CFA Society United Kingdom

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Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Submitted by e-mail to: vfmconsultationpaper@fca.org.uk

Dear Ms. Pritchard and the VfM Policy Team

CFA UK letter in response to the FCA's consultation CP24/16 "The Value for Money Framework" for Default DC Pension Arrangements, August 2024

The CFA Society of the UK (CFA UK) welcomes the opportunity to respond to the FCA's Value for Money (VfM) consultation. We strongly support efforts to embed a VfM assessment and reporting discipline across investments in the UK, including DC Default Pensions. The latter is an important area given the limited investor engagement and expertise, and the notable investor numbers involved (per your paper, c.90% of c.11m AE investors in default strategies).

CFA UK has engaged extensively with VfM previously, for example the two output links below, and these are referenced in some our responses to your questions.

- **CFA UK 2018 report "VfM – A framework for assessment":** position-paper---november-2018---value-for-money.pdf (cfauk.org)
- **CFA UK March 2023 response to DWP's consultation on VfM:** response---march-2023---vfm.pdf (cfauk.org)

We set out below a few over-arching comments for consideration, with detailed responses to questions at Appendix 2.

- **Proposed Framework:** We support the 4 steps of the VfM process and the Key Metrics, which are aligned with our 2018 report in which we argued that *"...a framework for assessment of VFM should include i) Costs and charges, ii) Output, defined as risk and return, and iii) Quality and service*". We are also encouraged to see a focus on the long term, and emphasis not just on costs.

- **Consistency of VfM Process**: We support consistency across contract based and trust based arrangements and flag the risk of adverse investor impact of divergence in treatments, including in terms of timing, detail, and actions. We called for an aligned approach across pension regulators in our 2018 report and now go further to encourage the FCA to aim for broad consistency of framework across all retail investment propositions in the UK, including the Value Assessment of funds.

- **VfM Assessment v. Disclosure:** A distinction should be drawn between VfM Disclosure and VfM Assessment. Disclosure is positive for transparency and engagement of investors. However, IGC's should be expected to review a range of factors, going beyond disclosure metrics, to conduct a robust value assessment. In this connection we reiterate our call for requiring IGC's and Trustees to have a certain level of investment expertise and experience for their role. We also caution that data availability is a key condition, else additional oversight can result in inefficiencies instead of value for investors and the risk of reverting to a cost focus.

- **UK Allocation Challenge**: While supporting the need to revive investment in the UK, we question whether VfM assessment is the appropriate place for this endeavour. Our concern is that UK allocation per se has no evidenced impact on performance, risk, or costs, and by being thrust into the VfM framework, could cause confusion or in a worst case conflicting actions by IGC's (based on a perception of regulatory expectation). Other countries experience indicates that regulatory requirements rather than optimizing returns for pensioners can impact performance.

- **Independence of IGC's:** We have previously called for a clear target audience for VfM expectations (IGC's and Trustees) and are pleased to see this is now the case. However, with the increased prominence and responsibility of IGC's in the process, we recommend a review of their independence, both structurally and in practice, so that the VfM assessment is grounded in objectivity and investor interest.

- **Competition in Pensions:** The pensions sector is marked by materially lower competition than for example insurance, where a customer can compare and switch quickly and conveniently. While VfM and transparency will help, it is not likely to change the inherent nature of competition in the sector. We encourage the FCA to also review structural issues such as misaligned incentives between employers (acting as intermediaries) and employees, the lack of pensioner engagement and empowerment, and limited choice in default arrangements.

We would be happy to meet and discuss our feedback to the questions raised, if helpful to the FCA. We consent to the publication of our Society's name.

Yours sincerely,

Amit Bisaria

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With thanks for their contributions to: Stephen O'Neill, CFA, and J C Valer, CFA and the oversight of CFA UK's Ethics & Professionalism Steering Committee.

APPENDIX 1: ABOUT CFA UK AND THE CFA INSTITUTE

CFA UK serves nearly 12,000 members of the UK investment profession. Many of our members analyse securities, manage investment portfolios, advise on investments, or are in roles responsible for investment operations or oversight.

