FINANCIAL CONDUCT AUTHORITY

Consultation Paper

CP24/16**

The Value for Money Framework

August 2024

How to respond

We are asking for comments on this Consultation Paper (CP) by **17 October 2024**.

You can send them to us using the form on our website.

Or in writing to:

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- an account of the representations we receive, and
- an account of how we have responded to the representations.

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Foreword

The choices we make today for the workplace pensions landscape will shape the value of tomorrow's savings – getting this right will make a difference for millions of UK retirees. Sixteen million people now save into defined contribution pension schemes, many of these workplace pensions. Yet for default arrangements employees do not choose their workplace pension scheme or their own investments. They rely on those making decisions on their behalf to ensure that these schemes deliver value.

That is why we are working to develop a framework for these default arrangements to be scrutinised consistently on value for money. We are clear that value for money is not only about a focus on costs and charges – the cheapest schemes to run will not necessarily deliver the best performance in the long term for consumers. Other factors are relevant including the quality of services provided, investment performance and customer experience. The outcome of the proposals that we are consulting on today is to ensure that there is a focus on all of these factors, not only costs and charges.

How value is delivered for savers has been a regulatory focus for some time. This consultation builds on extensive joint work with the Department for Work and Pensions (DWP) and the Pensions Regulator (TPR) to ensure the new framework can be applied across all defined contribution (DC) workplace pension schemes. The Government has recently announced its intention to bring forward primary legislation so that the framework can also apply to schemes regulated by TPR.

We are deliberately consulting now so that we can obtain feedback which we will share with DWP, TPR and the Treasury stakeholders to inform future legislative developments. Our aim remains that the same set of proposals should apply across the DC market. By consulting now on potential FCA rules, future change can then be accelerated across the system when legislation is ready.

The proposals in this paper will tighten scrutiny of default arrangements and address underperformance. They will boost competition in the interests of pension savers by focusing attention on metrics that matter to retirement outcomes. They support the operation of the Consumer Duty by requiring contract-based pension providers to put consumers at the heart of firms' decisions, by giving providers the information they need to compare propositions on value.

We propose public transparency on standardised metrics for investment performance, costs and service quality – and comparable assessments using that data. Our approach is data-led and focused on decision makers acting on behalf of pension savers. We expect those running schemes to address poor performance and improve genuine long-term value. Employers and their advisers will be able to compare value, not just cost, and switch if better value for savers is available elsewhere.

Alongside a new framework for value for money, we are proposing greater disclosure about types of assets that schemes are investing in as well as measures to enable greater transparency on geographic asset allocation. There has been significant debate about how to foster a better investment ecosystem in the UK. We expect that greater transparency will prompt some providers to consider if they have the scale and allocations to deliver good value.

This value for money framework is intended to drive value in a complex and growing pensions market. Our consultation is informed by the market feedback to the previous joint consultation paper with DWP and TPR on a proposed value for money framework. We welcome stakeholder views on these more detailed proposals for how a framework can operate in practice.

Although, given the FCA's remit, we are necessarily consulting on rules for default arrangements for contract-based pensions, we invite feedback from trust-based stakeholders too. Responses will be considered jointly with DWP and TPR in support of a consistent approach across contract and trust-based schemes.

We are committed to playing our role in the broader pensions ecosystem to help support a pensions system that offers value for money now and for the future.

Sarah Pritchard
Executive Director of Markets and International, Financial Conduct Authority

Chapter 1

Summary

Why we are consulting

1.1 This consultation sets out the proposed detailed rules and guidance for the new value for money (VFM) framework (the Framework) for savers invested in default arrangements of workplace defined contribution (DC) pension schemes. While this consultation relates to rules for FCA-regulated firms operating contract-based pensions, they are based on previous work with the Department for Work and Pensions (DWP) and the Pensions Regulator (TPR) and are designed to be suitable for application across the DC workplace pensions market. We will continue to work closely together and jointly intend that equivalent frameworks will apply across the DC workplace pensions market.

1.2 The Framework is designed to fit within existing Consumer Duty processes firms will have put in place. Under existing rules, firms have an obligation under the Duty to consider the value of the pension products they offer. For workplace pension products, they must use their Independent Governance Committee's (IGC) conclusions in their assessment. We propose to retain that model of independent challenge, and strengthen it by creating common metrics, bringing transparency to the market and harmonising how IGCs approach their work on value.

1.3 Sixteen million people now save into DC schemes, many of these into the default arrangements of workplace pension schemes chosen by their employer. It matters that these pensions maximise the value of their investments.

1.4 We want to work towards a framework that allows industry stakeholders to assess and compare pension scheme value on a consistent basis, with a holistic consideration of value rather than a focus on cost. Greater transparency around key metrics should drive better long-term value for members, supporting and challenging those acting on their behalf.

1.5 The Framework introduces 4 elements. It:

- requires the consistent measurement and public disclosure of investment performance, costs, and service quality by firms for all such arrangements against metrics we believe allow VFM to be assessed effectively
- enables those overseeing and challenging an arrangement's value – IGCs and Governance Advisory Arrangements (GAAs) for contract-based schemes – to assess performance against other arrangements and requires them to do so on a consistent and objective basis
- requires public disclosure of assessment outcomes including a Red Amber Green (RAG) VFM rating for each arrangement
- requires firms to take specified actions where an arrangement has been assessed as not VFM (Red or Amber)

Outcomes we are seeking

1.6 We want to:

- reduce the number of savers with workplace personal pensions that are delivering poor value
- drive better value for money across the workplace DC market through greater scrutiny and competition on long-term value rather than predominantly cost.

What we want to change

1.7 We have evolved our proposed VFM Framework through our prior Discussion Paper and subsequent Joint Consultation with DWP and TPR. We set out our overall proposed approach in a Joint Response. The proposals in this consultation set out the detail underpinning this approach. In this consultation, we:

- consult on proposed scope of the requirements
- consult on how the core metrics on cost, performance and quality of service are to be calculated and published
- set out the process to be adopted by IGCs in assessing arrangements, including how comparisons are to be made against other arrangements; IGCs will be required to assess arrangements as red, amber or green and the criteria for doing so are proposed
- set out the range of actions to be taken by firms in the event an arrangement is poor value for money
- set out the annual publication cycle and the details of how metrics are to be published

1.8 We also invite feedback on how we envisage the Framework may evolve over time.

Measuring success

1.9 We expect that the Framework will drive improvement in the investment performance and value of arrangements that are below the market average. We also expect that competitive pressures will lead to firms making improvements to arrangements with value already above the market average. Over time we expect to see less of a gap between worse performing arrangements and the market average.

1.10 Disclosure of a consistent set of metrics under the Framework will provide a granular view of performance, with the initial data publications providing a baseline of information on the market. This will allow tracking of performance against metrics over time.

1.11 We expect initially to see a proportion of arrangements rated amber or red and therefore have poor value addressed.

1.12 DC pension products are long-term investments and change in the value they ultimately deliver to the end consumer will only become apparent over the longer term. In the short term, other measures may be a useful proxy to evaluate the effectiveness of the regulatory changes, for example switching of arrangements by employers, or better negotiated terms. We will work with DWP and TPR to develop our approach to measuring success using the above data.

Who should read this

1.13 We encourage firms operating contract-based workplace pensions, their IGCs and GAAs, and the trustees of trust-based schemes to respond to this consultation. We welcome feedback from:

- firms operating contract-based workplace pensions
- IGCs and GAAs
- trustees and sponsors of trust-based schemes
- DC pension scheme savers and beneficiaries
- pension scheme service providers, other industry bodies and professionals
- employers
- civil society organisations
- consumer organisations / representatives with an interest in pensions capability / financial capability
- pensions administrators
- any other interested stakeholders

Next steps

1.14 We welcome feedback by 17 October 2024 using the details on the Contents page.

1.15 Unless you ask us not to, we will share your response and consider it jointly with DWP and TPR. We will in due course publish a final policy statement including Handbook rules and guidance setting out the VFM Framework to be implemented.

1.16 We intend to offer roundtables and stakeholder events that will include discussion of practical considerations to inform the development direction of the Framework. We will consider implementation timings following stakeholder feedback and in discussion with DWP, the Treasury and TPR.

1.17 Government has recently announced its intention to bring forward primary legislation which will contain measures to apply the framework to trust-based schemes. We will continue to develop its approach to implementation in light of this.

Chapter 2

The wider context

2.1 DC pension schemes are today the most common accumulation vehicles in the private workplace pension market. Sixteen million consumers save into a DC pension. For consumers currently saving for retirement, these DC pensions usually form an important part of their overall provision for retirement. If these products do not deliver value, this will have a significant negative impact on savers.

2.2 Within the DC market, auto-enrolled workplace pensions are the fastest growing segment. Such arrangements are offered by employers to their staff, with both employer and employee investing a certain percentage in an individual pot which is typically managed by a pension provider. Employees can then access their pot without paying a punitive tax rate at age 55 (increasing to 57 in 2028). By the end of December 2023, over 11 million workers had been automatically enrolled.

2.3 In a workplace pension set-up, the pension provider is chosen by the employer, as are the investment opportunities made available to the employer's staff. Under automatic enrolment (AE), employees who do not choose are invested in the default arrangement of the scheme chosen by the employer. Some employers are advised by employee benefit consultants (EBCs) or other advisers.

2.4 The employee's role in selecting an AE pension is limited, and in practice, individual savers are typically not engaged with their workplace pensions. Over 90% of workplace pension savers are invested in their scheme's default strategy and opt out rates remain low. Whilst inertia has been beneficial in achieving widespread AE coverage, savers are unlikely to drive demand for value.

2.5 In the absence of significant saver engagement or ability of savers to directly influence provider performance, they are dependent on their employer and IGC to do so. While many employers want to support the long-term wellbeing of their employees, they don't have a direct financial interest and switching a scheme is costly. Whilst some employers will take great care in selecting a provider and arrangements, for some, cost and ease of administration may have been the primary consideration, and such factors are not necessarily determinative of good long-term saver outcomes.

2.6 These issues are present across contractual arrangements regulated by the FCA and trust-based schemes regulated by TPR. The Framework is intended to drive comparison of performance across the market.

2.7 Pressure on firms to deliver effective arrangement performance can come from employers selecting a provider as well as from trustees and IGCs – that is why the proposals are directed at them as well as the firms themselves.

Independent Governance Committees (IGCs)

In 2013, the Office of Fair Trading conducted a market study of workplace pension schemes. The study revealed competition problems in the market, including a very weak buy side and the potential for conflicts of interest. It covered both trust and contract-based schemes, since employers can choose either type of scheme for their employees.

On the trust-based side of the market, trustee boards have a fiduciary duty to act in the interests of members. The FCA sought to replicate this concept by introducing IGCs with a duty to oversee the VFM of contract-based workplace pensions, acting solely on behalf of members.

Every FCA-authorised firm providing workplace personal pensions must establish an IGC. Our rules give IGCs clear duties and strong powers to challenge a firm where its IGC has concerns about VFM. IGCs must act independently of the firm with a majority of independent IGC members, including the IGC Chair.

Our proposals for the Framework make use of this structure. IGCs will use the published data in assessments and firms will need to take action where an IGC identifies poor value. Similarly, the same Framework can in the future apply to trustees so that equivalent measures are in place across the market.

Governance Advisory Arrangements (GAAs) play the same role as IGCs and are provided by third parties for firms with fewer relevant customers and less complex products to oversee. For simplicity in this consultation, when we refer to IGCs this should be taken to include GAAs as well.

Consumer harms

2.8 We are concerned that competitive pressures in the DC AE market, even when combined with oversight and monitoring, is not operating effectively to deliver VFM in the interests of savers. Pots at retirement are smaller than they otherwise would be with some savers stuck in underperforming defaults for a sustained period of time.

2.9 We observe different dynamics in different parts of the DC workplace market, with sub-scale small arrangements at one end (typically TPR regulated trusts) and fierce competition focused on short-term cost at the large end, neither being conducive to the long-term value generation that savers need.

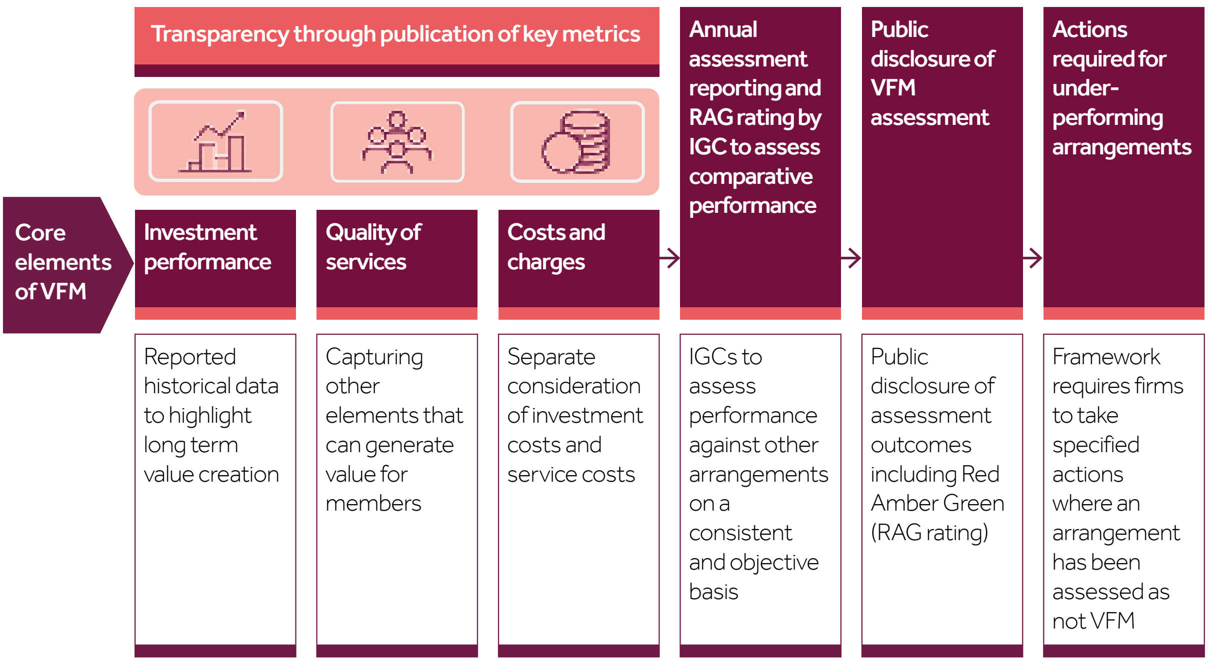
2.10 Despite a wide variation in arrangement performance, which could be expected in a competitive market, there is insufficient evidence of action that might correct this such as, for example, switching linked to value. Other activity such as consolidation is taking place but could be expected to take place faster if VFM was being actively considered.

2.11 Within the contract-based market, we believe that a number of other factors also contribute to savers not receiving value, with a lack of comparative performance data underpinning three major ones:

- A focus on low cost rather than long-term value by employers and possibly their advisers in selecting arrangements in the absence of meaningful performance data, which may be mirrored to some extent by IGCs and trustees in overseeing arrangement performance. There is anecdotal evidence that this, combined with variation in IGC approach, drives competition between providers based on cost rather than overall VFM. Asset allocation decisions that may ultimately lead to greater long-term returns may not be possible within these constraints.
- The ongoing challenge for IGCs in obtaining consistent performance data. While many IGCs and their firms use a third party to share anonymised data, the group has to agree metrics and not all firms may participate.
- Lack of consistency between IGCs and trustees in defining VFM when conducting assessments and securing substantive action by firms within a reasonable time frame. While our rules enable IGCs to escalate concerns directly to us, few have done so. Some IGCs may consider it more important to maintain a collaborative working relationship with the firm.

VFM Framework interventions

2.12 By promoting a focus on key metric performance indicators, the Framework challenges IGCs and firms to assess and reflect on value where that makes the most difference to saver outcomes. They will be required to take action where necessary.



2.13 We anticipate the pressure on firms, together with the availability of objective performance-based data to employers, will start to drive competition based on value rather than predominantly cost. Firms will respond to this competition in different ways, but this could include having greater scope to invest in a wider range of asset classes to improve long-term risk-adjusted performance.

