

THE-PENSIONS-NET-WORK TELLS NAPF TO HAND CHARGE DISCLOSURE OVER TO THE REGULATOR

The-Pensions-Net-Work (TPNW) has confirmed their broad support for the NAPF's draft Code of Conduct for Telling Employers about DC Pension Charges.

At their latest meeting more than thirty members of TPNW, a group of leading pension industry specialists from a wide variety of fields chaired by John Moret, spent some time discussing the NAPF's consultation paper on a code of conduct for DC pension charges. The discussion was facilitated by Adrian Boulding of Legal & General who is a member of the management board of TPNW. Contributors to the discussion included pension experts such as Steve Bee, Henry Tapper, Malcolm Small and Emma Watkins. Subsequently TPNW have submitted a written response to the NAPF.

The main points in the response which supported the proposal of a code of conduct were:

1. The code of conduct will require teeth if it is to work and should be handed over to The Pensions Regulator once a workable approach has been determined. It is the only way to ensure everyone in the industry toes the line.
2. We like the pie-chart approach to demonstrating charges but believe the effect of charges in the pie-chart should be shown as a reduction in yield rather than as pounds shillings and pence. The effect of compound interest could lead to charges being misrepresented potentially deterring both employers and employees from high quality pension provision.
3. The cross industry working group that has proposed the code needs to engage with the FSA to ensure disclosure requirements are brought into line with the new code.
4. The sample member approach proposed is open to manipulation. Far better for the whole potential scheme population to be modelled using bespoke technology so that the impact of charging is representative of the whole scheme.
5. The code is not required for schemes arranged via a fee paying adviser who will be undertaking this type of work as a matter of course. It should only be needed for schemes that are set up on a direct or commission/consultancy charge basis.
6. It may be appropriate to exempt very small employers from the code –at least initially.
7. The issues associated with legacy schemes – which frequently have charging structures that are difficult to unravel – are not addressed by the code. We feel it is important that these "paid-up" schemes are not overlooked.
8. The target date for implementation of January 2013 is unrealistic given other major changes such as auto-enrolment and RDR. A later date perhaps from mid-2014 to coincide with the auto-enrolment staging dates for smaller employers is more realistic.

Commenting John Moret said: *"This is the first time that TPNW has responded to a consultation paper. Our response represents our collective thoughts on this important subject. Given the make-up of our membership we believe that we are a unique contributor to this consultation, having an unparalleled breadth of expertise and no particular axe to grind. We look forward to assisting the NAPF and other members of the working party with the development and implementation of the new code. Once the industry has created a workable code it must pass it across to the Pensions Regulator to enforce so that it has real teeth."*

Notes to editors:

The-Pensions-Net-Work is an independent think tank of pensions professionals providing an opportunity for debate and discussion behind closed doors on topical pensions and related issues. The-Pensions-Net-Work is chaired by John Moret, backed by the experience of the Management Board, which exists to guide and support it; it is sponsored by JLT Benefit Solutions Limited and by Altus Limited.

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For further information please contact: enquiries@the-net-work-meetings.com

John Moret
Chair

The-Pensions-Net-Work
Telephone: +44 (0) 1794 324 608
Mobile: +44 (0) 7711 492 440

Patricia McSherry
Director

The-Pensions-Net-Work
Telephone: +44 (0) 1225 835 012
Mobile: +44 (0) 7798 921 357



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Company no: 6161770

www.the-net-work-meetings.com

enquiries@the-net-work-meetings.com