DC roundtable

Driving forward the DC agenda

Our panel of experts reflects on the upcoming challenges of the DC market

Chair: Let's begin by asking what are the real needs around engagement? What do people really need to know and when?

Alexander: One of the challenges around working in pensions is that, for a long time, we thought everybody needed to know everything about everything. That's simply not the case. We do need to demonstrate what the value of something is to the member as an individual, and these messages can be simple and at key points.

If we're auto-enrolling people, we've relied on this great social experiment of inertia to get them into a pension scheme. At some point, as contributions increase, we need to start talking to people positively about what that increase means for them and how they are getting along. Then there are various points at which we need to engage, but what we don't need to do is expect people to be interested every step of the journey. It takes a long time.

When we're talking to our clients about communication strategies, we're usually looking at a period of around three to five years for the development of a campaign. It's not as simple as developing some new whizzy digital tools and expecting everybody to suddenly be looking at their mobile phones and getting excited about their pensions.

Doyle: I agree it needs to be simple and targeted. Also, from an investment standpoint, a great way of getting people engaged is through the ESG area. Some people are pessimistic about whether members will ever be interested in their pensions, but one thing is clear – if you talk to the younger generation, the millennials for example, they are interested in social issues and in areas like climate change.

We've now seen the advent of ESG in DC, it's already in the global equity arena and you've now got some managers, like ourselves, who are incorporating ESG in multi-asset strategies. It's interesting what HSBC have done with their default funds in that they've embedded climate change concerns in there. They made an assessment about what was important to their member base and acted on it; that's an insightful way of drawing members into pensions, getting them a bit more engaged than they might otherwise be.

Whitney: I believe we need to focus on very specific questions that we want people to answer, that will make a difference to their benefits. There are probably five questions that a member needs to answer: Are they going to stay in the scheme? How much are they going to pay? Where's the money going to be invested? When do they want to retire? How are they going to spend it? But of those five, I probably spend the most time on 'how much are you going to pay in?' and 'how do you want to spend it?'.

For the others, the defaults aren't too bad – we default them in; we have

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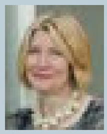
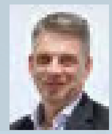
CHAIR

Andrew Cheseldine, Client Director, Capital Cranfield Trustees (CCTL)
Before joining Capital Cranfield, Andy acted as an adviser to trustees and employers at Watson Wyatt, Hewitt Bacon & Woodrow and latterly as a partner at LCP. He has served on the PLSA DC Council since 2013. Andy has a long record of advising on regulatory, governance, change management, investment, provider selection and communication issues.

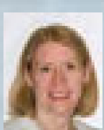
PANEL



Lesley Alexander, Strategic Partner, Ferrier Pearce
Lesley is the strategic partner of Ferrier Pearce Communications, a creative consultancy that specialises in pensions and employee benefits communications. Lesley's career in pensions has spanned more than 36 years and she has held a number of senior pensions management roles. Prior to joining Ferrier Pearce she was the CEO of the HSBC Bank (UK) Pension Scheme and has also enjoyed working with EMI, Motorola and Reed Elsevier.

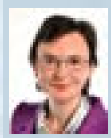


David Brown, Group Director of Strategy and Innovation, The People's Pension
David Brown is group director of strategy and innovation and has over 30 years of experience in financial services. David was previously strategy director at AXA Wealth, AXA UK and Winterthur Life. David has a mathematics degree and is a fellow of the Institute of Actuaries. David joined B&CE in January 2018. He is a regular contributor to the pensions press and a speaker at pensions events and roundtables.



Catherine Doyle, Head of Defined Contribution, Newton Investment Management
Catherine joined Newton in 2015 as head of DC for the UK, and is responsible for delivering investment solutions for some of the UK's largest pension schemes. Catherine fulfilled a similar role from 2008 at BNY Mellon Investment Management, the parent company of Newton. She has been involved in all aspects of DC, supporting the long-term investment goals of a broad range of institutional clients across different sectors. Catherine is a prominent spokesperson in the DC pension press.