2.14 The result of these actions should be larger pension pots for savers at retirement.

2.15 We believe the Framework will play an important role in driving a shift from cost to long-term value in workplace DC schemes.

2.16 It is crucial that the metrics disclosed bring attention to value generating characteristics of an arrangement. Calibrating these is particularly challenging as far as metrics other than cost and investment performance are concerned. We seek feedback on the metrics presented and alternative suggestions to build a consensus on what should be considered to determine genuine long-term value.

2.17 The argument has also been made that in making cost metrics more prominent, the Framework might drive decision-making even further on cost. This is not our intention and through careful implementation and communication we believe this can be avoided. Moreover, it would be challenging to inform decisions on value without robust data, including on cost. We particularly welcome feedback on this to ensure we arrive at a robust framework that achieves its purpose.

2.18 The Framework also has the potential to support UK growth. It can support consideration of a broader range of asset classes, including illiquid investments that have the potential to improve risk-adjusted returns over the longer term. These could include UK private investments. The Framework will also highlight how much firm-designed default arrangements invest in UK equities.

2.19 At this stage, the Framework is aimed at professionals – suppliers, IGCs, employers and their advisers. This reflects their role – and the limited degree of engagement and potentially financial literacy of many savers. However, it is possible that greater transparency could support a degree of greater engagement by savers if they are able to compare the performance of arrangements.

2.20 For example, Australia has developed a model of heat maps to show scheme performance, and third-party public commentators would be free to do something similar in the UK. Any greater engagement could encourage savers to both reflect on their individual savings choices and push for their employer to address underperformance.

Work to date

2.21 In September 2021, FCA and TPR issued a Discussion Paper titled 'Driving Value for Money in defined contribution pensions.'

2.22 In January 2023, the FCA, DWP and TPR issued the Joint Consultation which sought views on policy proposals for the overall framework based around the four elements above. We considered the feedback we received and published our Joint Response in July 2023, setting out our proposed approach.

2.23 To prepare the detail necessary to underpin the high-level framework, we, together with DWP and TPR, then established four industry working groups which have given very valuable feedback as we have developed our proposals on current industry practice and the most efficient means of collecting the data needed for the metrics.

2.24 In developing our proposed response, we engaged with our statutory panels for their input. We discussed the proposals with the Financial Services Consumer Panel, FCA Practitioner Panel, and FCA Smaller Business Practitioner Panel. We thank the Panels for their input and plan to engage further with them prior to implementation.

How VFM interacts with the wider policy framework

2.25 The Framework is designed to work in conjunction with the Consumer Duty and wider FCA policy interventions on pensions.

2.26 FCA regulated firms have an obligation under the Duty to deliver fair value from the pension products they offer, as well as complying with other requirements under the Duty and in the Handbook.

2.27 VFM assessments are already embedded in Duty rules and our proposals will strengthen these assessments, provide data to underpin them and make them more objective. The Duty is principles-based but there is a clear rationale for being more prescriptive for some elements of the Framework. The development of a common, comparable set of metrics subject to public transparency of VFM data will support firms in meeting their obligations under the Duty. The actions we are proposing for underperforming arrangements are also consistent with this.

2.28 Value also remains a supervisory focus, with further work expected in the coming year. We will seek to understand what actions firms have taken where they identify poor value and how they will monitor this on an ongoing basis, in line with monitoring expectations under the Duty.

How this links to our objectives

Consumer protection

2.29 The changes proposed intend to advance our consumer protection objective by ensuring that poor value in workplace pensions is identified and addressed. The focus of our proposals is on default and quasi-default arrangements where savers are typically not engaged with their pension. Firms will be required to take action where poor value is identified without depending on individual savers to take action themselves. The Framework is intended to increase value for money for individual savers, ultimately increasing the size of their pension at retirement.

Competition

2.30 The changes proposed intend to advance our competition objective by improving how competition works in this market in the interests of consumers. The Framework will require a holistic assessment of value and a focus on longer-term saver outcomes when the market currently may be overly focused on cost.

2.31 The Framework is designed to allow direct comparison between the performance of workplace DC pensions schemes through data collection, evaluation and publication. We anticipate that public transparency of performance on metrics that matter to long-term saver outcomes will encourage firms generally to improve their propositions. Employers and their advisers will be better able to compare pension providers on consistent data and more comparable published VFM assessments. We expect an increase in competitive pressure based on value to savers, with an overall rise in VFM across the market, and with poorer value arrangements consolidating or leaving the market.

Secondary international competitiveness and growth objective

2.32 As noted above, the Framework is designed to shift the focus of decision-making from cost to value, driving firms to constantly assess the value they offer to savers, and to take action where necessary. This opens up the potential for some arrangements to allocate increased funds to alternative assets that may offer greater returns over the longer term but cost more to manage, for example infrastructure and venture capital. Where this investment is in UK-focused assets it has the potential to support UK growth and competitiveness.

2.33 Greater transparency over asset allocation will make it possible for employers and savers to compare arrangements and understand the potential difference in asset allocations within arrangements that show improved investment performance. This helps employers and savers to build more trust in the pension market, while driving competition among market participants.

Wider effects of this consultation

Unintended consequences of our intervention

2.34 **Risk of herding:** There is a risk that providers make changes to stay close to the "average" of what is being measured to avoid being penalised for underperformance. Our proposals aim to reduce this risk. We expect most defaults to "pass" the VFM assessment with space for innovation. Comparisons with other schemes in key areas should encourage providers to meet or beat industry best practice. We have chosen not to propose "red lines" or regulator-set benchmarks at this time, where herding and benchmark-hugging risks are more pronounced. We need experience of the data before we would be ready to consider prescribing regulator-defined benchmarks.

2.35 **Risk of an increased focus on cost:** The Framework is designed to shift focus from cost to value, however, costs are certain whereas future performance is not. We have received some commentary that greater transparency on costs could drive an increased focus on costs rather than a focus on value. We seek to reduce this risk through the assessment process we are proposing.

2.36 **Risk that some qualitative metrics do not drive value:** We consider it appropriate that the Framework includes overall service as part of a value assessment. However, it is significantly more challenging to identify metrics that clearly link to qualitative outcomes and that can easily be reported. If undue prominence is given to inappropriate metrics, this could drive behaviour towards improving those metrics without regard to end consumer outcomes.

Environmental, social & governance considerations

2.37 In developing this Consultation Paper, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under section 1B(5) and 3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008.

2.38 Our proposals aim to promote more focus on long-term outcomes for pension savers which is consistent with embedding ESG considerations into a workplace pension proposition. We already expect ESG factors, including climate change, to be integrated into scheme design under existing rules. In their comparisons with other in-scope arrangements, we encourage IGCs to consider their firm's approach to ESG considerations.

2.39 We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules. In the meantime, we welcome your feedback on ESG considerations.

Equality and diversity considerations

2.40 We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper. We know that structural issues within society can influence pensions outcomes.

2.41 While these factors can lead to lower incomes in retirement, lack of engagement with pensions and the risk of poor choices, we consider that all of the groups benefit from greater value being delivered.

2.42 Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies). But we will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules. In the meantime, we welcome your input to this consultation on this.

Chapter 3

Scope and thresholds

3.1 We want the scope of the Framework to be proportionate, while including arrangements with disengaged savers who are at the greatest risk of harm from poor value. We are therefore proposing that the requirements we set out in this consultation apply in the first instance to default and quasi-default arrangements in accumulation. Most workplace pension savers are invested in these.

3.2 While this consultation relates to rules for FCA-regulated firms operating contract-based pensions, we have worked with DWP and TPR on the development of these proposals. They are designed to be suitable for application across the DC workplace pensions market. We will continue our joint work to ensure common standards can apply across both contract and trust-based schemes.

3.3 Our existing value assessment rules in pensions (COBS 19.5) will continue to apply to arrangements not in scope of the VFM Framework.

Terminology used

FCA-authorised firms operating workplace pensions typically offer Group Personal Pensions (GPPs) or Group Self Invested Personal Pensions (Group SIPPs). GPPs and Group SIPPs are contract-based personal pensions, regulated by the FCA, grouped together as workplace pensions. Employers can use these structures to provide pensions for their employees including for AE.

FCA-authorised firms can also set up and sponsor a Master Trust. Master Trust arrangements are regulated by TPR and therefore outside the scope of this consultation. Government has recently announced its intention to bring forward primary legislation containing measures to apply the framework to trust-based schemes, including Master Trusts and trust-based schemes more widely.

In this consultation paper, when we refer to 'providers' we mean commercial providers of workplace pensions, both firms that we regulate and commercial Master Trusts regulated by TPR.

To qualify for tax benefits, pension schemes need to be registered with HM Revenue & Customs (HMRC). Firms may choose to register schemes in different ways: some register a scheme for a particular GPP or Group SIPP. Others register an overarching HMRC scheme, and then create GPP or Group SIPP structures within that. Each of those GPPs or Group SIPPs may be used by potentially very many employers.

The term **scheme** is frequently used by industry to describe a scheme registered with HMRC, which may be a GPP or Group SIPP, but can also be used to refer to an individual employer's pension arrangement for its employees. For this consultation, when we refer to 'scheme' we mean a pension scheme registered with HMRC, unless we otherwise make clear.

We also use the term **arrangement**. Although it can refer to an individual employer's pension arrangement, here we use it to describe an investment arrangement within a scheme which is used for the investment of pension contributions. Investment arrangements are provided by firms, who are primarily responsible for product governance and other oversight of what is offered. Firms will generally design a default arrangement, choosing the mix of investments that underpin the arrangement. However, employers sometimes seek the advice of EBCs or other advisers in tailoring an arrangement for them.

The majority of our proposed requirements apply at arrangement level. A default arrangement can be 'lifestyled' with an investment mix that depends on a saver's age to retirement, or can be provided as a series of target date funds for cohorts of savers of the same age to retirement, with the investment mix of the fund changing.

Scope of the proposed requirements

3.4 We propose a Framework that requires firms to disclose Framework data and IGCs to conduct VFM assessments for 'in-scope arrangements.'

3.5 'In-scope arrangements' are:

- **Default arrangements.** Most workplace pension savers use the default arrangement of the scheme chosen by their employer for the purposes of AE. A default arrangement is one where contributions are invested without the employee having expressed an active choice.
- **'Quasi-default' arrangements.** These are arrangements within pre-AE ('legacy') workplace pension schemes that are akin to AE default arrangements (defined further below). We use the term legacy in a broad sense to refer to workplace schemes which are not qualifying schemes for AE. Quasi-default arrangements include arrangements closed to new savers.

3.6 We propose to exclude Executive Personal Pensions (EPPs) given these are typically tailored to the needs of senior executives. Where arrangements have been exempted, they can participate on a voluntary basis.

3.7 We propose that new arrangements will only come into scope when they have been operating for 1 whole calendar year (1 January to 31 December), as sufficient data will then be available to disclose and be used for comparisons in assessments.

Different packages of services

3.8 An IGC will need to assess the VFM for savers invested in an in-scope arrangement, taking into account the quality and cost of services provided to savers. In some cases, a firm may offer commercially different propositions where service levels differ but the default arrangement is the same, for example when different administration platforms are used. We propose that where different employers have contracted for different packages of services, other than minor variations to the terms, the firm will need to treat the arrangement as separate sub-arrangements, with separate disclosures for all Framework metrics and a VFM assessment for each. This will allow VFM to be assessed holistically at the level where savers receive broadly the same level of service.

Threshold for treating legacy arrangements as quasi-default arrangements

3.9 We propose that firms will need to treat a legacy arrangement as a quasi-default arrangement where it is used by at least 80% of employees and ex-employees (active and deferred) of at least 1 employer in the arrangement. We propose that firms' determination of whether an arrangement is a quasi-default arrangements will occur once only on 31 December after the Framework comes into force.

3.10 This builds on an approach used in legislation for the charge cap on default arrangements used for AE, explained in guidance. This also uses 80% of relevant members to identify a fund that should be treated as a default arrangement, when a pre-existing scheme is used for AE.

Exemption for additional arrangements with under 1,000 members

3.11 Firms may have multiple schemes and within those, multiple arrangements, including legacy arrangements. We propose to exempt arrangements with under 1,000 members, unless those arrangements are a scheme's only default or quasi-default arrangement or the largest by number of members. This means that a default or quasi-default arrangement will be in scope where it meets at least one of three tests:

- At least 1,000 members; or
- Fewer than 1,000 members but is the sole default or quasi-default arrangement provided by a scheme; or
- Fewer than 1,000 members and is not the sole default or quasi-default arrangement provided by a scheme but is the largest.

3.12 We propose the threshold of 1,000 members taking into account input from stakeholders and industry members about proportionality and burden of the Framework. We aim to strike an appropriate balance between protecting workplace savers from poor value and excluding arrangements for which applying the Framework would be disproportionately costly.

3.13 In practice, contract-based providers are likely to be exempt for all their arrangements of fewer than 1,000 members since we are not aware of any that would not also have larger in-scope arrangements. However, the tests for the sole or largest arrangement with fewer than 1,000 members would be relevant for small trust-based schemes, subject to legislative measures applying the Framework to trust-based schemes.

3.14 We welcome feedback on whether the threshold is the right level at this time.

Self-Invested Personal Pensions

3.15 Self-Invested Personal Pensions (SIPPs) may be Group SIPPs, which are workplace pensions and marketed as such. Group SIPPs are commercially available to employers and can give employees greater choice of investments. Insurers as well as other firms may operate Group SIPPs. Under our proposals, a default or quasi-default arrangement that is within a Group SIPP would be in scope of the new Framework, subject to the above exemption.

3.16 In some circumstances it is possible for SIPPs to be considered collectively as a workplace pension scheme when they are not marketed as such. We are not aware of any such scheme with a default or quasi-default arrangement, but if there were it would in scope of the new Framework, subject to the above exemption. We discuss SIPPs further in Chapter 11.

Differentiating between firm-designed and bespoke arrangements

3.17 In addition to firm-designed default arrangements, some firms may operate multiple default arrangements each designed for a specific employer. These "bespoke" arrangements might be set up for an employer supported by an EBC or other adviser. Bespoke arrangements are a firm's responsibility and subject to various Handbook rules (for example PROD 4).

3.18 We propose to treat bespoke arrangements as in-scope arrangements, but to not require asset allocation disclosures for them and propose to require less detail about their assessments in IGC Chair annual reports. This is because we do not think information about bespoke arrangements would be widely used.

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

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?**

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?**

Chapter 4

Investment performance

4.1 This chapter sets out our proposed approach to the disclosure of investment performance metrics. Our focus is on factual, historical information that can help show past value and support meaningful comparisons. While past performance of any individual fund cannot generally be used as a guide to future performance, at the level of investment across asset classes, reasonable assumptions can be made on expected risk-adjusted investment performance.

4.2 We are not proposing to include a forward-looking metric at this stage.

4.3 The range of metrics proposed for investment performance in this paper reflects past joint work with DWP and TPR, and is line with the Joint Response. It may be that fewer metrics would be sufficient to assess VFM, or would be initially. Our proposals in this paper provide significant detail to allow stakeholders to consider the usefulness of particular metrics relative to the cost of producing and disclosing them. We welcome views and suggestions for alternative or more streamlined approaches.

Backward-looking investment performance

4.4 We propose to require disclosure of past investment performance at 3 levels:

- **Gross investment performance (net only of transaction costs)** – this is consistent with risk metrics which are also calculated on a gross basis.
- **Gross investment performance net of investment charges** – this will show investment returns in a direct relationship with the charges associated with them and highlight the subsequent impact of service costs on outcomes for pension savers.
- **Gross investment performance net of all costs and charges**

4.5 In the Joint Response we proposed to not include the net of all costs and charges performance metric to limit the burden on firms disclosing data on defaults used by multiple employers (multi-employer defaults), where costs and charges vary by individual employer. However, given the importance of this metric in understanding comparisons between arrangements, we now propose to include it, but modified for multi-employer in-scope arrangements. Instead of requiring disclosure for each employer cohort, we propose to require disclosure of range and median of investment performance net of all costs and charges. Disclosure of the range and median will also be required for gross investment performance net of investment charges, where costs and charges vary by individual employer. While a simplification, we think the range and median will still support comparisons between arrangements.

