17 December 2018

Rt Hon Frank Field MP
Chair, Work and Pensions Select Committee
House of Commons
London
SW1A 0AA

Dear Mr Field

Work and Pensions Select Committee - Oral evidence session
5th December 2018

Thank you for giving me the opportunity to answer questions on 5th December to the Work and Pensions Select Committee as part of your inquiry into pensions costs and transparency.

I promised the Committee I would clarify PLSA’s position on the Competition and Markets Authority (CMA) Investment Consultants Market Investigation and, specifically, proposals for pension scheme trustees to engage in ongoing tendering or switching providers. I thought it would also be helpful to clarify the comments I made about working in later life.

Competition and Markets Authority (CMA) Investment Consultants Market Investigation

With regards to the CMA Investigation into the market for investment consultancy and fiduciary management services since I gave evidence the CMA has now published their final report on 12 December.

To confirm, we fully support the CMA investigation as pension schemes have had long-standing concerns about the potential for misalignment of interests in the sector. Overall, we support the CMA remedies on the supply-side to improve transparency of fee and performance information for investment consultants. Trustees need clear, consistent information to be able to hold their consultants to account both on their charges and the quality of the service provided.
On tendering, the CMA has proposed mandatory competitive tendering for pension schemes first buying fiduciary management services, or where they have not tendered previously. For existing mandates that were not tendered previously, trustees will be required to run a competitive tender process within five years of the first appointment of a fiduciary management provider. We believe that it is good practice for schemes to broader market for fiduciary management services prior to choosing a provider and therefore support the CMA’s remedies.

The CMA has decided that pension scheme trustees should not be required to conduct an open invitation tender, but to demonstrate compliance by showing that they have approached a minimum of three providers. We are pleased that the CMA believes that a well-run and competitive closed tender process may achieve similar outcomes to an open process, but with a potentially lower cost to schemes.

**Working longer in later life**

I thought it might be helpful to also clarify my comments about working longer in later life. I suggested that one tool available to people as a means to help increase their retirement income was to work longer in later life. To clarify, I was not advocating increasing the State Pension Age, but rather measures to help people stay active in the workforce over the age of 50. As you may be aware, employment rates for those over 50 up to the State Pension Age are significantly lower than for those under 50.

In our Hitting the Target report, published in July 2018, we proposed that the pensions industry could help those who want to keep working over the age of 50 by promoting greater employee engagement with retirement income planning and encouraging wider uptake of the CIPD’s Principles on Age Diversity. They are designed to create a workplace culture that is more adapted to older workers, for example providing options for flexible and part-time working and more opportunities to reskill.

I do hope these further points are helpful. If you or other members of the Committee require any further information or clarification, please do not hesitate to get in touch.

Yours sincerely

[Signature]

Nigel Peable
Director of Policy and Research

CC: Anne-Marie Griffiths, Clerk, Work and Pensions Select Committee