Our role is to help investment professionals build and maintain their skills and competencies so that they are technically and ethically competent to meet their obligations to clients. We advocate for high standards of ethical and professional behaviour and our work with regulators, policymakers and standard setters is focused on skills, knowledge, and behaviour.

We are not a lobby group or a trade body. We are an independent, professional association whose mission is to 'educate, connect and inspire the investment community to build a sustainable future.'

Founded in 1955, CFA UK is one of the largest member societies of CFA Institute. Most of our members have earned the Chartered Financial Analyst® (CFA®) designation. All our members are required to attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

For more information, visit www.cfauk.org or follow us on Twitter @cfauk and on LinkedIn.com/company/cfa-uk/

CFA Institute is the global association for investment professionals that sets the standard for professional excellence and credentials. The institute is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Its aim is to create an environment where investors' interests come first, markets function at their best, and economies grow.

It awards the Chartered Financial Analyst® (CFA) and Certificate in Investment Performance Measurement® (CIPM) designations worldwide, publishes research, conducts professional development programs, and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry.

CFA Institute has members in 162 markets, of which more than 170,000 hold the Chartered Financial Analyst® (CFA) designation. CFA Institute has nine offices worldwide and there are 158 local member societies.

For more information, visit www.cfainstitute.org.

APPENDIX 2
RESPONSES TO QUESTIONS

SCOPE AND THRESHOLDS

Question 1: Do you agree with the proposed scope, thresholds and exclusions? Why or why not? If not, what alternatives would you suggest?

We agree with the coverage of "in-scope" arrangements and sub-arrangements, and the timing of one calendar year of data for new arrangements, as well as exemptions for EPP's and SIPP's. As you have proposed, Bespoke arrangements should be subject to the VfM Assessment requirements, even though exempt from disclosure.

However, we recommend considering a Decumulation of Post Retirement cohort as well. Completely leaving out decumulation strategies from VfM may not be in the interest of those investors, particularly as anecdotally the non-investment costs can be relatively high in decumulation. Note that for a post-retirement cohort that remains invested in cumulation strategies, the currently proposed disclosures could suffice.

In applying the scope parameters, we emphasise the need for consistency across contract based and trust-based schemes, and in due course any other arrangements that are brought into the purview of these requirements.

We also suggest that when clarity is provided on inception dates for the requirements, a reasonable time is allowed for data disclosure from the 31 December data point, and a further period from disclosure for the VfM assessment and outcomes publication, E.g. 30th September of the same year.

Question 2: Do you agree with the proposed application of the 80% threshold to determine whether legacy arrangements are quasi-defaults? Why or why not? If not, what would you propose?

We agree with the proposal based on not reinventing the wheel and aligning with the threshold used for charge cap application.

Question 3: Do you agree with the proposed 1,000 member threshold? Why or why not? Do you think there are risks around this level, for example excluding too many savers? If you don't agree, what would you suggest?

In terms of size based exemption, a threshold of 1000 members for the new requirements feels proportionate, given that over-arching Consumer Duty obligations to deliver fair value apply to all schemes.

However, it is also likely that such schemes find it harder to deliver value given their relatively small scale. We therefore recommend that an expectation is created that all schemes will be covered by the arrangement in due course (or by a certain date) – potentially this will accelerate considerations of merger or absorption of such schemes into larger ones to enhance value in the sector.

INVESTMENT PERFORMANCE

Question 4: Do you agree with the proposed investment performance metrics? Why or why not? If not, what alternatives would you suggest?

We support the 3 levels of performance disclosure. In our March 2023 response to DWP's VfM consultation, we stated "*We caution against focusing only on investment costs, to the neglect of the other costs which members bear. Considering the broader member cost breakdown (and not just the investment cost) will help with the assessment of VFM…*", and note the inclusion of a "net, net" performance figure as a positive.

In going for any broken period falling in between 1/3/5/10/15 years, we recommend a "since inception" period (stating the number of years) is included in the reporting template for completeness and aligned to standard practice.

In terms of the risk metrics disclosure, we note that annualised standard deviation (ASD), or volatility, has the benefit of simplicity and ease of understanding for the wider audience expected to review the disclosed metrics.