Reporting periods and retirement age cohorts

4.6 We propose requiring disclosure of the investment performance metrics over reporting periods of 1, 3 and 5 years, with 10 and 15 years to be disclosed if reasonably practicable to obtain. In future, we expect that arrangements will be able to report on more historic returns as the data becomes more readily available and the Framework becomes embedded. The table at paragraph 4.27 shows these data points.

4.7 For vertically integrated arrangements, our intention is to phase in unbundling requirements for service costs and investment charges, acknowledging the added burden this involves (see Chapter 6). We therefore propose transitional provisions for vertically integrated arrangements, for their disclosure of gross investment performance net of investment charges. For the first 2 years post-implementation of the Framework, they will only be required to disclose the previous year's gross investment performance net of investment charges. For years 3-4 post-implementation, they will be required to disclose this for 1 and 3 year reporting periods. From 5 years post-implementation, the normal requirements in paragraph 4.6 above will apply. During the transitional period, firms should disclose longer reporting periods where the data is reasonably practicable to obtain.

4.8 We propose requiring data metrics be disclosed in retirement age cohorts for the 3 stages of a typical pension savings journeys: growth, de-risking and at retirement, reflecting the typically different asset mix at each stage. We propose that these should be represented by disclosing performance data for cohorts at 30, 5 and 0 years to retirement (YTR) respectively under the saver's target retirement date.

Calculation methodology

4.9 All returns data will need to be reported to the same end date in time and on a consistent basis to allow for meaningful comparisons across firms. Our approach mirrors industry practice in reporting such data.

4.10 We propose that firms calculate a return figure for each of the reporting periods for each retirement age cohort. To arrive at this figure, we will require firms to compute the geometric average of the annual periods, with each annual period having been calculated using monthly return figures. All calculations will be made for the period ending 31 December for the prior calendar year.

4.11 The example below illustrates this for investment returns over the past 5 years for the 30 YTR cohort based on 2023 returns. Those returns would then be annualised for the geometric mean over 5 years. If the design of the default has been changed by a provider within a reporting period, for a different mix of investments at a YTR point, our approach takes that into account.

Illustration: Lookback period for investment performance

30 YTR investment portfolio	2023	2022	2021	2020	2019
Annual investment return	17%	-6%	10%	4%	13%
Age cohort considered	Aged 36 in 2023	Aged 36 in 2022	Aged 36 in 2021	Aged 36 in 2020	Aged 36 in 2019
Geometric average of annual performance in each year	**7.29% annualised**				

4.12 Firms will be able to follow the pricing basis they currently use for calculation of returns data but should do this on a consistent basis over time.

4.13 We have considered but do not propose an approach that reflects the experience of the same members across a reporting period. The investment mix for those members may have automatically changed through to the end date of the reporting period whereas our proposed focus is on the performance of the YTR investment portfolio.

Risk metrics

4.14 The disclosure of investment returns without risk adjusted metrics could hamper comparability of performance, be misleading or incentivise excessive risk-taking. We therefore propose the disclosure of maximum drawdown and annualised standard deviation (ASD) of returns alongside the disclosure of gross investment performance. Both measures would be reported on a backward-looking basis for each of the retirement age cohorts and reporting periods set out above. For in-scope quasi-default arrangements with smoothed returns (see paragraph 4.31), ASD and maximum drawdown should be calculated for the underlying investment returns.

ASD

4.15 ASD is a well understood metric, likely to be familiar to most pension professionals, regularly used in comparative performance data and currently used in the production of projections for annual benefit statements. It measures performance volatility by looking at how much an investment's returns vary around the average return over a specific period. A fund with a higher ASD has more price volatility over the period, and may carry more risk.

4.16 We propose that the ASD be calculated for the monthly gross returns across each reporting period, using the same monthly data points used to calculate the gross investment return. For reporting periods of more than one year, the ASD will be calculated for the series of monthly data points across the whole reporting period.

Maximum drawdown

4.17 Maximum drawdown provides an easily understood, tangible, meaningful measure of the risk associated with the arrangement's strategy. It measures the largest observed loss from a peak to a trough of the price of an arrangement, which is an indicator of downside risk over a specified time-period.

4.18 We propose a maximum drawdown metric calculated as the largest negative peak-to trough return in the monthly gross returns across a reporting period, again using the series of monthly data points used to calculate the gross investment return for a reporting period.

Chain-linking

4.19 We propose to require arrangements to apply a chain-linking methodology when calculating investment performance over time, to account for where savers have been moved into a new arrangement within the same firm. Chain-linking is a way of calculating an overall return from two or more sequential or overlapping returns, so that any disclosures would continue to reflect the performance of earlier arrangement designs. This means that reported data tracks the investment returns experienced by the broad group of savers in the default, rather than tracking the investment return corresponding to a product's current investment strategy or just one group of savers.

4.20 Where the investment strategy of the same default arrangement has changed during the reporting period, reporting using the calculation methodology above will already reflect investment returns experienced by savers.

4.21 We believe this approach provides comparable data about investment performance and member outcomes even when a firm has made changes to the investment design of the arrangement. It would also remove the incentive to make changes for the sole purpose of "re-setting" reporting of past investment performance.

4.22 We will also allow arrangements to disclose non-chain-linked data alongside the chain-linked, to allow arrangements to show where they have made positive investment strategy changes and incentivise schemes to continuously improve.

4.23 We propose chain-linking should apply in 2 situations.

Situation 1: a new in-scope arrangement replaces the previous in-scope arrangement

4.24 The first is where a firm creates a new in-scope arrangement and transfers all members from the previous in-scope arrangement into it (within the same firm). We think this is equivalent to changing the investment strategy of the previous arrangement, as the transfer occurs within the same firm. Requiring chain-linking in these circumstances prevents the potential for gaming by replacing the previous arrangement to avoid disclosing poor historic performance. We propose that chain-linking should reflect the historic performance of the previous arrangement followed by the new arrangement.

Situation 2: members in one in-scope arrangement are transferred to an existing in-scope arrangement

4.25 The second is where 2 existing in-scope arrangements are 'merged' and all members in one arrangement are transferred to the other (within the same firm). The first arrangement is then closed. The current arrangement will include members who have always been in that arrangement as well as members who were in the closed arrangement. We propose that chain-linking should reflect the weighted average historic performance of both arrangements, which would ensure that disclosures reflect the experience of savers. Firms would also be able to disclose performance separately for each arrangement – this would be optional.

Exceptions to chain-linking

4.26 Where mergers occur between different firms, we do not propose to apply chain-linking requirements. This is because we do not want to discourage consolidating arrangements from accepting legacy business from poorer performing firms.

Summary of investment performance data points

4.27 The table below shows the data points which will be required for the investment performance metrics, at each YTR age point. The boxes shaded grey indicate where data is required only where reasonably practicable to obtain. Non-chain-linked can be disclosed if a firm wishes.

Illustration: Proposed investment performance metrics, to be provided for each YTR cohort

Performance metrics	1 year	3 years	5 years	10 years	15 years
Gross investment performance					
Investment performance net of investment charges					
Investment performance net of total costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					
Optional: Non-chain-linked data					

Legacy arrangement features

4.28 In-scope arrangements in legacy schemes may have valuable guarantees that affect their overall VFM, such as a guaranteed investment return or a guaranteed annuity rate. We propose that quasi-default arrangements with guarantees be required to disclose all VFM metrics, including those on investment performance, but that the in-scope arrangement features table (see Chapter 10) should draw attention to these legacy features, so that they can be referred to in the assessment process.

With-profits funds

4.29 Some schemes may have an in-scope arrangement that is invested in a with-profits fund. We propose that the VFM metrics for investment performance should be calculated using historical investment performance based on the investment return used in the calculation of asset shares. An asset share reflects the underlying value of the with-profits investment, taking account of contributions, investment returns and all deductions from the fund for costs and charges.

4.30 A firm may already have the historical gross investment performance of the underlying investments. Where it does not, and gross investment performance is calculated starting with asset shares, all deductions from the fund and other adjustments in relation to the asset shares must be reversed. An estimate of investment performance net of investment charges only must be derived using the proposed approach for calculating charges, set out in Chapter 6.

Smoothed returns (with-profits and unit-linked)

4.31 Some arrangements offer smoothed investment returns, whereby the returns due to a member are smoothed by tracking an index, rather than directly reflecting the volatility of the underlying investments. This has the effect of mutualising or smoothing the investment risk. If the smoothed return becomes too far out of line with the underlying return, the smoothed return is reset in a predefined way. For smoothed returns, we propose a look through approach, for disclosure of the actual underlying investment returns. For with-profits funds, these would be the investment returns used in the calculation of (unsmoothed) asset shares.

Guaranteed investment returns

4.32 Some arrangements have guarantees that set a minimum investment performance outcome. However, they do not reflect the returns delivered by the investment strategy of the arrangement, which is what we are trying to measure (rather than the outcome for savers). So, we propose that they be disclosed in the features table, but not taken into account in past reporting periods where performance is beneath the guarantee. Likewise, we propose that they should not be taken into account when calculating risk metrics.

Forward-looking metrics

4.33 Past returns are factual and reflect member experience. However, we see value in balancing this data with projections of expected future risk-adjusted performance. Forward-looking metrics can show the strategic intentions behind the design of an in-scope arrangement and provide transparency of aspiration against actual results.

4.34 At this time, we have not proposed including forward-looking metrics due to the complexities and gaming risks. Previous feedback from industry has been mixed, with some raising concerns around the incentive to overestimate future returns to attract business. While over-promising will be apparent from comparison with past projections, this will take time to show through.

4.35 We continue to see continued value in incorporating consistent, comparable forward-looking metrics within the Framework. If they were to be used in VFM assessments, we would also need to consider how much weight can be given to expected future performance.

4.36 We will also consider how these metrics might differ from other projections of pension investment performance, including projections in Statutory Money Purchase Illustration statements. The question of forward-looking metrics is a broader question, that has also arisen in the context of pension dashboards (where the Financial Reporting Council guidelines are relevant) and our COBS rules on modelling. We propose to look at this question holistically in the future.

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

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

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

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?**

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?**

Chapter 5

Asset allocation disclosures

5.1 This chapter sets out our proposed approach to asset allocation disclosures. Standardising these disclosures and making them public will allow greater comparison across industry, so firms and IGCs can better assess how an arrangement's asset allocation might be adjusted to produce the best results for savers.

5.2 Our proposals build on the disclosure of asset allocation for DC schemes already required for trust-based arrangements under The Occupational Pension Schemes (Scheme Administration Regulations 1996 and the associated statutory guidance (Disclose and Explain). Our aim is to allow for transparency without disproportionately increasing burden on firms.

5.3 The asset allocation disclosures do not form a direct part of the assessment process that determines the VFM rating (see Chapter 8). Rather, we expect firms and IGCs to use the asset allocation disclosures to support a focus on long-term value rather than short-term costs. Over time, granular and consistent asset allocation data in the public domain will draw attention to the significant impact allocations have on returns – especially those arrangements with underperforming allocations.

5.4 Such disclosures will also highlight whether an arrangement has any allocation to illiquid or UK based investments and what impact this has had on performance, with the aim of giving savers better outcomes in the long-term. If firms lack sufficient scale to invest across the full range of asset classes, this may contribute to them being unable to deliver value for savers and could result in a red RAG rating (see Chapter 8 for more on RAG ratings).

5.5 We propose that asset allocation disclosures only be required for firm-designed in-scope arrangements, and not for bespoke arrangements ie in-scope arrangements not designed by the firm (see Chapter 3). Bespoke arrangements are often designed for a specific employer, therefore their investment strategies are unlikely to be as relevant for comparison for other employers.

5.6 Firm-designed arrangements will likely be where most members and assets are, and include firms' main defaults. Firms can choose to voluntarily disclose asset allocations for bespoke arrangements.

Proposed asset allocation disclosures

5.7 We propose requiring the disclosure of asset allocations mirroring current Disclose and Explain policy regulations that apply to trust-based arrangements. Firms that offer contract-based arrangements will be required to disclose the percentage allocations for their firm-designed default arrangements to the 8 key asset classes (cash, bonds, listed equities, private equity, property, infrastructure, private debt and other). We also propose mirroring the definitions in DWP's Disclose and Explain statutory guidance, with appropriate adjustments.

5.8 In addition, we propose requiring disclosure of several sub-asset classes. These are set out in the table below, and include different bond types, types of listed and private equities, as well as the split between listed / unlisted assets and UK / non-UK assets. We also propose mandating the additional disclosure, in a text box, of anything else that the firm considers material to investment performance, including any hedging or use of derivatives. The total asset allocations must add up to 100%, and be disclosed to 1 decimal place. Subject to these requirements, it will be optional to provide additional hedging information for asset classes.

5.9 We propose requiring asset allocation disclosure for each of the different retirement age cohorts, covering the portfolio mix at the end of the calendar year (31 December) so that disclosures are at the same point in time. This will support consideration of what drives investment performance and whether an arrangement's investment design could be improved. We also propose requiring disclosure of the overall asset allocation of the whole default, for transparency and monitoring purposes.

Definition of a 'UK' asset

5.10 We propose requiring disclosure of the split of UK and non-UK assets. This is currently optional under DWP's Disclose and Explain for trust-based schemes and is not specifically defined in the statutory guidance. We think this split will be helpful to decision makers in considering currency risk, market exposure and diversification of an investment mix and how these factors may impact investment performance. Increased transparency will also allow policymakers and analysts to monitor how much firms are investing in the UK economy.

5.11 We propose the following definitions for the different UK asset types:

- For listed investments, UK assets should include all those with a primary listing on a UK market and constituents of UK market indices.
- Where investment is via a pooled fund, the proposed measure is UK allocation within the fund and would include, for example, UK market exposure within global equity funds.
- For private equity, UK assets should reflect underlying investments in UK-registered private companies or partnerships.
- For infrastructure and property, the percentage of the underlying economic assets located in the UK should be estimated and disclosed.
- For private debt / credit, UK assets should reflect borrowers located in the UK - registered private companies or partnerships.

5.12 We have considered the alternative of requiring look-through to where the underlying assets are located. However, in some cases this option would be very complicated, with requests of fund managers for further information which they may not have, and would need to undertake analysis to provide. This option appears overly burdensome for firms to establish for all asset classes.

Definition of a 'listed' and 'unlisted' asset

5.13 We also propose requiring the disclosure of the split between listed and unlisted assets for all asset classes. Listed assets for the purpose of these disclosures are assets which are admitted to trading on a regulated market.

5.14 We have considered whether also to split out 'quoted but not listed' assets, for example assets quoted on the Alternative Investment Market (AIM), which is a recognised investment exchange but not a regulated market in its own right. Many corporate bond investments may also come under this 'quoted but not listed' heading. We are not presently proposing to do so, given industry input that its direct use for asset allocation would be limited. If not split out, 'quoted but not listed' assets will be disclosed under 'unlisted.'

5.15 However, we would welcome further feedback on whether this additional disclosure of 'quoted but not listed' assets would be of benefit under the FCA's secondary international competitiveness and growth objective and the potential costs of splitting this out.

Avoidance of double counting

5.16 We will require the total of all asset allocations disclosed in the table to sum to 100%. In some cases, there is the potential for double counting, for example where an infrastructure investment is also a private equity investment. To avoid this, we propose guidance that firms should follow the primary purpose of an investment in deciding where to place it in the table. Often this will be clear from the mandate of the fund, with specialist managers for infrastructure, real estate, private equity and private debt. Where there is uncertainty, we think the following attribution hierarchy should apply:

1. Infrastructure
2. Real estate
3. Private equity
4. Private debt

5.17 We will not expect any infrastructure or real estate exposure within a passive index fund to be disclosed under infrastructure or real estate in the table, provided that the index itself is not focused on such investments.