Matthew Swynnerton, Partner, DLA Piper
Matthew is a partner and head of the pensions team in the London office of global law firm DLA Piper. He advises some of the biggest schemes and sector names on all aspects of pensions law. Matthew's experience lies in pensions law, including reviewing and updating scheme documentation, advising trustees and employers of their duties in respect of the Pensions and Finance Acts, dealing with the pension aspects of corporate transactions and reorganisations and advising on benefit redesign and liability management projects.



Lynda Whitney, Partner, Aon Hewitt
Lynda has a strong interest in seeing things from a practical member perspective, despite her actuarial training. She is editor of Aon's *DC Survey*, leading the research into what members want and how schemes are responding. She has nearly 20 years of industry experience across the breadth of DB and DC. She qualified as an actuary in 2001, became a scheme actuary in 2004 and became a partner in 2010. She splits her time between regular scheme actuary work and she also leads on project work for corporates and trustees.

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default investment strategies that do a lot of the work for us; and we have a default retirement age that people adjust as they get closer to it. But it's the other two questions where they need more help.

So, it's about getting the engagement where we need it and not being too worried if they default in some of the other places.

Brown: If we think about auto-enrolment and the sort of people we're talking about, they do not want to talk about pensions – it's not an exciting topic. Of course, there will always be a small segment of people who will engage and getting the message across that they're doing the right thing, reinforcing the social issues and so on are all good practice. But it's still a very small segment.

Saying that, at some point, often very late in the journey, people do start to engage more. At that point, the challenge of engagement is ensuring that they trust you as an organisation to do sensible things on their behalf. If you haven't built up that trust, research shows that they'll take the money and run.

Swynnerton: I agree it does tend to be at retirement that people focus on these things, because that brings everything into very sharp relief. A recent an article in *Pensions Age* suggested focusing on engagement at key moments in a member's life. So, you look at the moments in life when finances are at the front of their mind, like buying a house, having a baby, starting a new job – those types of things.

That seems to be one way you could try and engage members earlier in the process, but how you achieve that practically is another question.

Alexander: Personas are helpful in doing that, which of course get used in consumer marketing all the time. There are even some businesses that have made

their personas real, i.e. they've identified customers that fit their personas and they test their products and marketing on those individuals. That's an area we're still learning to exploit, because we know that as social animals we want to be part of the group, we want to fit the norm.

Whitney: But we do need to give people some targets. One of the reasons they struggle is because they can't imagine how much they're going to need to live on; and they struggle to imagine how much they need to save at any point in time to get to that target. That's where we really need to help them by saying, for example, "if you put 1 per cent more in, this is what your employer puts in, this is what the tax relief puts in, this is how compound interest gets you some great investment returns and potentially, yes, doing some nice things with your investments as you go along could help".

Some of those targets are not going to be perfect, but it's better than nothing. It's better than people sitting there saying "that's what the government told me I should put in, so that's what I put in. That's what my employer told me I should put in, so that's what I put in".

Brown: But if you're talking about 50 per cent as a replacement ratio, that's a frightening number to be telling people. It needs to be explained in a simple way that ordinary people can understand and relate to.

Whitney: That's where you've got to be realistic – for example, let's say you're looking at somebody who's on a modest wage. In this case, actually the £8,000 of state pension is going to make up a significant proportion of their pension savings. To some extent, they've got that as a pseudo-DB benefit that they've got and the DC from their company scheme doesn't necessarily need to be making up a huge proportion of their pay. So, they're probably only looking at 20 or 30 per cent of their pay that they need to have as a replacement ratio from their company scheme on top of the state pension.

Chair: The work that PLSA has done on retirement income targets has been very helpful; it's hard to communicate however because there are so many different subgroups. Also, just to make another point in relation to housing – if you own your own house, you need 30 per cent less income than if you pay rent. That's a massive difference in the target.