However, a distinction should be drawn between metrics disclosure and VfM assessment. IGC's should not limit their review only the disclosed metrics, as this may result in superficial conclusions. As an example, ASD does not indicate tail risk or even two standard deviation risk, which is better understood via risk measures such as 95% confidence VaR (capturing risk up to 1.67 ASD in a normal distribution), CvaR (to cater to non-normal distributions), downside deviation etc. In our March 2023 response, we also highlighted that "CFA Institute's globally recognised GIPS standards require the disclosure of an annually rolling figure of the 3-year mean average, rather than the 1-year, ASD to dampen the impact of short-term volatility in any one year". In our November 2023 report on a VfM Framework, we reference VaR as a widely used measure, including in other regulatory frameworks. In short, VfM assessment should be more sophisticated, considering several metrics, underlying causes, market context, asset allocation impact, manager skill etc. and IGC's should be expected to review a range of risk measures, going beyond the disclosure template, including relative risk (next para).

We recommend the FCA consider the addition of a risk adjusted metric, such as the Sharpe ratio, in the reporting template. Naturally, a single figure cannot give the full picture, but this is equally true of the other metrics, and we believe inclusion of a simple risk adjusted metric will have more benefit in understanding performance and risk vs potential interpretation issues. The specific metric that is appropriate can be subject to further discussion.

We recommend Reverse Order reporting of performance, as per our November 2023 report: " In terms of the return aspect, we believe there are some simple approaches that can foster long termism which will benefit both client, industry, and the economy. We would advocate reporting and evaluating performance returns in backward order…" i.e. starting with the longest period 15 years, then 10 years, 5, 3, and 1.

Question 5: Do you agree with the proposed calculation methodology? Why or why not? If not, what alternative methodology would you suggest?

We are supportive of the monthly data and geometric average based calculation methodology, given the benefits of simplicity for easy adoption, leading to comparability on a like to like basis.

While it is not explicitly stated, we assume all calculations are on Time Weighted basis (v. Money Weighted).

Question 6: Do you agree with the proposed requirement for chain-linking? Why or why not? If not, what would you propose?

We agree with broad approach to chain linking, including the exclusion of mergers from this requirement, as it enables a line to be drawn under the past performance of a poor scheme that has been acquired.

We think good practice would also be a one-time disclosure of switch costs between schemes as chain linking the % figures of two schemes can ignore the cost of the move, which has an impact on investor outcomes. Notwithstanding that this will be a non-recurring item and can be overlooked for VfM assessment as a one-time exogenous cost.

Regarding intra firm mergers, we are not certain that your example "*Situation 2: members in one in-scope arrangement are transferred to an existing in-scope arrangement*" should necessitate chain linking. The risk of "re-setting" performance needs to be weighed against the disincentive to merge poor schemes into better performers. The former could be monitored by the FCA and IGCs expected to act in accordance with Consumer Duty obligations, whereas the reduction in poor performing schemes could be encouraged. Chain linking may also become quite complex over time - multiple reports for the same absorbing scheme.

Question 7: Do you agree with the approach to in-scope legacy arrangement features? Why or why not? If not, what alternative approach would you suggest?

We believe the approach to the specific features of some legacy arrangements requires further consideration by the FCA before concluding.

For example, it is proposed that return guarantees are ignored, and the strategy returns are assessed to allow for comparison. It can equally be argued that the guaranteed return is the outcome that the investor receives regardless of the strategy performance and should be used for comparison. Also, any guarantee is likely to be based on an implicit cost built into the performance numbers – reflecting the cost of this but not the benefit is questionable.

Question 8: Do you have further feedback on the incorporation of forward-looking metrics within the Framework? If included, how prescriptive do you think we should be on assumptions and methodology, and what would you propose?

We agree that it would be premature to expect forward looking metrics at this stage, and have therefore limited our response to this question, while confirming a willingness to discuss and deep dive the topic with the FCA.