Treatment of synthetic exposures

5.18 We propose to align with DWP's Disclose and Explain statutory guidance on the treatment of synthetic exposures. The nature of such synthetic exposures can be complex and may not clearly transcribe into the specified asset allocation list. Where arrangements use assets that do not use a physical allocation, such as derivatives, firms should aim to state what their synthetic allocation would provide in physical asset terms, distinguishing between UK and non-UK exposure. Where that is not possible, the assets should be classed as "other," so that the total asset class percentage remains at 100%, and an explanation should be provided. The box in the table for 'mandatory disclosure of anything else that is material to performance' may also be used.

Definition of 'cash'

5.19 We propose a definition of 'cash' as cash and assets that offer low-risk alternatives to cash, eg, money-market funds, treasury bills or insurance funds linked to these, or cash-like assets. It excludes recent contributions that have not yet been allocated or cash held to meet operating expenses (such contributions would not be counted in the overall asset allocations).

5.20 This departs from the current DWP statutory guidance definition, which excludes cash held in bank accounts. While the Disclose and Explain framework is primarily aimed at an arrangement's strategic asset allocation, for VFM purposes we want a view of the total asset allocation. We are therefore asking for actual cash to be included.

Asset allocations		Listed		Unlisted		Optional: % £ hedged
Asset class	Sub-asset class splits	UK %	Non-UK %	UK %	Non-UK %	
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest government bonds					
	Index-linked government bonds					
	Investment-grade corporate bonds					
	Non-investment grade corporate bonds					
	Securitised bonds					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout/Leveraged					
	Other types of private equity					
Private debt/ credit						
Infrastructure						
Property/Real Estate						
Cash						
Other	[Asset type]					
Total						

Mandatory disclosure of anything else that is material to performance: this could relate, but is not limited, to durational information regarding fixed income investments, the particular structure/stage/sector of private equity investments (for example where initially low returns are reasonably expected to increase over time), or information on the extent to which listed equities are focussed on small/large cap stocks.

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?**

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?**

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?**

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

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

Chapter 6

Costs and charges

6.1 This chapter sets out our proposed approach to the costs and charges metrics, which is broadly that set out in the Joint Response. Cost and charges metrics will allow consideration of how costs affect the overall value an arrangement provides.

6.2 We propose to require the separate disclosure of:

- service costs
- investment charges
- total costs and charges

Disclosure of costs and charges

6.3 Firms will be required to disclose costs and charges across the same reporting periods and retirement age cohorts as for the investment performance metrics. Disclosure of these costs and charges must be as an annualised percentage of relevant assets over the relevant period, to be calculated in the same way as for investment performance.

6.4 We propose that firms disclose the total of costs and charges paid by members and their employers (employer subsidies), rather than just those borne by members. While employer subsidies may improve the value received by members, our proposed approach should provide for more meaningful direct comparisons between arrangements and avoid employer subsidised arrangements automatically appearing to be better value overall.

Reporting periods and retirement age cohorts

6.5 Consistent with the investment performance metrics, we propose that firms will need to disclose total costs and charges, services costs, and investment charges for reporting periods of 1, 3 and 5 years, with 10 and 15 years if reasonably practicable to obtain. Firms will need to do this for each of the 30 YTR, 5 YTR and at retirement cohorts.

6.6 For vertically integrated arrangements, we propose to use transitional provisions to lessen the burden of unbundling service costs and investment charges. We propose that for the first 2 years post-implementation they be required to disclose the previous year's investment charges and service costs. For years 3-4 post-implementation, they will be required to disclose this for 1 and 3 year reporting periods. From 5 years post-implementation, the normal requirements in paragraph 6.5 above will apply. During the transitional period, firms should disclose longer reporting periods where the data is reasonably practicable to obtain.

6.7 We welcome feedback on the practical considerations around calculating historic cost and charges information by age cohort, even if the data is available. An alternative approach might be to require total costs and charges information initially only for the most recent calendar year, with the data building over time. However, this would mean that investment returns net of all costs and charges would initially only be available for the most recent calendar year, and comparisons would be more limited in usefulness. We would be grateful for views from IGCs and trustees who would use this information in assessments, and welcome alternative suggestions.

Investment charges

6.8 We propose to define investment charges as fees and charges in relation to the investments of an in-scope arrangement, including any performance-based fees but excluding transaction costs, with specific provisions for vertically integrated providers (see below).

6.9 The separate disclosure of investment charges will allow scrutiny of how much is spent on an arrangement's investments across its asset allocation. We intend this, together with the asset allocation disclosures for firm-designed defaults, to support firms and IGCs in considering more expensive asset classes, and allow them to demonstrate that charges support investments that have the potential to deliver better risk-adjusted returns for savers over the long-term.

6.10 For multi-employer in-scope arrangements, where total costs and charges may vary by employer, the investment charge is less likely to do so. If the investment charge does vary, the range and median must be disclosed. Disclosing the data in this way will provide an indication of the range of charges charged for investments, without requiring a breakdown for all employers.

6.11 We propose not to include transaction costs in our definition of investment charges. Transaction costs are the costs incurred by a fund as a result of the buying, selling, lending or borrowing of underlying investments as part of operating the fund. Brokerage fees are an example of transaction costs. Standard industry practice is to report gross investment performance net of transaction costs so that reported performance reflects the dealing price of investments. To include transaction costs in our definition of investment charges would be double counting.

6.12 Our existing rules (COBS 19.8) require disclosure of transaction costs and administration charges. We intend to consider whether there are opportunities to disapply some of these requirements. We welcome feedback on our approach to the disclosure of transaction costs.

Service costs

6.13 For the purpose of the Framework, we propose to define service costs as total costs and charges less investment charges (and excluding transaction costs). Our proposed definition therefore includes the cost of member administration, communications, governance costs etc. For vertically integrated arrangements, please see below.

6.14 For multi-employer default arrangements where service costs will vary, a range and median must be disclosed. This will reduce the data burden on multi-employer defaults while still providing an indication of the range of costs they charge for services.

Total costs and charges

6.15 Total costs and charges are the total of what has been paid by savers invested in the in-scope arrangement and by any employers that subsidise the workplace pensions in respect of those savers, other than contributions and similar payments that accrue to the benefit of members. Our definition of total costs and charges uses the Handbook definition of administration charges, which follows the legislative definition used for the purposes of the charge cap on default funds of qualifying schemes for AE, by excluding certain charges, for example in relation to pension sharing orders.

6.16 For multi-employer default arrangements where total costs and charges will vary, a range and median must be disclosed.

Summary of costs and charges data points

6.17 The table below shows the data points to be disclosed for each YTR age point. The boxes shaded grey indicate where data is required only where reasonably practicable to obtain. Estimated total costs and charges (see paragraph 6.26) can be disclosed if a firm wishes.

	Reporting periods (annual percentage charge)				
Cost metric	1 year	3 years	5 years	10 years	15 years
Service costs					
Investments charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

Calculation methodology

6.18 We propose all costs and charges data be calculated on a consistent basis as a percentage of relevant assets and that the calculation mirrors the proposed approach for calculating investment performance.

6.19 We propose that firms calculate a total annualised costs and charges figure for each of the reporting periods for each retirement age cohort. To arrive at a figure, we will require firms to calculate the geometric average of the annual periods. Total costs and charges for each year will be expressed as a percentage of the average of beginning and end year assets. For investment charges, where appropriate each annual figure will be calculated by averaging monthly charge figures.

6.20 We propose that firms calculate a cost metric figure for each of the reporting periods for each retirement age cohort. To arrive at this figure, we will require firms to compute the geometric average of the annual periods, with each annual period having been calculated using monthly return figures. All calculations will be made for the period ending 31 December for the prior calendar year. We welcome feedback on this approach. For example, for consistency we could instead require that cost metrics be calculated from the difference between investment performance metrics for reporting periods.

6.21 We do not currently propose to require disclosure of chain-linked data for costs and charges although that could be optionally disclosed by firms.

Mutuals profit sharing

6.22 We recognise that policyholders of mutual organisations may receive profit shares, which (in effect) reduces the charges that they pay. We propose that costs and charges used for Framework calculations and disclosures should be net of profit share.

6.23 For multi-employer default arrangements, a range and median (by member number) should be disclosed having taken into account profit share.

Combination charging structures

6.24 While modern workplace pension products typically have a single annual percentage charge on assets, we know some firms use combination charging structures. In addition, legacy workplace pensions can have complex charging structures.

6.25 So that costs and charges are computed on the same basis, we propose that all firms follow the calculation methodology above that focuses on what has actually been paid to the firm for products and services. However, we recognise that for some firms with combination charging structures, the actual costs paid now may be higher than they will be in the future. This is because for modern AE products the asset balances may as yet be low. Charges on contributions or fixed fees may currently be a relatively high percentage of assets.

6.26 We propose that where savers invested in an arrangement pay a combination charge, a firm may also choose to disclose an estimate of total costs and charges, expressed as a percentage as above, for savers in a particular retirement age cohort once the arrangement is in balance. The firm will need to estimate amounts saved by members in a retirement age cohort once the arrangement is in balance. The calculation is akin to a reduction in yield in that it assumes growth in the amount saved, but would be for a particular retirement age cohort and investment mix. We invite feedback on this approach.

Unbundling

6.27 To report in line with Framework requirements, firms which vertically integrate investment and other services will need to unbundle the costs to arrangements associated with these. Where members pay an all-in fee that covers both service costs and investment charges, this is referred to as a "bundled" charge. Unbundling means splitting that bundled fee into its underlying elements.

6.28 As stated in the Joint Response, in response to feedback we are only requiring the reporting of 1 year back for investment charges and service costs for vertically integrated arrangements when the Framework is first implemented, as unbundling may be difficult. This will be achieved by transitional provisions, so that as the Framework becomes embedded and this data builds over time, vertically integrated arrangements will be able to disclose that data in the same way as non-vertically integrated arrangements. Where reasonably practicable to obtain, we would expect firms to immediately disclose investment charges and service costs for past reporting periods to support comparisons. This would mirror our proposed approach to disclosure of investment performance metrics.

Methodology for unbundling

6.29 We want the approach to unbundling to be proportionate and not overly burdensome for vertically integrated arrangements, while producing sufficiently accurate and comparable data. We propose that where a vertically integrated firm makes the investments used in the in-scope arrangement available as a standalone product(s), the investment charges to third parties should be used. The service costs can then be approximated by subtracting the investment charges from total costs and charges.

6.30 Where the investments in the in-scope arrangement are not available as a standalone product, we propose that firms estimate the investment charge based on objective market rates for comparable external investment products.

Multi-employer in-scope arrangement cohorts

6.31 For multi-employer in-scope arrangements, where total costs and charges (usually the service cost element) vary by employer due to factors such as employer size and average contributions, we propose additional disclosures through cohort tables. These will provide greater transparency and will allow IGCs and decision makers to assess whether the charges for their arrangement are reasonable compared to others in the market. Chapter 8 sets out how we propose cohort tables be used in the assessment process.

6.32 We propose that multi-employer arrangements disclose their total costs and charges for the past year for the 30 YTR retirement age cohort only, in line with the below tables. Savers are likely to spend much of their pension saving journey in the growth phase and total costs and charges may not differ very substantially in later phases. On proportionality grounds, we do not propose the equivalent for the 5 YTR and At Retirement cohorts. We will be asking for both the range and median figures in the tables below. Our proposals for the tables below follow feedback to the Joint Consultation and further industry engagement, and take into account how some IGCs currently approach comparisons.

6.33 Where charges do not vary between employers, firms will still need to complete the cohort tables to show arrangement demographics by employer cohort, to support effective comparisons.

30 years to retirement

Employer size by relevant assets bands	< £100k	£100k-£1m	£1m-£5m	£5m-£25m	£25m-£50m	£50m-£100m	£100m-£250m	>£250m
Range and median of charges (e.g. 0.22%-0.41%, 0.31%)								
Average contribution per saver (active and deferred) (£)								
Distribution of employers across the in-scope arrangement (%)								

30 years to retirement

Employer size by number of members	Under 100	100-499	500-999	1,000-4,999	5,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	>100,000
Range and median of charges (e.g. 0.22%-0.41%, 0.31%)									
Average contribution per saver (active and deferred) (£)									
Distribution of employers across the in-scope arrangement (%)									

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

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?

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?

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

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

Chapter 7

Quality of services

7.1 This chapter sets out our proposed approach to the disclosure of service quality metrics. Our approach builds on the Joint Response and follows extensive engagement with stakeholders. The proposals reflect suggestions for specific metrics in consolidated feedback from industry bodies.

7.2 The measurement of service quality is very challenging due to the multiple factors involved. Nonetheless, we think it is conceptually important to capture qualitative metrics in the Framework. The counterfactual, of not allowing qualitative factors to be taken into account, would disadvantage and disincentivise arrangements that offer more to the saver and fail to identify arrangements that fail to deliver service value or necessary quality.

7.3 Informed by feedback, we propose an approach that focuses on saver outcomes as indicators of service quality, with a small number of quantitative metrics against each outcome. These are not intended to be comprehensive. Our aim is to provide enough data for an IGC to form a view on service quality overall, looking across the metrics, to weigh up against service cost.

7.4 There are other indicators and metrics that stakeholders may consider important to assessing value. For example, we are not proposing qualitative metrics for stewardship of underlying assets, but clearly these could be factors considered relevant for savers about the value they receive.

7.5 The metrics we propose here are not an exhaustive list of possible value metrics and there may be better alternatives. We are keen to receive further feedback on which metrics will genuinely help identify value delivered to savers, noting these may require further consultation. Regulated firms will have made considerable effort under the Consumer Duty to develop internal metrics and we are also interested in whether any of these would translate into publishable metrics, instead of the ones proposed here.

Data collection

7.6 Through consultation with industry, we heard that generally service provisions are uniform across different arrangements, so we propose that data for these metrics can be collected at the level at which savers receive the same service offering. This can include savers not invested in in-scope arrangements. In cases where different employers have contracted for different packages of services, other than minor variations to the terms, the firm will need to treat the arrangement as separate sub-arrangements. We have expanded on this in Chapter 3.

7.7 For the purposes of this chapter, where we refer to 'scheme', we mean the level at which all savers receive the same services as those invested in the in-scope arrangement.

Potential indicators

7.8 Through our work to date, we have established 5 indicators that a scheme may be generating additional value through qualitative factors:

1) Savers can be confident that transactions are secure, prompt, and accurate
2) Savers are satisfied with the service they receive
3) Savers are supported to make plans and decisions for their retirement
4) Savers can amend their pension with ease
5) Savers are supported to engage with their pension

7.9 We propose a range of metrics that speak to these indicators. The metrics for each indicator can be measured in a consistent way to facilitate comparisons.

7.10 We propose that firms collect data for these metrics in relation to each arrangement that the firm reasonably expects to be an in-scope arrangement in the following calendar year. Firms will need to calculate and publish the metrics in relation to in-scope arrangements where the data is available.

7.11 We propose data should be reported to the same end dates as set out in Chapter 10, ie reported using the calendar year (1 January to 31 December). For example, in calculating the percentage of savers for a particular metric, we propose that the number of savers as of 31 December be used.

1) Savers can be confident that transactions are secure, prompt, and accurate

7.12 The first indicator is whether a firm services a saver effectively. While good quality administration does not generate value, without it, it is difficult to see how value can be generated.

Accuracy of record keeping

7.13 Firms that are providing a good quality of service will be taking regular action to ensure the scheme's data is accurate so as not to affect its administration. We propose that the quality of record keeping is calculated and disclosed using the metrics that relate to common and scheme-specific data below.

Common data

7.14 Common data is a term used in industry for the essential information used to uniquely identify a member. The following items are set out in TPR guidance as common data:

- National Insurance number
- surname and either forename or initials
- sex
- date of birth
- date pensionable service started, membership/policy start date or first contribution date
- expected retirement/maturity date (target retirement age)

- membership status (active/deferred)
- last status event - the date at which the membership status last changed, eg from active to deferred
- address including postcode

7.15 We propose to add two items to the common data list given their importance to keeping in contact once a saver has moved employer:

- non-employer related email address
- phone number

Common data

How frequently is common data reviewed?	More than annually	Annually	Less than annually
How frequently is action taken to correct common data?	More than annually	Annually	Less than annually
When was the common data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate common data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate common data?			