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Doyle: The more you can make it tangible, the more you can draw out the positives. A recent survey found that one in five British adults who aren't already retired were relying on selling their home and downsizing to fund all or part of their retirement. Clearly that's the cohort that are closer to retirement and not perhaps relying solely on DC either. But for the younger generation who have pure DC, we're going to need to communicate the urgency of higher contribution rates and the benefits of investing in a pension. We need to make sure that's front of stage if this is going to be a success.

Brown: If you're one of those individuals, is putting money into a pension your priority? They're paying off student debt; trying to get onto the housing ladder; bringing up a family – the challenge we face is that life events that are more immediate will naturally take precedent.

Doyle: Yes, there are a lot of pressures, but this is a ticking time bomb. The earlier you put the money in, the more it can compound, and you've got a much greater chance of reaching a decent level of retirement income.

Chair: The good news and bad news for 22-year olds is that it's going to be a long time before they get a state pension. It might well be more than 50 years, which is bad news, except that it gives them much longer to invest and save. So, it's perhaps less frightening if you do it in small steps, but it's not an easy message to get across without them getting really wound up.

Investment in DC

Chair: Something we briefly touched on there was investment - what do we need to do to move investment further up the agenda in DC? Or indeed, should we move investment further up?

Doyle: It should certainly be further up – the fact is that in addition to contribution rates, investment is the other significant area that will determine the level of income people can enjoy in retirement; it's the real engine that will generate your return, so it can't be neglected. However, if you compare the types of strategies that are on offer in DC, it's a much narrower sphere and range of investment opportunities.

To some extent it goes hand in hand with the governance debate because the standards do tend to vary, and the quality and design of the investment offering varies depending on governance standards which tend to be linked to scheme size. So, working towards improving governance and raising governance standards is important.

In DC as well, the debate around investment has been largely around cost, which hasn't been helpful. It should be much more of a balanced assessment of quality of delivery in the context of a given cost. All of those are important considerations.

So now that DC is coming of age, it's time to turn the spotlight a bit more on investment. Initially with auto-enrolment there was a lot of energy devoted to meeting regulatory requirements and getting the systems up to speed to be able to cope with auto-enrolment; now it's time to look in more depth at the default.

Chair: Lynda *[Whitney]*, what are your thoughts on bringing investment further up the DC agenda?

Whitney: Whose agenda? That would be my question. If we are referring to the member, probably not. I am not too bothered about leaving the members alone when it comes to investment and only engaging with those who are truly interested in it. For the scheme itself, for the plan managers, whether that's trustees or other structures of plan management, it's key. The investment decisions are probably the biggest decisions that they are making in terms of how they're managing the money on behalf of their members, because the vast majority of them will be in a default. So that default does need to work for that shape of membership in terms of what their expectations are.

It's a question then of how you build the elements into the default that we're all hearing about, whether that's things around ESG, whether that's things

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around how you get the transition right from accumulation to decumulation. There's a whole range of different aspects to investment that need regular review, partly because the marketplace itself is changing so quickly.

Swynnerton: I'm also not too sure whose agenda we're talking about – there's the member agenda, there's the trustee/provider agenda and then the governance agenda. The governance aspect is perhaps more focused on social investment and the barriers to that – any behavioural obstacles that need to be overcome.

The only additional comment I'd make on the trustee agenda is that, given the volume of compliance requirements that trustees have to deal with, it makes it very hard to push things like this up the agenda. Particularly as there's no short-term deadline for this, whereas they have so many other things they need to do often within a short timeframe. Perhaps giving them some kind of deadline might help.

Brown: If you keep everything else static, the potential impact of investment is massive. If you compare a neutral investment strategy to a sophisticated investment strategy over a long-term time horizon, while of course managing your risk, the sustainable income someone can take is significantly higher with the sophisticated strategy if you get the investments right.