We caveat that asking IGCs and Trustees to make projections on investment returns for outside audiences is a complex area. For example, the three return scenarios proscribed for Statutory Money Purchase Illustrations (SMPIs) has been challenged, whereas the alternative of schemes choosing numbers based on their asset allocation also poses issues.

ASSET ALLOCATION DISCLOSURES

Question 9: Do you agree with the approach to asset allocation disclosures? Why or why not? If not, what would you suggest? Do you think asset allocation disclosures will support better decisions in the interests of savers?

We agree with the requirement to disclose Asset Allocation as a standard expectation of any scheme.

This disclosure must be aligned with the performance reporting dates and include historic data, to enable assessment of performance and risk trends linkages to asset allocation changes.

In terms of the asset class categories and the template, we discourage overly prescriptive or complex / granular asset allocation disclosures, which may not be understood by the audience:

- Rather than focussing only on a UK versus non-UK separation, a broader geographic exposure table is more typical for displaying asset allocation and understanding exposures; the geographic categories are quite standard and used by most global indices. Asset managers should be allowed flexibility to optimize allocations, rather than focusing too heavily on UK asset classes for optical reasons

- The treatment of what constitutes cash make sense, but we caveat that this should be conditional on the firm ensuring that performance and risk metrics align to the asset total reported e.g. if performance is reported on SAA whereas the asset allocation disclosure includes other cash in bank outside SAA, there would be a disconnect

- We do not support a 5 subcategory breakdown of Private Equity as we question its value to the intended readers. Note also that different firms categorise PE strategies in different ways – VC and growth definitions bleed into other, so do growth and buyout, where minority stakes are not a prerequisite for applying the label 'growth'.

- The illustrative table on page 30 of the consultation does not include a % total at the top level asset class eg Equities and Bonds; we think this should be included as these are the most material % figures in the asset allocation

- Asset allocation tables are more useful to less sophisticated readers if simple ratios are calculated and disclosed. For example, instead of (or in addition to) showing a granular % hedged figure for each asset class, a portfolio level total of % hedged (plus UK exposure with no currency risk) would be more useful to indicate the degree of currency risk. Similarly, a % of illiquid or less liquid assets and a % of private assets are examples of useful disclosure for the intended readership of investors. In terms of liquidity for example, the Real Estate category does not indicate whether the allocation is to bricks and mortar or listed/liquid stocks.

Question 10: Do you agree that asset allocation disclosures should be limited to firm designed in scope arrangements only? Why or why not? If not, how would you broaden this requirement and to what arrangements?

This approach is aligned with other aspects of the scope of the disclosure, so sounds okay for this requirement.

Separately and as part of their Consumer Duty obligation, all schemes should be expected to disclose asset allocation and conduct VfM assessments. For arrangements out of scope of the proposed requirements, the template could be encouraged for adoption to promote consistency.

Question 11: Do you agree that we should require the disclosure of the overall asset allocation of the whole arrangement, as well as for the YTR points? Will this be of use to firms, and will it be an added burden to disclose?

We suggest not requiring whole arrangement disclosure.

Analysis of performance and risk will be conducted at the level of each arrangement, and the overall allocation may not add much insight, and at worst may be misleading.

Question 12: Do you agree with the proposed definitions for UK assets? If not, what would you propose?

We suggest that rather than reinvent this definition, the guidance examines and references existing methodologies used by prominent Index Providers. This will also assure a degree of alignment with UK index benchmarks and with Funds/ETFs that are labelled and aim to outperform or track UK Indices.

We note that for most index providers, the country of incorporation is also considered a key factor, not only the primary listing.

Some examples that may help:

- FTSE categorises a company as UK if it is UK incorporated and is solely listed in the UK. If not incorporated in the UK, the company must meet certain conditions including free float %. In other circumstances FTSE assesses various factors such as the location of its factors of production, the location of its headquarters etc. If a company is incorporated in a developed country other than the UK, is listed on an eligible exchange in that country and in the UK FTSE will normally only assign UK nationality if the company fails FTSE's liquidity tests in its country of incorporation, passes the liquidity tests in the UK, and liquidity is higher in the UK than any other country.
- MSCI generally determines country classification by the country of incorporation of the issuing company and the primary listing of the security. In the few cases where a company is incorporated in one country while its securities have a primary listing in a different country, additional factors need to be considered to determine the country classification e.g. for special benefit incorporations ("brass plate registrations") it will generally classify the company in the country of the primary listing.