Scheme-specific data

7.16 Scheme-specific data is a term used in industry for information about a scheme and how it is used by employers and members, such as employer and employee contributions and member investments. There is no exhaustive list of data items because it will depend on what a firm considers essential for running that scheme. It is data unique to each member and is needed for effective administration of the scheme and member communications.

Scheme-specific data			
How frequently is the scheme-specific data reviewed?	More than annually	Annually	Less than annually
How frequently is action taken to correct the scheme-specific data?	More than annually	Annually	Less than annually
When was the scheme-specific data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate scheme-specific data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate scheme-specific data?			

Promptness and accuracy of core financial transactions

7.17 Firms offering good service will be able to show that key financial transactions are conducted promptly, securely and with a high level of accuracy. Speed alone is not an indicator of good service. However, we do consider that to provide a good service, key financial transactions will be conducted in a timely manner.

7.18 We propose data metrics on the volume and processing times of four key financial transactions. To ensure comparability of data, we propose definitions as to how these should be measured.

7.19 The key financial transactions and end-to-end definitions are:

- **Payments in and investment of contributions:** from the point of payment of monies into the scheme to the point at which the monies are received by the appropriate investment fund
- **Transfer between schemes**: from the point of a formal request for a transfer to the point at which the saver's details and benefit have been successfully received by the receiving scheme
- **Transfers and switches between investments:** from the point of a formal request for a transfer to an alternative investment to the point at which the transfer is successfully received by the alternative investment
- **Payments out to beneficiaries:** from the point of which either a request is made for payment to be issued, to the point at which the payment is received by the beneficiary's receiving account

	Payments in and investment of contributions	Transfer between schemes	Transfers and switches between investments	Payments out to beneficiaries
Number of requests received by the firm in the previous calendar year				
the time period specified by the firm's scheme service level agreement or internal policy for completing each key financial transaction				
the number of requests that took longer to complete than the time period specified in the firm's scheme service level agreement or internal policy in the previous calendar year				
the mean end-to-end time period to complete each key financial transaction in the previous calendar year				
the range of end-to-end time periods to complete each of the key financial transactions in the previous calendar year				

2) Savers are satisfied with the service they receive

7.20 In the context of most services, whether the end customer is satisfied with the service received is a relevant consideration for the provider of the service.

7.21 It is less clear that saver perception necessarily equates to objective value generated for the saver. In particular, in the context of a complex financial decision, a saver may be content with the service provided, at least initially, but may nevertheless objectively not have received value.

7.22 We propose both negative and positive perception metrics and would value views on whether these data points are meaningful indicators.

Negative perception metrics

7.23 Complaints are a clear indication of consumer dissatisfaction and may provide insight into service quality.

7.24 For data to be comparable across the market it is important that data is defined and measured in a consistent way. For this purpose, we propose two definitions that could be used across trust-based and contract-based schemes:

- Complaint definition: any oral or written expression of dissatisfaction, whether justified or not, from an individual, or on their behalf with their consent, about the provision of, or failure to provide, a financial service, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.
- End-to-end definition: from the point a complaint is received by the scheme, to the point the scheme provides the complainant with a resolution that is either accepted, not accepted/ escalated to the Pension / Financial Ombudsman.

What was the number (#) of complaints received by the firm in relation to the scheme in the previous calendar year?	
What percentage (%) of members raised at least one complaint in the previous calendar year?	
What was the average end-to-end time taken to close a complaint during the previous calendar year?	
What was the range of end-to-end times taken to close a complaint in the previous calendar year?	
What is the time period stated in the service level agreement (SLA) or internal policy for the closure of a complaint?	
What was the number (#) of complaints within the previous calendar year that were not closed within this time period?	

7.25 In the table above we propose disclosure of the time period stated in the SLA or internal policy. We are aware that the stated time period could be on a stop-the-clock basis rather than end-to-end and welcome feedback on how best to address this issue.

7.26 Whether complaints are upheld by the Ombudsman provides an important indication of how well a provider addresses complaints that have been raised by its members. While the metrics below focus on the previous calendar year, we acknowledge that the journey of an escalated complaint may span calendar years, so the metrics within the table may not be entirely comparable.

What was the number (#) of complaints escalated to the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints determined by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints upheld by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints partly upheld by the Pension Ombudsman in the previous calendar year? ***Note: Decisions made by the Financial Ombudsman Service are either upheld or not upheld, so we do not ask for partly upheld decisions here.***	

Customer satisfaction survey

7.27 Where available, general data on saver satisfaction may also offer valuable insight.

7.28 We are aware that (due to the nature of AE) there will be a large proportion of members who do not interact with their provider, and we are keen to understand how schemes capture satisfaction levels.

7.29 Some stakeholders have suggested that a common universal standardised member satisfaction survey would aid understanding of value experienced. Such a survey would provide quantifiable and comparable data into the saver's experience of the scheme's service.

7.30 We set out below how such a universal survey could be delivered, but are also interested in the cost and the utility of such data being made available through the Framework once gathered.

How could a survey be conducted?

7.31 The survey could be delivered to members as either a standalone process or as part of wider member communications.

7.32 We propose an event-based approach to the survey, issued following an individual member's engagement or interaction with the scheme. For consistency and so that firms do not only send surveys following events where members are more likely to be satisfied, we propose to prescribe trigger events. Firms would then need to send a short, standardised set of questions after the following events:

- Calls to the provider helpline
- Registers for an online account
- Nomination of a death beneficiary
- Transfers into the scheme

7.33 Firms may of course survey individual members at other times, but the results of those surveys would not count towards the service metrics for disclosed Framework data.

7.34 The initial aim of the survey would be to understand whether the saver is able to achieve what they wanted, how they found the process, and their overall satisfaction. The survey could be evolved in future.

7.35 We have considered the use of Net Promoter Scores, however stakeholder support for this has been mixed and difficult to compare across schemes. We do not believe it is reasonable in the context of workplace pensions schemes to recommend your scheme. Instead, we propose to include a question in the member survey on overall satisfaction of the member. We would then expect to see collated results which should give an indication overall satisfaction level.

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
I was able to achieve what I wanted to	1	2	3	4	5
I found the process easy	1	2	3	4	5
I was satisfied with the service provided today	1	2	3	4	5
I have been satisfied with the communications I have received over the past year	1	2	3	4	5
Overall, I am satisfied with my scheme	1	2	3	4	5

7.36 The proposed data metrics aim to identify the response rate to the satisfaction survey, as a further indication of member engagement in addition to a breakdown of the percentage of scores against the possible options to 3 questions.

What was the number (#) of customer satisfaction surveys issued across the previous calendar year?	
What was the percentage (%) of responses received?	
Of the percentage of responses received, what percentage of the membership is represented? (%)	

Collation of annualised results	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
I was able to achieve what I wanted to	(%)	(%)	(%)	(%)	(%)
I found the process easy	(%)	(%)	(%)	(%)	(%)
I was satisfied with the service provided today	(%)	(%)	(%)	(%)	(%)
I have been satisfied with the communications I have received over the past year	(%)	(%)	(%)	(%)	(%)
Overall, I am satisfied with my scheme	(%)	(%)	(%)	(%)	(%)

3) Savers are supported to make plans and decisions for their retirement

7.37 Effectively supporting consumers in their plans for retirement is likely to improve end saver outcomes significantly. So including metrics for this as part of the VFM Framework is important.

7.38 However, at least at this point in time, it is extremely challenging to measure this effectively, and compare across schemes. Demographics of an arrangement may also have a role to play in how savers may use the services offered to plan for their retirement.

Metrics

7.39 We expect that schemes delivering good value should ensure that savers have access to support services throughout their saver journey.

7.40 The first proposed metric seeks to capture the percentage of savers using services to help savers plan and make decisions for their retirement. We are aware that it may be difficult to measure how savers use these services, and some schemes may point savers to an external tool, calculator or modeller. We welcome feedback on the utility of this metric and any alternatives we should consider.

7.41 Following input from industry, the second proposed metric reflects a potentially inappropriate decumulation decision and is intended to measure the quality of support provided before the decision. However, we recognise the highly personalised nature of the saver journey and the difficulty in identifying a metric for an appropriate decumulation decision. Again, we invite feedback.

7.42 We envisage that we may in the future extend the Framework, for example to decumulation. The proposed inclusion of a decumulation metric here does not imply we consider it appropriate for a Framework extended to decumulation. A different set of metrics would need to be considered and consulted on.

Percentage (%) of savers using apps, tools, pensions calculators or modellers to support [their] planning and decision making for their retirement within the previous calendar year *If these services are not offered, schemes would automatically score 'zero/red' for this measure. This indicates how many members are accessing tools to understand what their retirement might look like.*	
Percentage (%) of savers without safeguarded benefits and with a pot of >£30,000 taking benefits as a taxed lump sum within the previous calendar year *This could indicate how savers are supported when making informed choices about decumulation. Savers with safeguarded benefits are excluded as they are already required to take advice.*	

4) Savers can amend their pension with ease

7.43 Good quality schemes support savers to amend their pension with limited barriers. These metrics measure the percentage of membership taking regular action to update and adjust their pensions. We would expect schemes that provide a better quality of service to have a higher percentage of savings amending their pension, due to the ease and control by which savers can take these actions.

7.44 We are open to suggestions on metrics in relation to how easy it is for a member to undertake tasks such as consolidating an external pension into the scheme. We have considered but not included a metric on the percentage of members who have consolidated an external pension into the scheme within a timeframe due to concerns that the scheme may not always offer better VFM than the external pension.

Percentage (%) of individual savers that have updated or reviewed their beneficiaries at least once within the previous five calendar years *Reportable indicator that savers are considering their pension. If your scheme does not have 5 years of data available, please disclose what data you have and disclose the timeframe this data has been captured over.*	
Percentage (%) of individual savers that have updated or reviewed their active contributions at least once within the previous five calendar years	

5) Savers are supported to engage with their pension

7.45 Saver engagement with their pension could be an indicator of good quality service. In developing the metrics, we have focused on quantifiable metrics that can be used to identify how engaged savers are. While engagement with workplace pensions is typically very low, these metrics enable consistent comparisons between schemes and monitoring over time. A scheme providing a good quality service is likely to have higher percentages of members actively engaged.

7.46 We would also expect most schemes to be providing good service though a digital solution. The quality of service provided by the digital solution should also be seen through active engagement.

7.47 Some firms may have a more disengaged member demographic, where relevant, firms can contextualise metrics, in particular by referring to saver and employer demographics within their features table (details in chapter 10).

7.48 We could require firms to disclose the metrics below, however we are open to alternative suggestions.

Percentage (%) of individual savers that have contacted the scheme at least once in the previous calendar year (via phone, post, application, online portal etc.) *This indicates how actively engaged savers are with their pension provider.*	
Percentage (%) of individual savers who are registered to a secure portal or application at a date in the previous calendar year	
Percentage (%) of individual savers registered to a secure portal or application that have accessed it at least once within the previous calendar year *This indicates how effective the communication and website proposition are at engaging members to check their current position at least annually.*	

Question 19: Do you agree with the proposals on scope? If not, what alternative approach would you suggest?

Question 20: Do you agree with the five proposed indicators of service quality? If not, what alternatives would you suggest, with metrics?

Question 21: For each of the five proposed indicators, do you agree with the proposed metrics for measuring these? If not, what metrics would you suggest? We would particularly welcome views on these metrics.

Question 22: **Do you agree with our proposal to include a non-employer related email address and phone number when defining common data? If you don't agree, please explain why not.**

Question 23: **Do you agree with our proposals for an event-based member satisfaction survey? We would particularly welcome feedback on the trigger events and proposed questions.**

Question 24: **Do you think that a firm should be able to provide a saver specific view of access to tools and saver use across its digital offerings? If not, what metric would you suggest?**

Chapter 8

Assessment and outcomes

8.1 This chapter sets out the proposed process for VFM assessments of in-scope arrangements. The assessment process proposed has been designed so it could also be applied to trustees for trust-based schemes.

Our proposals

8.2 Assessments of value necessitate judgments, even if the Framework provides more objective data points to underpin these judgments. Our proposed approach seeks to balance giving IGCs freedom to identify poor value as they best see fit, and setting minimum standardised requirements to promote consistency.

8.3 We would welcome feedback from both IGCs and trustees, as well as stakeholders more widely, on the proposed assessment process and alternatives.

Choosing comparator arrangements

8.4 To form a view on value, an IGC will need to compare an in-scope arrangement to others available in the market. We think these comparisons should be to external schemes rather than arrangements offered by the same firm. Separately from the assessments, an IGC can compare arrangements offered by its firm, which may inform actions that it recommends.

8.5 An IGC will need a clear rationale for its selection of comparator arrangements and will need to explain this in the IGC Chair's annual report.

Conditions on choice of providers

8.6 **Minimum number of providers:** Comparisons will need to be with arrangements offered by at least 3 other providers. We encourage comparisons with more providers, particularly where IGCs have concerns over the VFM of their own firm's arrangements.

8.7 **Sufficiently sizeable providers:** At least two of the providers will need to have total DC workplace pension assets above £10bn. Scale provides access to more investment opportunities and can allow cost efficiencies not available to smaller providers.

8.8 **Both contract and trust-based providers:** So that VFM can be assessed across the workplace pensions market, where data is available IGCs will need to compare against at least 1 contract-based and at least 1 trust-based arrangement.

Conditions on choice of comparator arrangements

8.9 **Large, open, provider-designed and VFM:** From each of the providers, the IGC will need to choose a comparator arrangement that is provider-designed and (after the first year of implementation) has been assessed as providing VFM. It will also need to be 'open' in that it is available for new employers. Of these arrangements, the IGC should choose the largest by assets. However, the IGC may choose an alternative if they are able to justify why a smaller arrangement (open, firm-designed and VFM) is a better comparator because of more comparable saver demographics and characteristics.

8.10 **Consistent selection each year:** At least one of the comparators must be the same as the previous year, unless all comparators used in the previous year have since been assessed as not providing value. This is so that trends and changes in relative value can be considered.

Other considerations when choosing

8.11 As a matter of good practice, we think IGCs should consider choosing one or more comparator arrangements that in the IGC's opinion offer particularly good value. Comparing against a strong performer will help identify possible improvements to the arrangement being assessed, including where the arrangement is ultimately assessed as VFM. We recognise that the average in-scope arrangement can be expected to perform less well than the strongest performing arrangements in the market. IGCs will need to decide whether shortfalls in performance are sufficiently material to assess an arrangement as poor value.

8.12 We propose guidance that comparator arrangements should be chosen from across the market and not only the most similar (peer) providers and arrangements. This is because savers could be in different schemes had their employer chosen differently. However, for more comparable data on service quality, IGCs can choose one or more comparator arrangements where individual saver characteristics and needs are broadly comparable. This could be an arrangement with many more savers using it.

8.13 We have considered whether to allow use of a single-employer arrangement (such as a bespoke arrangement) as a comparator but have proposed not. Savers could be provided with better value by a large firm-designed arrangement on offer in the market. Moreover, another firm may not be willing to offer the same tailored design. We welcome feedback on this point.

8.14 We also propose guidance that an IGC should use the same comparators in all its assessments of in-scope arrangements, except for arrangements where the IGC can clearly justify a different selection. This could be because of the particular characteristics and needs of savers using an arrangement.

Quasi-default arrangements in comparisons

8.15 For Framework purposes we define 'legacy' workplace schemes in a broad way, as workplace schemes which are not qualifying schemes for auto-enrolment. Some legacy schemes and quasi-default arrangements have special features and valuable guarantees for savers.

8.16 We propose that quasi-default in-scope arrangements will need to be compared with large, open, firm-designed and VFM in-scope arrangements. We think comparisons should be with what is available on the market today. Assessments should take account of special features and guarantees where these are relevant to comparisons, including when considering overall value and a RAG rating.