So, getting investment sophistication into what we're talking about is massive in terms of the tangible impact this could have on people's income in retirement.

I don't think as an industry we've made that concrete yet. We're not being as sophisticated as we could be around the use of different products including longevity and hedging.

Chair: Most people around the table so far have said that the trustees or the decision-makers in this should be focusing on the investment, rather than the member. Lesley *[Alexander]*, as a communications specialist, would you argue that it should be the member?

Alexander: No, in fact probably far too much time is spent explaining all the esoteric details about options outside of the default to the member. I completely understand there needs to be a range of funds that are suitable and well explained to those members who do want to self-select, but the majority are going to be in the default. What they need to know, whether it's trust-based or contract-based, is that there's somebody doing the hard thinking for them about whether the default option is suitable and that they're monitoring it, looking at what members are actually doing themselves and giving reassurance around that and explaining investment returns, how people's funds are building up in a way that ordinary people can understand.

So, from the members' perspective it's about reassuring them that they're being looked after on that journey. At the other end of the journey, coming towards retirement and particularly as a result of freedom of choice, we are very much still in a transition period with our thinking. If people are actually moving much more into drawdown, less into annuitisation, then as pots build up I think we will see trustees getting more engaged in what that post-retirement phase looks like for investment. That might involve more risk taking, for example.

Chair: Which moves us nicely to the next question – what can realistically be done to help improve member outcomes against a backdrop of low returns and heightened volatility?

Doyle: February was a sharp reminder that volatility is back, because for the past nine years or so we've been lulled into this false sense of security that there was practically no volatility. As volatility returns, trustees may revisit their default fund and think about whether it has the appropriate level of downside protection, because that's clearly an important factor, particularly for a DC scheme where actually what members want is a smooth ride. They don't want the gyrations of markets, particularly as they approach retirement.

I also think an interesting facet of the DC market is that consultants have been very dominant in shaping the design of default funds. Many diversified growth funds were sold on the basis of them being equity proxies, whereas in fact they've proved to be more valuable for their capital preservation attributes than their equity-like returns. That may be revisited and they could almost be relaunched, in a sense, as capital preservation vehicles, rather than having a dual function. So, interesting times.

Whitney: This is an area where member inertia does us some favours because members don't overreact to news in the market. Would we have seen members taking action in February, or even being aware that it had happened? No, because they don't look at their pots that frequently.

Even where there is a lot more engagement, in the US market for example, when members do make active decisions they quite often make the wrong ones. They will typically watch the news and if the stock market falls, they will sell equities. But hang on a minute, if the market's fallen, then you're selling at the bottom, which is not a great plan.

Brown: If you look from 2000 to now, the market has broadly moved sideways and there hasn't been massive volatility there. So, if you take a balanced fund/multi-asset fund and there's regular rebalancing going on and people don't panic and they just let the natural things

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happen, I suspect you'd have had an ok return from that environment.

Behind the scenes though we should be thinking about how we create a portfolio that broadly matches people's needs.

Chair: We should be marginally safe in so much as up until April this year there was about £30 billion a year of contributions going into DC. By the end of 2020 it'll be closer to £60 billion because of the increasing minimum contributions and other stuff that goes on. That stream of income should help, should it not?

Doyle: Yes, absolutely. The more you put in, the more opportunity you have to grow those contributions and ultimately the pot size. When it comes to design, if the DC market grows more strongly because of higher contributions, schemes can perhaps venture into other areas of the market that could form part of the growth phase. For example, some of the less liquid alternatives areas that haven't traditionally played a part in DC might become more accessible to DC schemes. You can harness different sources of return.

Chair: How do we get the message across that even in a low return environment, people should still save?

Alexander: You need to highlight that they are investing for the future, their employer is still contributing and they're still getting tax relief.

Also, if you've got your investment strategy right, the message should be one of reassurance that, irrespective of what's going on in the market, you can take a long-term view and, actually, the downside, if you've got your strategy right, is limited.