Question 13: Do you think we should break out 'Quoted but not listed' (e.g. AIM) and if so, how would that be useful? Would there be additional cost to doing this and can you indicate how much?

In the interests of simplicity and based on common practice, clubbing all stocks quoted on a recognised exchange (including AIM) into a single category is a better option. The value added of a minor "quoted but not listed" category is questionable as it will likely increase complexity for no significant disclosure benefit.

We believe the spirit of the disclosures is the intent to primarily distinguish public and private equity, bonds, and loans, etc; if the disclosure requirements are understood as such, it should not be necessary to over-specify subcategories of liquidity profiles and price discovery channels.

COSTS AND CHARGES

Question 14: Do you agree with the proposed costs and charges metrics? Why or why not? If not, what alternative metrics would you suggest?

As mentioned in our response to Q4, we previously advocated for disclosure of investment costs, service and other costs, and total costs.

The calculation methodology proposed works for the purpose of comparison and would be simpler for investors to follow. Deriving costs from the disclosed performance metrics will admittedly be more aligned to a reduction in yield (RIY) calculation but will likely be less useful in a standalone comparison of charges, which this particular disclosure aims to achieve.

However, we consider the most useful analysis of the disclosure of costs, in addition to comparing across schemes, is to assess the Ratio of Non-Investment costs to Total costs. Arguably, the lower this is, the better, and would drive a move towards more allocation to investment costs (for long term benefit via more diversified asset classes) in the sector and call out cases of high imposition of non-investment costs.

We note that in practice many schemes, particularly in vertically integrated firms, allocate costs on this basis rather than the granular bottom up buildup of each category; this is also reflected in the same cost allocations often appearing across all arrangements of one employer. We therefore think that providers should be allowed to provide this ratio based on budgeted, i.e. forward looking ‘business model’ attribution of total member fee expenditure, rather than realised costs if this is indeed the basis they use. Over any given period, arrangements could have significant profit or loss margins due to, for example, the impact of variable scheme administration costs or capex, which could how much the arrangement earmarks for investment versus non-investment expenditure.

We recommend inclusion of the ratio in the table to make it easy for readers to easily view this metric and its trend and comparison.

Question 15: Do you agree that historic costs and charges information should be calculated in the first year of implementation, rather than waiting for this data to build over time? Please explain your answer. If you do not agree with either approach, what alternative would you suggest?

We agree with the approach, as even starting with the short term will induce a culture of VfM responsibility and embed the reporting practice in firms ahead of more data building up.

The FCA should emphasise however that IGC’s focus should be on longer term returns and risk and therefore reasonable judgement can be applied in VfM assessments based on say only 1-2 years data.

Question 16: Do you agree with our proposed approach to converting combination charging structures to annual percentage charges? Why or why not? If not, what alternative would you suggest?

We agree with the provision of an estimate for when a scheme is in balance, for fairer comparison.

Question 17: Do you agree with the proposed approach to unbundling? Why or why not? If not, what alternative would you suggest?

We question the rationale for allowing a high degree of leniency to vertically integrated firms, many of whom are large, well-resourced players.

By now firms should be expected to have a good understanding of their costs and/or the method of allocation to different arrangements and investment v non-investment costs and should not need to start cost calculations from scratch i.e. reporting only 1 year.

Question 18: Do you agree with the proposed approach to multi-employer cohorts? Why or why not? If not, what alternative would you suggest?

No comment

QUALITY OF SERVICES

We have omitted a response to questions 19-24, as being an investment focussed society, we do not have much of value to add to this aspect of the topic.

ASSESSMENT AND OUTCOMES

Question 25: Do you agree with our proposed conditions for the selection of comparator arrangements? If not, what would you suggest?

We agree with the high level guidance provided rather than being too prescriptive.