Multi-employer arrangements in comparisons

8.17 A multi-employer arrangement with varying charges may offer VFM for some but not all savers. However, savers charged more may still receive VFM. For example, a small employer may not always be able to obtain better value for its employees. Comparisons at the level of employers grouped by size can take this into account.

8.18 We propose that IGCs will need to assess VFM for each cohort of employers, following the banding in the costs and charges tables. This can be done by considering the range and median charge for that cohort in comparisons, alongside the other Framework metrics. An example of how IGCs might approach comparisons is set out below.

Arrangement assessed	Comparator arrangement	Approach
Multi-employer with charges that vary	Multi-employer with charges that vary	Comparisons across comparable cohorts of employers.
Multi-employer with charges that vary	Multi-employer with charges that **do not** vary	For each cohort of employers, consideration of whether VFM is offered relative to the comparator at the level of the cohort
Multi-employer with charges that **do not** vary	Multi-employer with charges that vary	The median charge will not be appropriate where the distribution of employers differs significantly. For example, one arrangement may be skewed to larger employers and the other to smaller. An IGC will need to consider how much weight to give the charges for each cohort in estimating a single charge for comparison.
Multi-employer with charges that **do not** vary	Multi-employer with charges that **do not** vary	Consideration of the distribution of employers
Single employer (bespoke)	Multi-employer with charges that vary	Comparison with the comparable cohort of employers of the multi-employer arrangement

8.19 It will be for an IGC, acting in the interests of savers, to decide how best to conduct such comparisons. In all these scenarios, member demographics should be considered in contextualisation for effective comparison.

The assessment process

8.20 Our aim is for assessments to be conducted on the same basis across the workplace pensions market. We propose a 4 step approach for IGCs to follow when assessing the VFM of an in-scope arrangement.

8.21 The first 3 steps use Framework data to consider value demonstrated in investment performance, service, and overall arrangement performance. The fourth step allows for contextualisation and requires determination of a RAG rating.

8.22 In its assessments, an IGC will need to identify differences in potential value relative to comparator arrangements, looking across Framework metrics and taking into account other information. It will be for the IGC to determine if a difference is sufficiently material to factor in an assessment outcome. Where there are significant differences but the IGC does not deem these sufficiently material, the IGC should be able to explain that conclusion, contextualising its decision.

8.23 We do not propose to define a material difference or set thresholds for value at this time. We think that risks false precision and could force IGCs to reach conclusions on value that they do not agree with. An IGC is best placed to look across the range of available data in reaching its conclusions. In doing this, an IGC should consider whether observed differences on Framework metrics are likely to impact on saver outcomes.

Step 1	**Step 2**	**Step 3**	**Step 4**
Value delivered from investment performance	**Value delivered from services**	**Provisional overall value**	**RAG determination**
Comparison and assessment of returns net of investment charges, taking account of investment risk	Comparison and assessment of service quality relative to service cost	Comparison and assessment of returns net of all costs, together with findings from Steps 1 and 2	Further contextualisation for a decision on VFM, if not VFM then agree on planned improvements

Step 1 – Investment performance

8.24 Step 1 focuses on value delivered by the investment performance of an in-scope arrangement by comparing performance net of investment charges only, alongside risk metrics and gross performance. The aim of this step is to identify potential poor value investment performance relative to comparator arrangements.

Core proposed requirements

8.25 We propose that an IGC will consider value delivered for each of the 3 age cohorts (30 YTR, 5 YTR and at retirement) by looking across these data points:

- returns net of investment charges only – over 1, 3 and 5 years, and 10 and 15 years where available
- risk metrics alongside gross returns – over the same reporting periods

8.26 An IGC will need to identify any material difference in the value delivered by the investment performance of the in-scope arrangement relative to comparator arrangements.

Guidance and considerations

This step should take into account what is known about the arrangements and the savers invested in them. The Features Table for each comparator arrangement will provide data for this.

Material difference: When comparing investment performance and risk metrics, it will be for the IGC to determine if a difference is sufficiently material to be indicative of poor value investment performance.

Risk metrics alongside gross returns: IGCs should consider investment returns in the context of risk taken. For the 5 YTR and at retirement age cohorts, volatile performance may impact retirement outcomes, although de-risking too much too early may reduce income in retirement.

Reporting periods: We think that particular weight should be given to performance over 5 and 10 years as more credible time frames to understand whether an investment strategy is delivering for members.

Investment charges. Investment charges are already included in returns net of investment charges. We do not think they need to be considered separately in deciding on a RAG rating. However, extremely low investment budgets may constrain the investment choices available for the scheme with a potential corresponding impact on how value is generated. Anecdotally, we have heard that investment budgets can be as low as 0.1% (10 basis points) of assets.

Vertically integrated arrangements. We propose that initially, vertically integrated firms will need to estimate and disclose investment charges only for the most recent calendar year. Initially, one year investment charges should be used as a proxy for estimating returns net of investment charges over longer reporting periods where data is otherwise unavailable. But over time, these firms will need to build up more data.

Quasi-default arrangements. IGCs should start with the underlying investment performance relative to comparator arrangements. When comparing against more modern products, any valuable legacy features such as guaranteed investment returns can then be considered.

With-profits arrangements. Comparisons of arrangements invested in with-profits funds should focus on the performance of the underlying investments net of the cost of those investments. Smoothing and other features may be taken into account in the contextualisation.

Asset allocations. We propose that asset allocation comparisons should not be used directly in determining a RAG rating. The rating reflects value that has been delivered rather than the investment design. However, if an IGC has concerns following a recent design change, the IGC may determine that an arrangement does not offer VFM.

Step 2 – Service

8.27 Comparisons of qualitative factors are difficult. In Chapter 7 we propose quantitative metrics against qualitative service outcomes. The aim of this step is to identify potential poor value services when considering what has been paid both by savers in charges and by employers.

8.28 IGCs will consider service quality and service cost, and then consider whether shortfalls can be explained given the characteristics of the savers.

Core proposed requirements

8.29 We propose an IGC considers whether the services provided represent value for in-scope savers in relation to the arrangement, by looking across data points for the following:

- the quantitative metrics identified in Chapter 7 for the following service outcomes:
  - savers can be confident that transactions are secure, prompt, and accurate
  - savers are satisfied with the service they receive
  - savers are supported to make plans and decisions for their retirement
  - savers can amend their pension with ease
  - savers are supported to engage with their pension
- the disclosed 1-year service costs

8.30 An IGC will need to identify any material difference in the value of services provided to savers of an in-scope arrangement relative to those of comparator arrangements.

Guidance and considerations

In assessing service value, the disclosed 1-year service costs will need to be considered relative to service quality, as indicated by the service quality metrics.

A materially lower performance on service quality metrics overall for comparable service costs indicates poor service value, as may materially higher service costs for comparable service quality metrics. IGCs can put service quality comparisons into context using information from the features tables. Service quality metrics may be more comparable where a comparator arrangement has broadly similar demographics and characteristics.

An IGC may have concerns around a material shortfall in service quality even where service costs appear reasonable. The IGC should consider services poor value if they do not meet the needs of savers and put in jeopardy good outcomes. We do not propose to define minimum acceptable levels of service quality. It will be for IGCs to consider, but a substantial shortfall on a particular metric is likely to be a cause for concern.

As raised by some stakeholders, we acknowledge the potential for "gold plating" relative to the cost to savers and to employers who subsidise costs. An IGC may want to consider whether exceptionally strong comparative performance on particular metrics adds much additional value to savers.

For assessments in the first year after Framework requirements come into effect, IGCs will not benefit from a full set of service quality data. We intend to propose provisions that allow IGCs to consider service quality and value based on data available.

As the Framework becomes embedded, IGCs will be able to consider historic performance over time.

Step 3 – Overall value

8.31 This step brings together comparisons of investment performance net of all costs with the findings from Steps 1 and 2.

Core proposed requirements

8.32 We propose that an IGC will consider overall value delivered for in-scope savers in relation to the investment by looking at the following:

- data points for investment performance net of all costs and charges – for each age cohort (30 YTR, 5 YTR and at retirement) and over 1, 3 and 5 years, and 10 and 15 years where available
- step 1 findings on investment performance value
- step 2 findings on service value

8.33 An IGC will need to identify any material difference in the potential overall value delivered by the in-scope arrangement relative to comparator arrangements.

Guidance and considerations

When considering investment performance net of all costs and charges, we propose (as in Step 1) that IGCs give particular weight to 5 and 10 year (where available) reporting periods, then 3, 15 and lastly 1-year periods.

An IGC should balance investment performance, service quality and costs and charges in reaching a provisional view on overall value.

For arrangements with combination charging structures, the amounts saved by an age cohort may still be low relative to contributions. Where there is a charge on contributions or a fixed fee, the total costs and charges as a percentage of assets may come down as pot sizes grow. An IGC should take account of estimated costs and charges once an arrangement is in balance, where this is disclosed for comparator arrangements. This will better reflect value over the longer term.

For multi-employer arrangements, this step requires comparisons of the overall value of the arrangement, before considering employer cohorts. In Chapter 4, we proposed to require the simpler disclosure of the range and median of investment performance net of all costs and charges, for past reporting periods. While the range may be large, we think this will still facilitate comparisons between arrangements. In the next step IGCs will need to compare arrangements at the level of employer cohorts, alongside demographics and other information in arrangement feature documents.

As an output of this third step, IGCs will have identified a potentially poor value in-scope arrangement based on the Framework data.

Step Four – RAG determination

8.34 In the final step, an IGC will need to contextualise the comparisons of overall performance in step 3 and reach a conclusion on whether the arrangement being assessed provides value for money. Qualitative data from published feature documents for in-scope arrangements will help inform contextualisation.

8.35 We propose use of a Red Amber Green (RAG) rating system, where VFM is green and not VFM is amber or red. An amber rating indicates that the arrangement can be improved within a reasonable period of time such that it offers VFM. A red rating means that it cannot or will not be improved within a reasonable period of time.

Attributing a rating

8.36 IGCs will need to attribute a rating to each in-scope arrangement. We propose that the RAG rating conclusion be based on evidence of value that has been demonstrated, in the context of comparisons under the Framework. An IGC should take account of disclosed features and characteristics in deciding on an assessment outcome, for example a Guaranteed Annuity Rate (GAR). The IGC will be able to take account of other information, but only where the IGC has a clear and credible rationale.

8.37 For an in-scope arrangement to be assessed as providing value, it must not be materially worse on either investment performance taking account of risk, or service quality against its comparators, nor should its costs and charges be materially higher if all other performance remains similar. At this time, we do not propose to define what should be considered material.

8.38 We propose that changes to the design of an arrangement that have not yet shown through in the Framework data should not be considered in determining a rating. These will show through over time if they deliver as anticipated. Consequently, amber rated arrangements may include those where recent improvements have been made. The same principle applies to improvements on service quality or to reduce charges. Such improvements will need to be explained in an assessment report for the arrangement, as part of the Chair's annual report. We welcome feedback on whether recent investments in alternative assets such as unlisted equities, that may have the potential to offer greater returns over the longer term but cost more to manage, could result in an amber rating.

8.39 If an arrangement underperforms its comparators, contextualisation may explain this and a green rating can still be attributed. To support a consistent approach, we propose that unless the IGC has a clear and credible rationale for taking account of other information, contextualisation should only refer to saver and employer demographics, and any special features or characteristics of arrangements that may affect value delivered for savers.

8.40 An IGC assessing a multi-employer arrangement where charges vary will need to consider whether value has been delivered at the level of a cohort of employers. Earlier in this chapter we explained how cohorts of employer will need to be considered in comparisons. Where a multi-employer arrangement fails to deliver value for a material number of in-scope savers in relation to the arrangement, looking across comparisons at the level of cohorts of employers, the overall arrangement will need to be assessed as not delivering VFM.

Scale considerations

8.41 Where a firm lacks sufficient scale to invest across an appropriately broad range of asset classes, this may contribute to an arrangement being unable to provide value for savers over the long term. Scale provides buying power and enables the cost-efficient development of capabilities for investment in private assets.

8.42 We propose that where an arrangement has been assessed as poor value, the IGC will need to consider and report on whether the firm's current scale may be preventing them from offering value to savers, including in relation to access to potentially higher performance asset classes. Where the IGC concludes that the firm's current scale is sufficient, the assessment should consider whether that scale has been used to the benefit of savers in the arrangement. An arrangement can be assessed as VFM where a firm is beneath optimal scale, but it may be more difficult to sustain VFM over the long term.

Distinguishing between amber and red

8.43 For arrangements assessed as poor value, an IGC will need to decide between an amber and a red rating. This means engaging with the firm on what actions the firm proposes to take to address the shortfall in value. An IGC can only give an amber rating if it is content that the proposed improvements can be reasonably expected to deliver VFM within a reasonable period of time. We do not define a reasonable period of time but think more than 2 years after the date of the assessment is unlikely to be reasonable.

8.44 Some iteration between the firm and the IGC may be needed before the IGC can decide between amber and red. This will need to happen in advance of publication of the IGC Chair's annual report. In some cases, an IGC may consider that the firm lacks sufficient scale to deliver value and therefore attribute a red rating.

Disagreement on a rating

8.45 Where a firm disagrees with its IGC's assessment of poor value, the firm will need to explain why, following the same assessment process proposed for IGCs. This is consistent with existing requirements under the Consumer Duty, where a firm must use its IGC's assessment of VFM in assessing fair value and there is provision for disagreement.

8.46 Given the need for engagement between the IGC and the firm, we do not expect continued disagreement to be common before a rating is finalised. If there remains disagreement, the firm will need to raise this with us, and the IGC is free to raise with us directly. If we agree with the firm's conclusion, there would be no requirement on the firm to take action.

ESG considerations

8.47 Pensions are long-term investments, so ESG factors may affect the long-term returns experienced by members. Whilst not mandatory – and not featuring in the decision on a RAG rating – IGCs should consider how ESG considerations have been taken into account across a firm's firm-designed in-scope arrangements and how this may have shaped their strategies. Under our existing requirements, IGCs must already provide an independent consideration of a firm's policies on financial ESG considerations and non-financial matters, and on stewardship.

Bespoke arrangements

8.48 We propose a simpler assessment process for bespoke arrangements which are designed for a particular employer, recognising the potential burden of more detailed assessments when in some cases a firm may operate more than one hundred bespoke arrangements. Our aim is not to weaken an IGC's duty to identify poor value, but to keep the proposed requirements proportionate and allow more room for the IGC to exercise judgment.

8.49 We propose that IGCs will need at a minimum to conduct a quantitative screen of bespoke arrangements, using data readily available to the firm including Framework data as set out in Chapters 4, 6 and 7. Any special features should also be taken into account. This screen is intended to identify potentially poor value bespoke arrangements.

8.50 An IGC should then use its judgement, acting on behalf of savers, on what further information it needs from the firm to reach a conclusion. If a firm is unable to provide further information on a particular bespoke arrangement, that itself may be a cause for concern. Without further information, a potentially poor value bespoke arrangement should be rated either amber or red.

8.51 An IGC may of course also choose to conduct more in-depth assessments of any or all bespoke arrangements.

Comparisons facilitated by third parties

8.52 Third parties already play an important role in facilitating comparisons by IGCs. Where third parties are used to facilitate comparisons, the responsibility for assessments will remain with an IGC, and the assessment has to be done using the Framework data following the methodology specified here. We expect IGCs to consider whether a third party has sufficient expertise and any conflicts of interest and if so, how these would be managed.

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

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?**

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?**

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?

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?

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?

Chapter 9

Actions for arrangements offering poor value

9.1 Where an IGC assessment identifies poor value, the firm and IGC will be expected to take action. This chapter consults on our proposed minimum requirements.

9.2 FCA-authorised firms are obliged under the Consumer Duty to take action to improve consumer outcomes where poor value has been identified. We have considered not supplementing the Duty obligation. However, trust-based providers regulated by TPR are not in scope of the Duty, and so we propose more specific requirements in the rules to supplement the Duty obligations, to ensure consistency of approach if the Framework is advanced across the market.