What does concern me though is when you get that volatility at the point of crystallisation of benefits. That was something that came across my radar

earlier this year, where people at the point of taking their money out of their DC suddenly found themselves in quite an awkward position.

It then comes down to how we're actually processing people's benefits; whether we've got the leeway to help people in those situations and whether members actually realise they don't have to do anything. They can stop, if they can afford to, and not take their benefits out at that point. That's a message that gets lost in freedom and choice sometimes.

Whitney: People need to think about whether they are expecting to keep taking some risk with their money once they have retired, or whether they want all risk removed.

If the answer is yes, and they are expecting you to still take some risks on their behalf, then actually that crystallisation point isn't as critical. If they're going to go and buy an annuity, then you de-risk them with the assets that move broadly in line with that annuity pricing.

Chair: Should we have more than one default?

Doyle: In the earlier phase I would argue that you should have a single default because, by definition, a default should be a single fund, otherwise you're in the world of self-select. But, since the introduction of pension freedoms, there's a strong case for having different paths as you approach retirement, depending on whether you decide to buy an annuity, take cash or go into drawdown.

Chair: How risky is it for me as a trustee to say to members "you look like X, therefore we're putting you in default X but you look like Y, so we're putting you in default Y"?

Swynnerton: There is a risk there for trustees – you are taking a step that, if it proves not to be the best outcome for a member, could result in complaints. That does drive trustees in certain directions when it comes to defaults, this perceived fear that they are going to expose themselves to a claim.

But then trustees must balance that risk with the risk that if you don't do it, you're also exposed. So I think, as with all investment decisions, you're reliant on the advice of your advisers. If you have

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advisers in place, then you ought to be protected in the same way as you would be if you took any investment decision.

Collective DC

Chair: So communication is difficult, investment is difficult. Why don't we just create something called 'collective DC' and not worry about anything else?

Swynnerton: Royal Mail as we know are leading the way on this, however, there needs to be greater take-up for it to work. Some consultants have seen clients expressing interest in collective DC. It seems like a move in the right direction, it seems positive and there are lots of efficiencies that can be derived from it.

But it is a new step; there are some legal obstacles that still need to be overcome, there are some regulations that will need to be made to enable it to work, but the framework is there in the Pension Schemes Act 2015. So, it seems like the direction of travel is going the right way.

Alexander: It might be difficult for people to get their heads around CDC, because they know that while the benefits of DB aren't always guaranteed, members believe it's a promise that everybody is going to try and keep and therefore, it does have an end guarantee around it. They understand that DC is something that ultimately is flexible.

Then you've got CDC in the middle and there's a huge difficulty with trying to communicate that in certain circumstances you might have to reduce your pension for a period of time. Explaining that to people and creating a framework around it when it happens could be challenging.

Brown: There's a need for greater sophistication around how we are going to optimise sustainable income. If I use a car analogy, you want your car to go faster, 0 to 60 and how it actually does it you don't care, you just want it to go fast. But ultimately it has to be simple and transparent – that's my benchmark for a good proposition – so I think more work needs to be done around transparency with CDC for it to be successful.

Doyle: From an investment standpoint we're pretty agnostic about what structure is in place, but I would say that in this country we don't have a great tradition of intergenerational cross-subsidies. I don't think there's any magic bullet for this. If you're not putting enough in, if the contributions rates aren't high enough, it almost doesn't matter what structure you have.

But CDC may happen. I'm just a little sceptical as people move around so much in their working lives. Does CDC really suit that? Some larger schemes though may opt to go down the CDC route.

Alexander: Do we think any master trusts will go in that direction?

Chair: I would argue that at-retirement, or post-retirement, CDC could work for some – it's very much a future thing.

Can anyone see any way in which an existing DB promise can be converted into a CDC promise without generations of strikes and government problems?