However, we have concerns about the risk of biased selection or convenient selection of comparators to show a scheme in good light, particularly given the small number of comparators required, which could be raised to a minimum of 5. Additional mitigation of this risk, without being prescriptive, is to emphasise to IGC's their responsibility for the selection and their readiness to justify and retain notes evidencing the selection as being objective and unbiased.

In terms of availability of comparator data, a central repository of some kind should be within the regulator's own plans, or 3rd parties are encouraged to establish such mechanisms as soon as possible.

Question 26: Do you agree with the assessment process we have outlined above? Do you have views on what should be considered a material difference in value relative to comparator arrangements? If you think that RAG ratings will not be sufficiently comparable, what refinements would you suggest?

We agree with the overall approach, which aligns with our 2018 report suggestion: "*…a client is likely to focus on three elements, namely, the generation of an attractive, risk-appropriate return over a timescale compatible with the investment horizon of the investor, net of costs but inclusive of the perceived service benefits received*".

An added recommendation is to require IGC's to indicate what weightage they have assigned to the factors of returns, risk, costs, service – this need not be precise but indicative. The concern we have is poor factors being lost in the mix, for example poor quantitative performance or high cost being masked by strong qualitative service indicators.

A risk you have already called out is Herding risk, and a mitigation recommended is to require IGC's to comment on the difference between their scheme and top quartile comparators rather than just the average.

Question 27: Do you agree that a multi-employer arrangement should be rated amber if it fails to deliver value for a material number of savers in relation to at least one employer cohort? If not, what would you suggest?

We question this approach as it feels disproportionately severe. It also differs from the disclosure and communication approach which is separated at sub-arrangement level.

Question 28: Do you have any concerns about our proposals for assessing bespoke in-scope arrangements? If you do have concerns, please explain them. If you anticipate negative effects, what can be done to address those?

No comment

Question 29: Do you agree that IGCs should consider and report on whether their firm's current scale may prevent it from offering value to savers? If not, what would you propose?

Yes, this would be an important insight from an IGC, noting that it should not in any way detract from the obligations for VfM assessment and actions under the proposed requirements.

Question 30: Do you agree that IGCs should consider how ESG considerations have been taken into account across firm-designed in-scope arrangement? Do you think this is sufficient and if not, what would you suggest?

Yes, we agree with considering ESG incorporation into scheme design and VfM assessment, but do not think just consideration is sufficient.

It is well established that ESG risks are a material factor for managing the risk / return of long term investments, such as pensions. Historic risk metrics (such as included in the disclosure) may fail to capture forward looking and horizon risks, particularly of an ESG nature. ESG is also increasingly seen as a fundamental element of delivering a high quality investment strategy, and an arrangement that largely neglects to integrate ESG into its investment approach may not only fail to deliver VFM but arguably also be in dereliction of fiduciary duty.

We therefore recommend that ESG is built into the VfM assessment process and resulting RAG. If this is not supported for any reason, we recommend at a minimum that IGC's should be required to disclose a summary of their ESG considerations as part of their VfM report.

ACTIONS FOR ARRANGEMENTS OFFERING POOR VALUE

Question 31: Do you agree that firms should inform employers of amber and red ratings and proposed steps to address the poor value, where an employer's current and past employees are at risk? If not, why not and what would you suggest?

We agree.

We further recommend that proposed steps / actions should be required to indicate the time frame for each action – this would give a more balanced view as there could be actions that legitimately require a few years to implement, which should be recognised.

Question 32: Do you agree that firms should not be allowed to accept business from new employers into an arrangement rated amber or red? If not, why not and what would you suggest?

We feel this is too severe and could be reconsidered.

We agree Red schemes be required to immediately cease new business but suggest that Amber schemes with an action plan and VfM disclosure be allowed more time e.g. 2 Amber ratings before ceasing new business.

In addition to be a more typical application of a RAG traffic light approach, we are conscious of the risk of disruption and inconvenience to investors from the immediate closure of a scheme to new business.

Question 33: Do you agree with our proposed actions and timings for firms with arrangements rated amber or red? If not, what alternative approach would you suggest?