9.3 VFM assessments are already embedded in Duty rules and our proposals will strengthen these assessments, provide data to underpin them and make them more objective. The development of a common, comparable set of metrics subject to public transparency will support firms in meeting their obligations under the Duty.

9.4 We propose to require transparency about the steps a firm intends to take to address poor value in the IGC Chair's annual report (see Chapter 10). A firm action plan will need to be agreed with the IGC and submitted to us. The plan will either set out improvements sufficient to achieve a green rating, or set out other actions such as transferring affected savers to a better value arrangement.

Mandatory communication to employers

9.5 We propose that firms responsible for an in-scope arrangement rated amber or red be required to communicate the rating each year to any employer currently paying contributions. This communication should be within one calendar month of the firm receiving the IGC Chair's annual report for publication, and typically by 30 November each year. The communication will advise the arrangement's RAG rating and set out next steps that the firm intends to take to address the poor value. The communication will also contain any recommendations to the employer.

9.6 For a multi-employer arrangement rated amber because costs and charges are high in relation to some employers but not others, with a material number of affected savers across those employer cohorts, the firm will only be required to communicate the rating to the employers of affected savers.

Closing to new business

9.7 We do not expect firms to accept workplace pensions business from new employers on terms that do not provide value for savers. Doing so would not be consistent with the firm's obligations under the Consumer Duty. We propose to supplement this with a requirement that a firm cannot accept business from new employers into an in-scope arrangement rated amber or red.

9.8 The firm may continue to receive contributions from employers currently using the arrangement and from savers currently invested in it. New joiners of an employer may also have contributions invested in the arrangement. We do not want to risk disrupting contributions when employers must meet their AE obligations and pension saving is for the long-term. In many cases the firm operating the arrangement may be able to take rapid action to improve its value or address poor value for savers in red rated arrangements.

9.9 We recognise the firm may be keen to address the identified weaknesses and re-open its arrangement to new business as soon as it is able. An IGC can re-assess an amber rated in-scope arrangement outside of the annual cycle, but improvements must be evidenced in Framework data comparisons.

9.10 For a multi-employer arrangement with costs and charges that vary by employer, the arrangement may be rated amber overall when for some employer cohorts the arrangement is VFM. The firm would not be able to accept business from new employers until the arrangement is assessed as VFM across employer cohorts. This has the benefit of clarity, and potentially costs for the poor value cohort could be addressed swiftly allowing the arrangement to open to new employers. However, we welcome feedback on this proposal.

Notification and action plans

9.11 For each amber or red-rated arrangement, an FCA-authorised firm will need to notify us of the rating no later than 5 business days after receiving the IGC Chair's annual report and submit an action plan to us within one calendar month of receipt. The action plan will set out how the firm intends to address the poor value. Any areas of detail that remain outstanding for agreement with the IGC should be identified in the submission.

Action plan for amber-rated arrangement

9.12 The action plan submitted to us will need to explain the specific areas of improvement to be made and the intended outcome, including when the firm expects to see improvements reflected in the arrangement's performance on Framework metrics.

9.13 In the event of an in-scope arrangement continuing to be assessed as not providing value for a second or third year, the action plan submitted for that year must provide an update to us on the actions underway and any emerging results.

9.14 At the fourth year assessment, if a default arrangement continues to be assessed as not providing value, its IGC will be expected to rate it as red, unless the firm can demonstrate to the IGC that an extension is in the best financial interest of savers. Our supervisory approach will be informed by the action plans submitted to us over these periods and progress made to implement planned improvements.

Year 1	Year 2	Year 3	Year 4
31/03 Data metrics published (data metrics recorded 31/12 of previous year) **Assessment conducted** Rating outcome: **AMBER** Arrangement not to be used by new employers **31/10** Improvement plan submitted to regulator **31/12** Data metrics recorded	**31/03** Data metrics published **Assessment conducted** Rating outcome: **AMBER** **31/10** Updated improvement plan submitted to regulator that confirms actions taken, emerging results and any additional actions to be taken **31/12** Data metrics recorded	**31/03** Data metrics published **Assessment conducted** Rating outcome: **AMBER** **31/10** Updated improvement plan submitted to regulator that confirms actions taken, emerging results and any additional actions to be taken **31/12** Data metrics recorded	**31/03** Data metrics published **Assessment conducted** Rating outcome: **GREEN** Arrangement now available for use by new employers **OR** Unable to demonstrate value, so now IGC is expected to rate as: **RED** Firm to consider transferring affected savers

Action plan for red-rated arrangement

9.15 A red rating means that the IGC considers that the arrangement is unlikely to be improved sufficiently to deliver VFM within a reasonable period of time. We propose that the firm must consider transferring affected savers from the in-scope arrangement into an alternative arrangement that provides value. This can be an alternative offered by the firm or by another provider in the market. The action plan submitted to us will need to explain how the actions address the poor value.

9.16 We recognise that contractual terms may require the consent of individual savers in order for the firm to move them, which may be costly and difficult to obtain. The Government may choose to explore legislative changes to enable providers to transfer pension savers without consent, internally or to another provider, with appropriate protections built into the process. However, before any legislation has come into effect, achieving a bulk transfer may not be possible.

Bulk transfers without individual saver consent

Firms are required to take action under the Framework to address poor value, which in the event of persistent underperformance is likely to involve transferring savers to an alternative arrangement. However, contractual terms may require the consent of individual savers, which may be costly to obtain and unlikely to be fully achievable given typical saver disengagement.

If a contract-based provider were nonetheless to override these terms through a bulk transfer, they would risk legal action if the new arrangement were to underperform, or if some categories of savers were to lose out – even if it benefits the majority. This differs to what is possible in a trust-based context, where trustees can transfer savers without their explicit agreement.

Overcoming this barrier would require primary legislation that would allow, in certain circumstances, bulk transfers without individual member consent, something that has been raised by industry in the context of value and small pots. Given the override of contractual obligations, we would expect that such provisions would need to include appropriate protections for savers. Contractual agreements with employers would also need to be considered, for example where employers are actively contributing.

Whilst this is not an area where the FCA can take action, we are interested in understanding better the risks and opportunities that would arise in this context.

9.17 Where it is not possible to move savers in bulk, we will expect the firm to put in place mitigations to protect savers from foreseeable harm, as is required under the Consumer Duty. This may include:

- keeping savers in the arrangement but undertaking other mitigating steps such as reducing fees or continuing to seek improvement in performance
- seeking agreement of some of the savers to transfer, for example those with higher balances

9.18 A firm's approach to such arrangements will inform our approach to supervisory engagement with the firm.

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?**

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?**

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?**

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?**

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?**

Chapter 10

Disclosure requirements

10.1 Disclosure requirements are central to the Framework – supporting scrutiny of performance and comparison between arrangements. We are proposing to require firms to publish the Framework data set out in Chapters 4-7 for all in-scope arrangements and assessments in the IGC Chair's annual report. In addition, we are proposing that the Framework data be accompanied by a features table

10.2 This chapter sets out what, when and how we propose firms publish.

What firms will be required to publish

Framework data

10.3 Firms will be required to publish Framework data annually for each of their in-scope arrangements, setting out the metrics detailed in Chapters 4 to 7. Annex 2 provides an illustrative example.

Features Table

10.4 To support IGCs and others in using the Framework data, we propose to require firms to publish for each in-scope arrangement a short features table giving key facts about the provider, arrangement and savers. The firm will also need to detail any additional benefits or legacy features that are provided within the in-scope arrangement that might impact the value it provides to savers alongside the assessed performance.

10.5 We propose that the features table include as a minimum:

Provider details	
Name of provider	
FCA Firm Reference Number (FRN)	
Total number of active savers	
Total number of deferred savers	
Total contract-based pension assets in accumulation	
In-scope arrangement summary	
Identification of in-scope arrangement	
Firm designed	Yes / No
AE or legacy	

Open for use by new employers	
Total number of active savers	
Total number of deferred savers	
Total relevant assets in accumulation	
Vertically integrated / estimated investment charges	Yes/No
Any employer subsidies	Yes/No
The following relate to the demographics of the in-scope arrangement	
Number of employers	
Average number of savers per employer (active and deferred)	
Average contribution of savers (active only)	
Average pot size of savers (active and deferred)	
Average turnover rate of savers (active and deferred)	
Description of any features not reflected in disclosed metrics that should be considered in assessing value	
Features may include guarantees associated with some legacy arrangements such as life insurance lump sums, guaranteed annuity rates and dependent pensions upon death. Descriptions should draw reference to the proportion to the members that currently hold the benefit or feature. *For multi-employer arrangements with a single charge, the characteristics of employers using the arrangement should be disclosed, for example if skewed towards large or small employers.*	

10.6 We are interested in feedback around our proposals for this.

IGC Chair's annual report

10.7 IGC Chairs are already required to produce an annual report with the IGC's assessment of the VFM delivered by a firm's workplace pensions. The report must currently include an explanation of how the IGC assessed the VFM of the schemes it oversaw.

10.8 We propose to expand upon these existing requirements. We propose that reports containing in-scope arrangements set out the VFM Framework assessments undertaken by IGCs including:

- A **cross-arrangement review** of the key themes seen across all the arrangements the IGC oversees, for example trends in net investment returns relative to comparator arrangements. This review will be expected to highlight where the IGC is encouraging the firm to improve, for example the design of arrangements and strategic asset allocation.

- An explanation of **the choice of comparator arrangements and providers**, with justification for any different choices for particular arrangements or groups of arrangement.
- An explanation of **how the firm's scale has been considered** in the VFM assessments and, whilst not mandatory, **how ESG considerations have been taken into account** across firm-designed in-scope arrangements.

10.9 It is increasingly common for Chairs to also include **a plain language summary** in their report that is accessible to savers and the Joint Response proposed requiring this as mandatory. We have not proposed this in our rules. We welcome views on whether requiring this summary would be sufficiently likely to inform savers and employers to justify the additional cost of including in the Framework.

10.10 In addition, we propose the reports will need to include the following information on individual arrangements:

- **Value for Money data.** For each in-scope arrangement, its RAG rating and investment returns net of all costs and charges over the 5 year reporting period for 30 YTR, 5YTR and at retirement, where it is possible to provide this information. IGCs can simply include this information in a tabulated annex to the main report.
- **Contextualisation details.** A narrative explanation for a RAG rating that depends on contextualisation in comparisons. We will expect contextualisation for all firm-designed in-scope arrangements.
- **Actions to address poor value.** For all amber or red rated arrangements, actions agreed with the firm to improve value and, for red-rated arrangements, planned transfers to better value arrangements where possible. Where transfers are not possible, the report should explain why and set out other actions. In some amber cases, improvements may have already been made but are not yet evidenced in Framework metrics; this should be explained. For green rated arrangements, the report should include any concerns raised by the IGC and recommendations made to the firm.

When firms will be required to publish – annual cycle

10.11 We propose a reporting cycle based on the calendar year, with a reporting end date of 31 December.

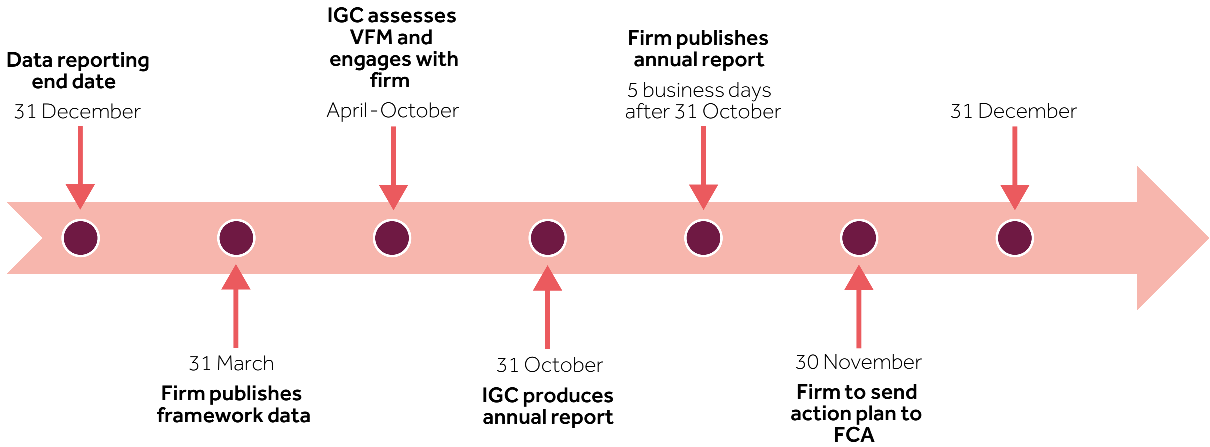
10.12 Each metric calculated will be a snapshot as of 31 December (performance, asset allocation and cost metrics) cumulative data for the preceding calendar year (most quality of service data), or reflect other current data (other quality of service data – for example from event-based surveys).

10.13 We recognise the data will take time to collect, check and publish. IGCs will also need to evaluate the value their arrangements offer. Firms will be required to publish by 31 March their collated framework data up to 31 December of the previous year.

10.14 For the first year following implementation, we propose to introduce transitional provisions recognising that it may not be possible to publish a full set of service quality data.

10.15 Under our existing rules the terms of reference for an IGC must provide for the IGC Chair to produce an annual report by 30 September each year, for the previous calendar year.

10.16 We propose to extend the time that the IGC has to produce an annual report to 31 October each year. We will expect the firm to publish the annual report no later than 5 business days after 31 October.



How firms will be required to publish

Framework data

10.17 We want the Framework data to be both easily accessible and machine readable.

10.18 We expect data to be presented for free on websites in a user-friendly manner, and labelled in a way that is easily identifiable by other firms and their IGCs, as well as by the market more widely. We are not proposing to be prescriptive about the layout to be used, but please see annex 2 for an illustrative example.

10.19 To ensure that data is directly and easily comparable, we are also proposing that firms be required to produce a machine readable, "flat file" that contains the raw data arranged and presented to a specific template. Accompanying this consultation is a template showing our proposed approach. It can be found at https://www.fca.org.uk/publication/forms/vfm-flat-file-template.xlsx.

10.20 We believe that producing flat files will be less burdensome to industry than alternatives and quicker for industry to implement. However, in the longer term, we are interested in exploring the value of potentially more effective and robust solutions for making data available, such as the use of Application Programming Interface (API) feeds. We welcome stakeholders' views and suggestions as to any other solutions that might be appropriate.

10.21 The responsibility of preparing and publishing the Framework data will sit directly with the firm. IGCs should then use this data to assess value and publish their assessment reports.

10.22 We intend to require firms to notify us once Framework data has been published and we will host a central list of arrangement URLs for ease of finding them.

IGC Chair's annual report

10.23 We propose that firms be required to publish their IGC Chair's annual reports and terms of reference on a free-to-access publicly available site, which in practice is likely to be the firm's own website.

10.24 We propose that the firm must make the 5 (rather than 3 as currently required) most recent reports available in a way best assessed to bring them to the attention of relevant pension savers and their employers. Firms will need to retain reports for a minimum of six years. IGCs will need to retain copies of any evidence used in their assessments for a minimum of six years, which reflects consistency with the existing retention requirement.

10.25 We have also considered requiring firms to publish machine-readable RAG ratings of their in-scope arrangements and schemes to facilitate comparisons. This could support the construction of league tables by third party firms and promote wider interest each year when ratings are published. At this time, we do not propose this, but welcome feedback.

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?**

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?**

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

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?**

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?**

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?**

Chapter 11

Amendments to current Handbook requirements

11.1 This chapter sets out how the new VFM Framework and its scope will impact existing Handbook requirements for IGCs to carry out value assessments as part of the IGC Chair's annual report. It also sets out proposed changes to the IGC/GAA remit in relation to SIPPs.

Amendments to current Handbook requirements

11.2 Currently under COBS 19.5, firms are required to include in an IGC's terms of reference an obligation to assess whether a firm provides value for relevant policyholders in relation its contract-based workplace pension schemes. This assessment is then set out in the IGC Chair's annual report.

