct link to administration issues here

Q18. What are the barriers to using the information obtained when making decisions?

PASA won't respond to this as there is no direct link to administration issues here

About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure which will set, develop, guide and assess administration standards.

PASA will act as a focal point and engage with industry and government to create protocols for understanding good administration - but also appreciates there is no one size that fits all. PASA will develop evidential accreditation practices which will allow benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the profile of pension administration generally, PASA will focus on three core activities.

1. Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers
2. Publishing guidance to support those standards
3. Being an independent accreditation body, assessing the achievement of good standards by schemes (regardless of provider)

There is no organisation providing such services across schemes, yet there is a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, scheme members and regulators.

About PASA Accreditation

PASA Accreditation is open to all corporate members of PASA (DB, DC, trust-based and contract-based schemes). PASA Accreditation is granted following an independent evaluation and assessment process, which includes on-site visits and the review of documentation to evidence controls, procedures, process, staff development and contractual positions with clients.

Full details on PASA can be found by visiting www.pasa-uk.com.

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THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

Get in touch:

info@pasa-uk.com

www.pasa-uk.com