Agreed

Question 34: Do you think that we should require firms to transfer savers out of red-rated arrangements, subject to enabling legislative changes? What are the costs associated with the proposed actions and are they proportionate? If you don't agree with our proposed actions, what would you suggest?

The client inconvenience and business costs and operational risks of bulk transfers are significant.

To avoid knee jerk action based on non-persistent adverse indicators, we recommend the option is provided of either a transfer or producing a short term plan (e.g. max 1 year) to remedy the assessment to Amber (and a further timeline to Green).

Any schemes misusing this flexibility, for example by setting plans that repeatedly fail, could likely face regulatory scrutiny.

Question 35: Do you think that requiring transfer from arrangements could benefit one group of savers to the potential detriment of others? If so, please explain and can you suggest an approach that doesn't risk detriment to some savers?

The frictional costs of a bulk transfer should not in any way fall on the members in the consolidating scheme.

Moreover, the transfer of monies, whether in cash or in specie, should not crowd out their current investments and investment pipeline – this is particularly relevant where a scheme is investing in private markets.

The counterparties to a bulk transfer arrangement should be required to perform a full impact assessment and implement a plan to migrate members and monies in the most efficient way for both the resident and migrant cohorts. This will inevitably be a bespoke consideration, and we would not suggest prescribing a one size fits all solution.

DISCLOSURE REQUIREMENTS

Question 36: Do you agree with our proposals for how the Chair's annual reports should be expanded to include the results of VFM assessments? Are there any proposed elements that in practice would not be useful?

Agreed, given the target audience for the disclosures and the aim to engage investors who often lack investment experience or expertise.

Question 37: Do you agree with requiring a narrative explanation for the RAG rating for all firm-designed in-scope arrangements including those rated green? Do you think this requirement should be limited to amber and red ratings?

We agree, as over time the Green commentary will also provide useful insights e.g. if the RAG changes or due to a green status even ongoing improvement actions were not taken.

Question 38: Should IGC Chairs be required to produce a plain-language summary of their reports?

Yes, given the targeted readership will include many less financially sophisticated investors who are not familiar with investment jargon and reasoning.

Question 39: Do you agree with the need for a features table and the contents we are proposing? Are there changes we should consider? Do you think that the disclosure requirements for bespoke arrangements should be different and if so, in what way?

As per previous question 38

Question 40: Do you agree with our proposed approach to publication including requiring publication of a flat file? What other solutions would best support the aims of the Framework in due course?

We suggest a central repository or 3rd party repositories of the data are promoted to make the new requirements easier to adhere to and an overall success; this may require flat file or additional data protocols to be introduced over time.

We also take the opportunity to ask whether the work in progress "pensions dashboard" initiative should be co-opted into or aligned with the new disclosures proposed?

Question 41: Do you think we should require machine-readable RAG ratings and potentially other information from the IGC Chair's annual report? What do you think are the benefits and costs or possible negative effects of this?

As per Q40

AMENDMENTS TO CURRENT HANDBOOK REQUIREMENTS

Question 42: Do you agree that the proposed new rules should be under existing requirements for IGCs, with carve outs as appropriate?

No comment

Question 43: Do you have suggestions for further amendments to existing requirements for IGCs and if so, why do you think these are needed?

As we have previously advocated, a minimum number of members (or %) of an IGC should be sufficiently experienced, qualified, or otherwise evidently expert in investments. Without this, the benefit of measure such as a robust VfM process may be diluted.

CFA UK would be happy to suggest a framework for investment competency of IGC members and Trustees if helpful to the FCA.

Question 44: Do you agree that we should exempt "accidental workplace SIPPs" from COBS 19.5 and the requirement for an IGC or GAA? If not, what would you propose?

No comment

FUTURE DEVELOPMENT

Question 45: How do you think the use of data will evolve and what other measures may be needed?

We recommend encouraging the use of digital tools to empower pensioners, making it easier for them to engage in their retirement planning.

The FCA could place emphasis on enhancing the digital capabilities of firms as part of their service value assessment to enable pensioners to make informed, independent decisions.

Question 46: We invite views on the roll out, evolution and future phases of the framework, over what time periods, and on the correct sequencing of these developments.

No comment