



**THE SOCIETY OF PENSION
PROFESSIONALS**

making pensions work

Circular 2893

**MINUTES OF A MEETING OF
THE DEFINED CONTRIBUTION COMMITTEE
HELD ON THURSDAY, 21ST OCTOBER 2021
AT 1030 VIA MICROSOFT TEAMS**

Present:	Tim	Box (Chair)	LCP
	Chris	Barnes	XPS Pensions Group
	Jane	Briggs	Squire Patton Boggs (UK) LLP
	Fred	Emden	Society of Pension Professionals
	Michael	Hames	Nest Corporation
	Simon	Hankin	Willis Towers Watson
	David	James	Travers Smith LLP
	Olivia	Kennedy	State Street Global Advisors
	Simon	Mayho	Isio
	Ian	Neale	Aries Pension & Insurance Systems Ltd
	Roshni	Patel	PricewaterhouseCoopers LLP
	Gail	Philippart	Mercer Limited
	Nick	Phillips	Fidelity International
	Mark	Riordan	Capita Pension Solutions Limited
	Nicola	Rondel	Hogan Lovells International LLP
	Judith	Sambrook	M&G
	Simon	Tyler	Pinsent Masons LLP
	Giannis	Waymouth	Norton Rose Fulbright LLP
	Dave	Whitehair	Janus Henderson Investors
	Martin	Willis	Barnett Waddingham LLP

1. APOLOGIES

The Committee welcomed Chris Barnes, Jane Briggs, Michael Hames, Marcus Kealey and Nick Phillips.

Apologies were received from Paul McBride, Liz Short and Colin Clarke. Judith Sambrook was substituting for Liz Short.

Thanks to Simon Tyler for taking the minutes.

2. MINUTES OF THE DEFINED CONTRIBUTION COMMITTEE MEETING HELD ON 16TH SEPTEMBER 2021 (CIRCULAR 2875)

Subject to correcting the typographical error in the heading of item 9, the minutes were agreed.

3. MATTERS ARISING

i. DWP correspondence on Default Arrangements

The Chair reported that he was considering dialogue with the DWP on the definition of default arrangement.

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ii. HMT/HMRC NMPA consultation response

The Committee noted that its consultation response had been [submitted](#).

iii. PDP Quarterly Meetings

The first quarterly meeting had taken place (see [SPP feedback](#) & [PDP response](#)). Fred Emden will raise some key concerns around ERI with Pete Searle at the DWP.

4. FCA TPR DISCUSSION PAPER: VALUE FOR MONEY (DC COMMITTEE TO LEAD)

Nicola Rondel and Simon Tyler agreed to assist Paul McBride, the Chair and the Financial Services Committee with a draft response to this discussion paper.

The following points were made in the preliminary discussion:

- Standardisation could lead to a race to the bottom and suppress innovation. Comparisons needed to take account of performance, volatility risk, governance, ESG, communications and added services, not just charges. A middle ground had to be found between an overly complex approach and one that simplified differences between schemes. Comparison of charges was difficult not just across schemes, but even between sections of the same scheme, because of different added services, for example.
- Consistent disclosure could lead to better VfM decision-making, but it was not certain that disclosure would lead to better outcomes for members. The VfM assessment should be a self-assessment to weed out poorly performing schemes and not become, like the chair's statement, a complex document of little benefit to members.
- Net rather than gross returns should be compared. Returns should be risk-adjusted (if this is compatible with annual geometric average returns). The Sharpe ratio should be used. However, the Committee noted the difficulties in communicating this to members.
- Consistency with the DWP's approach was preferred.
- Benchmarking depended on access to data and a choice of appropriate comparators. There was a risk of schemes choosing the most favourable benchmarks. Benchmarks were a blunt tool in comparing schemes that may have a different ethos.
- Communication was an essential factor, although difficult to measure. Schemes should at least check their communications against minimum standards.
- Scheme administration was also important. However, many schemes no longer agreed service level agreements, which made comparison more difficult.
- The Committee would not recommend a particular body to set standards. Rather, the SPP response would set out what factors would be relevant in choosing an appropriate body.
- Existing definitions of costs and charges should be used. Further granularity was unlikely to provide additional insight.

5. DC COMMITTEE TERMS: POST-RETIREMENT, FINANCIAL WELLBEING AND DECUMULATION – AGREE SCOPE AND APPROACH

The Committee agreed to focus on what support schemes could give to members on decumulation, by signposting guidance and anti-scam resources. Providers and trustees needed "safe spaces" to help members without incurring additional liability. Martin Willis, David James, Fred Emden and the Chair would consider this further.

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6. CORRESPONDENCE WITH DWP – LEGAL AND REGULATORY BARRIERS TO DC CONSOLIDATION

Peter Searle of the DWP had asked the SPP for help in identifying barriers to DC consolidation. The Committee agreed to provide examples to Fred Emden over the 7 days, while noting that the main barriers were tax issues requiring action by HM Treasury.

7. DC VFM/ CONSOLIDATION / NET PERFORMANCE REPORTING REGULATIONS

The Committee noted that the relevant regulations (the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021) had come into force on 1 October, but with staggered implementation dates.

Some providers were concerned that they would be inundated with requests for information from other schemes wanting to use them as one of the three comparison schemes in VfM assessments. Providers could choose to provide generic pricing data in response to those requests.

It was unclear whether forward projections in relation to lifestyle funds should take account of the automatic switching of funds in calculating net investment performance. It was noted that SMPI calculations incorporated the fund switch.

8. PRODUCTIVE FINANCE WORKING GROUP PAPER RECOMMENDING LONGER TERM INVESTMENT BY DC SCHEMES AND SUBSEQUENT BLOG STRONGLY SUPPORTING IT BY TPR (DAVID FAIRS)

The Committee noted the publication of this paper and the subsequent blog. Uncertainty over any possible easement to the charges cap potentially prevented schemes from investing in less liquid assets.

9. TO NOTE PLSA SMALL POTS REPORT (AND FORTHCOMING SPP EVENT, 17 NOVEMBER)

The Chair noted his involvement in this report, which aimed to support a mass consolidation model by 2025-26. The Committee noted that a major problem was with micro pots of less than £100.

10. SPP EVENTS UPDATE

GMP Equalisation - 21 October

Shadow Pensions Minister, Matt Rodda, in Conversation with SPP - 10 November

Small Pots, Progress and Recommendations Review – 17 November

Technology Developments in Pensions – 23 November

Members' Costs and Charges Disclosure Initiative Update – 2 December

11. DATE OF NEXT MEETING

The Committee noted that its next meeting was due on 18th November 2021, at 1030. It was expected that this would be a virtual meeting.

12. MINUTE TAKER FOR NEXT MEETING

Martin Willis

File: 4.22
4th November 2021

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