Swynnerton: Conceptually the two promises are different, so it's hard to see how you could do that, certainly within the existing legal framework, because you would have all kinds of pieces of primary legislation that would prevent you from doing that. So other than on a voluntary basis, with members basically consenting to the change, it's hard to see how you would be able to do that.

Then the question is: why would members volunteer to do go down that route, other than in the context of something like a Royal Mail scenario or a distress scenario? If you demonstrate that CDC is preferable to the PPF, you might see it in that scenario, but otherwise CDC is quite complex and hard to understand and that would act as a barrier.

Whitney: In terms of transfers from DB, I agree that would be very hard to do unless there was a massive governmental move towards CDC to actively override all of the legislation that's currently sitting there. I think the expectation for CDC was as an alternative to new accrual in DB, or as an alternative to DC. It's then a question of whether you can demonstrate – and I think you can – the benefits from keeping people invested and giving them some certainty, even if it's not that perfect certainty.

Litigation risk

Chair: Is litigation risk driving decision-making in DC pensions?

Swynnerton: When our clients come concerned about litigation risk, rather than DC investment decision making, it tends to be concerned with 'traditional' risk items: for example, they're dealing with a complaint, or it might be they need to know how best to protect themselves if they are exercising some kind of discretion. More recently pension

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scams has been a big area where that's driven decision making and mitigating litigation/complaint risks within both the DB and DC environments, where there's been a lot of change over the last couple of years and trustees have had to adapt to rapid change and sophisticated scammers. We're involved in the working group for the pension scams code, which has been refreshed recently.

As a decision-maker, is litigation risk something that is driving your agenda?

Chair: Probably not – compliance is, but the schemes I'm involved with are generally trying to do the right thing and make sure they are compliant and litigation is a subsidiary risk. Is that the experience around the table?

Doyle: In a US context, litigation is a big thing and charging anything other than passive fees for a default fund actually lays you open to litigation risk. I agree that here in the UK the emphasis is much more on doing the right thing.

But where I think it has influenced subtly the way trustees think is that passive has been very prevalent in the default. At the back of trustees' minds is the idea that if they do embed an active strategy in a large or significant part of the default, quite apart from the charge cap considerations, and if it doesn't perform as expected, are they laying themselves open to criticism? Perhaps not litigation, but certainly they would feel that they had to justify that decision. So in that respect I think it's fed through, albeit in a much more nuanced way in the UK, compared to the US.

Chair: As an investment manager, do you see the statements of investment principles of all the schemes that you invest with? Do you have any concerns that if you don't, someone's going to say "hang on, you're doing stuff that's not allowed in the SIP and that's your fault"?

Doyle: We don't tend to be privy to the board statements, just in certain cases. So we don't generally know what's in them.

Whitney: I do see some interesting behavioural biases from trustees, that making an active decision to do something is seen as a bigger complaint risk or litigation risk than the passive decision not to do something. I certainly see that, for example, with preferred drawdown and whether trustees will have a preferred drawdown provider or not.

But they are sometimes getting into that mindset that says I'm worried that if I have one, that I'll get a complaint or I'll get litigation because of the one I've chosen, when actually there's probably just as big a risk of the fact that you haven't picked one and that your members are either assuming that your accumulation one therefore must be good, or they're just going out to the marketplace and could be going to anybody.

Chair: Do you find trustees communicating that behavioural perspective to members?

Alexander: No. What I do see sometimes is that trustees are concerned that they're almost leading the members by communicating clearly what their options are. They worry that they may be straying into the area of advice, but I think it is worse to leave members without any kind of idea of the direction in which they need to be going.

Brown: The problem is we're not dealing with consumers who are informed enough to make their own decisions. That's why good quality defaults are so important, so that members don't have to make a choice about something technical if they don't feel they can. At one stage we panic that we are not exercising our duty of care enough. We then start panicking if we're moving towards advice. So this crystallises into a very inefficient market, and that worry of not managing that duty of care properly, combined with that litigation risk is an issue at the moment.

Chair: Post-retirement, potentially, is where there's going to be the biggest risk, because we've gone from an environment where it was really simple in that you had to buy an annuity, it was the law, to an environment in which you have a lot of choices; and who are we to say that one choice is right or wrong for you? I suspect we'll rely on the lawyers for that.

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Swynnerton: There may well be a difference between the attitudes of trustees and providers working in the pure DC environment, compared to trustees who operate hybrid schemes, who have become accustomed to having to weigh the risk of complaints in the balance as part of the exercise of their discretions. On the DB side, for example, trustees for a long time have had to get used to the idea of actively exercising discretions in relation to pension increases, where there's a risk that members will complain at some point in the future.

I mentioned pension scams earlier and that's a good example of an area where trustees and providers have really struggled with balancing their duties under law, with their desire to protect members while not necessarily knowing what is in the members' best interest. Would you stand in the way of a transfer request from a member who has a statutory transfer right, even though you strongly suspect a scam to be involved, and how do you assess the member's understanding of the impact? We've seen huge differences across the industry in terms of attitudes to balancing those risks.

Looking ahead

Chair: Looking ahead, what should the FCA and TPR be working more closely on, given the joint call for input?

Doyle: This is an interesting question. There is considerable overlap in their areas of responsibility. So clearly with areas like governance, there's a lot that they can do there to work towards a similar agenda.

Another area is value for money/ members where there have been two different but similar definitions – that seems unnecessary.

In addition I think there's a lot that the area of non-workplace pensions can learn from the area of workplace pensions – at the end of the day there should be a common set of principles and much of the good work that's been done in workplace pensions can be ported onto non-workplace pensions. Equally, in the retirement income space having a common or joined-up regulatory environment will only benefit that area.

Whitney: I do think we need to think about the regulatory environment and the FCA/TPR links. I think there are two areas they need to think about. One is where they're handing off from one regime to another. The other is where they overlap and as Catherine *[Doyle]* mentioned, there is quite some overlap. But I think we also have to remember that TPR is typically working in an environment where there is somebody who is responsible for being paternalistic towards the people involved. So The Pensions Regulator is regulating a group of people who are there to do the right thing.

In contrast, the FCA is regulating in a very prescriptive way people who are at the extreme of the FCA, just dealing directly with retail customers.

So you've got those two ends of the spectrum and it's then where they cross in the middle when you start saying "okay, well a master trust trustee versus an IGC member, or value for money versus value for members". But it gets really interesting when you start to look at how you make those things work such that they do develop, that they're not slowed down by each other, but equally they don't create conflicting requirements?

At the moment, for example, I think some of the things for DC chair statement actually conflict with the information that's available from the managers that the FCA is telling them to produce. They're both moving in the same direction, but just not quite at the same speed. But ultimately, members don't know whether they're in a TPR regulated scheme or an FCA regulated scheme. So as an industry, to have trust in the industry, both need to work.

Chair: What actions do trustees of DC schemes need to take in relation to the new requirements on the disclosure of costs and charges?

Alexander: I have some concerns about this, particularly about this potential illustration of the effects of compounding, which is great when it comes to looking at contributions and how they might compound. But the level of understanding about charges is so low that if you start to compound what somebody pays in charges, it can seem like a huge amount of money when it isn't. So I have a concern about what the real purpose of disclosing that level of hypothetical charges is. How will a member react to any number that looks like it's coming off their pot?

Swynnerton: I guess we'll find out because it is a requirement now.

As we near towards the close of the discussion, I would like to take this opportunity to mention the new version draft of the pension scams code, which will have been published at the time this goes to press, and which trustees and providers should familiarise themselves with. There is then expected to be a further version before the end of the year.

Chair: Similarly I would like to highlight that, at some point in the near future, PASA, the Pensions Administration Standards Association, will be publishing some guidelines on how to do good administration across the piece and what 'good' looks like and what 'compliant' looks like. TPR is involved in that as well.