11.3 The new VFM Framework is intended to be a more detailed and prescribed version of the above requirements, applying to in-scope arrangements as set out in Chapter 3. For this reason, the requirements for in-scope arrangements will be set out in the new COBS 19.5A, and where appropriate carved out of the more general requirement to carry out value assessments in COBS 19.5.5R (2). IGCs will still be expected in the terms of reference to carry out assessments under COBS 19.5.5R (2) for all other workplace pensions not in-scope of the new VFM Framework, such as additional arrangements with under 1,000 members.

11.4 Other, broader elements from COBS 19.5 will continue to cover in-scope arrangements, such as the requirement in COBS 19.5.5R (2B) to assess a firm's investment strategy.

Obligation for firms to disclose key metrics to schemes

11.5 We have considered whether it would be necessary to require firms respond to requests for information from schemes and IGCs in relation to required Framework metrics, similarly to what is set out in COBS 19.8, which is intended to facilitate the disclosure of transaction costs and administration charges required under COBS 19.5.

11.6 After engaging with industry stakeholders, we have concluded that there is no need for this type of requirement on firms at this stage of the VFM Framework.

Changes to the requirements for an IGC Chair's annual report

11.7 As set out in Chapter 10 above, we propose to make various changes to the requirements of the IGC Chair's annual report. These include the inclusion of in-scope arrangement VFM assessments and changing the production date to 31 October, with firms publishing the report no later than 5 business days after 31 October.

Amendment to requirements regarding 'accidental workplace' SIPPs

11.8 Some individual SIPPs are considered workplace pensions when the SIPP provider has not sought to establish a workplace pension scheme ('accidental workplace' SIPPs). This can arise when individuals set up their own SIPP and ask their employer to direct contributions into it, where more than one individual from the same employer uses the same SIPP provider and scheme. Under our existing rules for workplace pensions, the SIPP provider must establish an IGC or GAA. Typically, the SIPP provider contracts with a third party for a GAA, the proportionate alternative to an IGC.

11.9 Where all relevant employees and ex-employees have made an active choice to set up a SIPP and have chosen their investments, we do not think there is a need for IGC or GAA oversight. We propose to amend the Handbook such that in these circumstances, schemes would be exempt from COBS 19.5 and the firm would not be required to establish an IGC or GAA. Where savers have not actively chosen their SIPP or the investments within it, the scheme would remain in scope.

Question 42: **Do you agree that the proposed new rules should be under existing requirements for IGCs, with carve outs as appropriate? If not, what alternative approach would you suggest?**

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

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?**

Chapter 12

Future development

12.1 In this chapter, we seek views over how the use of data may evolve, how the market may respond, as well as potential future enhancements to the VFM Framework. Of course, we would first expect to see the Framework implemented effectively and prove its worth before consulting over further steps. However, we are asking these explorative questions to inform any future thinking.

Use of the Framework data

How the framework could evolve

12.2 We would expect there to be an interest in the market developing performance comparators based on Framework metrics and the creation of 'league tables' by industry and commentators. One such league table already exists for master trusts and contract-based providers. The emergence of third-party league tables could promote stronger competition between providers focused on long-term value but could also result in unintended consequences. For example, a focus on particular metrics, such as returns net of all costs over a particular reporting period, could drive competition predominantly on that metric rather than (say) longer time periods or other aspects of value as well, including service quality.

12.3 In other jurisdictions, requirements to make data available are supplemented by stronger, more directive interventions. In some countries, benchmarks are used. Some also have heatmaps. In addition, we could potentially apply more proactive and automatic sanctions should a scheme fall below a defined floor or fail to meet a benchmark over a shorter time period.

12.4 Benchmarks and similar measures can set clear expectations, but careful consideration would need to be given to the design of such benchmarks and their behavioural consequences. A benchmark should not incentivise inappropriate short-term actions to meet it and over the longer term should not lead to clustering around the benchmark. We would also not want to limit innovation in the design of arrangements and the services provided to savers.

Pensions Dashboards

12.5 Pensions Dashboards are under development. Under the Government's Pensions Dashboards initiative, all pension schemes in scope must connect to the Money and Pensions Service's central digital architecture by 31 October 2026.

12.6 While the initial iteration of pensions dashboard will only include limited data points, it is possible that future iterations may help further enhance value and support to consumers.

12.7 As pensions dashboards develop, we could explore with DWP the impact of incorporating some VFM information, including on member comprehension and behaviour. We would need to balance that with ensuring savers are not negatively affected by complexity. We would need to assess this in terms of the decisions made by users of the information.

Potential future extension in scope

12.8 The metrics and concepts of the Framework can also be relevant to non-workplace pensions and even decumulation solutions. Extending the Framework beyond workplace pensions could help ensure that any pension product offers fair value, consistent with the Consumer Duty but across trust-based as well as contract-based pension schemes. For FCA-regulated firms, the availability of consistent public data for comparison helps them meet their obligations under the Duty. However, beyond workplace pension default arrangements (and over time for these too) we would also expect much greater consumer use of VFM assessments. We would want to consider how best to adapt the Framework requirements to meet their needs.

12.9 We recognise the challenges around extending the Framework to pensions markets where individual saver needs and objectives vary much more widely and where products and arrangements are similarly varied. An aim in future phases will be to support consumer understanding and decision making when making choices around which provider and product to use. We equally aim to promote effective competition in the interests of pension savers across the pensions markets.

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

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.**

Annex 1

Questions in this paper

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?

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?

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?

Investment performance

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

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

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

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?

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?

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?

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?

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?

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

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

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?

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?

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?

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

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

Quality of services

Question 19: Do you agree with the proposals on scope? If not, what alternative approach would you suggest?

Question 20: Do you agree with the five proposed indicators of service quality? If not, what alternatives would you suggest, with metrics?

Question 21: For each of the five proposed indicators, do you agree with the proposed metrics for measuring these? If not, what metrics would you suggest? We would particularly welcome views on these metrics.

Question 22: Do you agree with our proposal to include a non-employer related email address and phone number when defining common data? If you don't agree, please explain why not.

Question 23: Do you agree with our proposals for an event-based member satisfaction survey? We would particularly welcome feedback on the trigger events and proposed questions.

Question 24: Do you think that a firm should be able to provide a saver specific view of access to tools and saver use across its digital offerings? If not, what metric would you suggest?

Assessment and outcomes

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

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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?

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

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?

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?

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?

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? If not, what alternative approach would you suggest?

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

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?

Future development

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

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.

Cost benefit analysis:

Question 47: Do you have any comments on our cost benefit analysis?

Annex 2

Illustrative template of data points

VFM Framework data

Investment Performance:

Performance metrics - 30 YTR	1 year	3 years	5 years	10 years	15 years
Gross investment performance					
Investment performance net of investment charges					
Investment performance net of total costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					

Performance metrics - 5 YTR	1 year	3 years	5 years	10 years	15 years
Gross investment performance					
Investment performance net of investment charges					
Investment performance net of total costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					

Performance metrics - AT RETIREMENT	1 year	3 years	5 years	10 years	15 years
Gross investment performance					
Investment performance net of investment charges					
Investment performance net of total costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					

Optional disclosures

Optional non-chain-linked: Performances - 30 YTR	1 year	3 years	5 years	10 years	15 years
Gross investment performance: Arrangement 1 *Date - date*					
Gross investment performance: Arrangement 2 *Date - date*					
Gross investment performance: *insert additional rows for additional arrangements as needed*					

Optional non-chain-linked: Performance metrics- 5 YTR	1 year	3 years	5 years	10 years	15 years
Gross investment performance: Arrangement 1 *Date - date*					
Gross investment performance: Arrangement 2 *Date - date*					
Gross investment performance: *insert additional rows for additional arrangements as needed*					

Optional non-chain-linked: Performance metrics - AT RETIREMENT	1 year	3 years	5 years	10 years	15 years
Gross investment performance: Arrangement 1 *Date - date*					
Gross investment performance: Arrangement 2 *Date - date*					
Gross investment performance: *insert additional rows for additional arrangements as needed*					

Asset Allocation:

Asset class (30 YTR percentage allocation)	*Sub-asset class splits*	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest Government					
	Index-linked Government					
	Investment-Grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						

Mandatory disclosure of anything else that is material to performance:

Asset class (5 YTR percentage allocation)	*Sub-asset class splits*	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest Government					
	Index-linked Government					
	Investment-Grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						

Mandatory disclosure of anything else that is material to performance:

Asset class (AT RETIREMENT) percentage allocation)	*Sub-asset class splits*	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest Government					
	Index-linked Government					
	Investment-Grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						
Mandatory disclosure of anything else that is material to performance:						

Asset class (Total in accumulation percentage allocation)	*Sub-asset class splits*	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest Government					
	Index-linked Government					
	Investment-Grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						

Mandatory disclosure of anything else that is material to performance:

Cost and Charges:

Cost Metric 30 YTR	1 year	3 years	5 years	10 years	15 years
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					
Cost Metric 5 YTR	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

Cost Metric RETIREMENT	1 year	3 years	5 years	10 years	15 years
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

Multi-employer arrangement cohorts - 30 YTR

Employer size by AUM bands	< £100k	£100k-£1m	£1m-£5m	£5m-£25m	£25m-£50m	£50m-£100m	£100m-£250m	>£250m
Range and median of charges								
Average contributions per saver (active and deferred) (£)								
Distribution of employers across the in-scope arrangement (%)								

Employer size by number of members	Under 100	100-499	500-999	1,000-4,999	5,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	>100,000
Range and median of charges									
Average contributions per saver (active and deferred) (£)									
Distribution of employers across the in-scope arrangement (%)									

Quality of Service:

Common data			
How frequently is common data reviewed?	More than annually	Annually	Less than annually
How frequently is action taken to correct common data?	More than annually	Annually	Less than annually
When was the common data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate common data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate common data?			

Scheme-specific data			
How frequently is the scheme-specific data reviewed?	More than annually	Annually	Less than annually
How frequently is action taken to correct the scheme-specific data?	More than annually	Annually	Less than annually
When was the scheme-specific data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate scheme-specific data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate scheme-specific data?			

Processing financial transactions	Payments in and investment of contributions	Transfer between schemes	Transfers and switches between investments	Payments out to beneficiaries
Number of requests received by the firm in the previous calendar year				
The time period specified by the firm's scheme service level agreement or internal policy for completing each key financial transaction				
The number of requests that took longer to complete than the time period specified in the firm's scheme service level agreement or internal policy in the previous calendar year				
The mean end-to-end time period to complete each key financial transaction in the previous calendar year				
The range of end-to-end time periods to complete each of the key financial transactions in the previous calendar year				

Savers are satisfied with the service they receive - Negative perception metrics	
What was the number (#) of complaints received by the scheme in the previous calendar year?	
What percentage (%) of members raised at least one complaint in the previous calendar year?	
What was the average end-to-end time taken to close a complaint during the previous calendar year?	
What was the range of end-to-end time taken to close a complaint in the last calendar year?	
What is the time period stated in the service level agreement (SLA) for complaint resolution?	
What was the number (#) of complaints within the last calendar year that were not resolved within this time period	
What was the number (#) of complaints escalated to the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints determined by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints fully upheld by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints partly upheld by the Pension / Financial Ombudsman in the previous calendar year?	

Customer satisfaction survey	
What was the number (#) of customer satisfaction surveys issued across the previous calendar year?	
What was the percentage (%) of responses received?	
Of the percentage of responses received, what percentage of the membership is represented? (%)	

Collation of annualised results	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
I was able to achieve what I wanted to	(%)	(%)	(%)	(%)	(%)
I found the process easy	(%)	(%)	(%)	(%)	(%)
I was satisfied with the service provided today	(%)	(%)	(%)	(%)	(%)
I have been satisfied with the communications I have received over the past year	(%)	(%)	(%)	(%)	(%)
Overall, I am satisfied with my scheme	(%)	(%)	(%)	(%)	(%)

Savers are supported to make plans and decisions for their retirement	
Percentage (%) of savers using apps, tools, pensions calculators or modellers to support [their] planning and decision making for their retirement within the previous calendar year	
Percentage (%) of savers without safeguarded benefits and with a pot of >£30,000 taking benefits as a taxed lump sum	

Savers can amend their pension with ease	
Percentage (%) of individual savers that have updated or reviewed their beneficiaries at least once within the previous five calendar years	
Percentage (%) of individual savers that have updated or reviewed their active contributions at least once within the previous five years	

Savers are supported to engage with their pension	
Percentage (%) of individual savers that have contacted the scheme at least once in the previous calendar year (via phone, post, application, online portal etc.)	
Percentage (%) of individual savers registered to a secure portal or application	
Percentage (%) individual savers registered to a secure portal or application that have accessed it at least once within the previous calendar year	

Annex 3

Cost benefit analysis

Introduction

1. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

2. This analysis presents estimates of the significant impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.

3. The CBA has the following structure:

- The Market
- Problem and rationale for intervention
- Policy decisions
- Alternative proposals not pursued
- Our proposed intervention
- Baseline and key assumptions
- Summary of impacts
- Benefits
- Costs
- Wider economic impacts
- Monitoring and Evaluation

The Market

4. The commercial defined contribution (DC) workplace pensions market is made up of both contract-based and trust-based schemes. However, for the purposes of this CBA, unless otherwise stated where we refer to 'the market', we are referring to only contract-based workplace DC pension schemes. These schemes are regulated by the FCA. The proposals in this consultation will apply to all default and quasi-default arrangements of contract-based workplace DC pension schemes in accumulation.

5. Under automatic enrolment (AE), all UK employers are required to offer a workplace pension and those choosing an FCA-authorised firm to provide contract-based pensions to their employees stand to benefit from these proposals.

6. Department for Work and Pensions (DWP) data shows that 16 million people currently save into defined contribution workplace pension schemes, many of these into the default arrangements of schemes chosen by their employer. Workplace DC pension schemes are offered by employers to their employees with both the employer and employee investing in an individual saver pot which is managed by a pension firm.

7. In DC schemes, retirement income is not guaranteed. It depends on the level of savers' contributions and the performance of investments. The 'value for money' DC savers receive from their pension scheme is important to maximising their future retirement income.

Market size

8. The DC workplace pensions market is made up of both contract-based and trust-based schemes. The market is growing and currently has around £450bn assets. We assume below that the contract-based side of the market has around £300bn assets, with the trust-based side having £158bn based on the most recent trust-based scheme returns. We estimate that the size of the contract-based side of the market currently sits between £270bn and £330bn. This estimate was based on data published externally by DWP and the Investment Association; and our survey to firms in December 2023.

9. In our analysis, in addition to our base case of £300bn, we have also included a lower (£250bn) and upper bound (£350bn) and estimated what the costs and benefits would be at these bounds.

10. Under FCA rules, all firms operating contract-based workplace pension schemes must have either an Independent Governance Committee (IGC) or a Governance Advisory Arrangement (GAA). FCA identified 27 firms which were authorised as having a DC workplace business and we assume that these firms jointly account for contract-based workplace pension assets of £300 billion. These will all be affected by our proposals to varying extents. There are currently around 14 firms with an IGC and 13 with a GAA.

Market participants

11. In 2013, the Office of Fair Trading (OFT) conducted a market study of the defined contribution workplace pension market that found competition concerns. We have considered these in the context of today's market and have identified the main players within this market.

12. The majority of contract-based workplace pension schemes are provided by large insurance firms and other providers. Based on responses to our cost survey, the 4 largest participants hold over 75% of workplace pension assets in the contract-based market.

Employers

13. Responsibility for setting up a workplace pension scheme sits with the employer on behalf of their employees. Rather than setting up their own scheme, the employer may choose a commercial firm, often with the help of an adviser. The firm provides

administrative services and fund management for the schemes and ensures there is a default investment option for each scheme. DWP employer research showed that while many employers do consider value when choosing a scheme, more are influenced by ease or convenience or advice from a professional body, colleagues or fellow employers. Once the arrangement is set up, we see little evidence of employers switching pension providers. This might suggest that employers are not monitoring the ongoing performance of their pension provider nor the value it offers to its employees. This indicates a potential principal-agent problem in the market, in which the interests of employees (the 'principal') are not fully aligned with the interests of employers (the 'agent'), who take action on behalf of their employees.

Advisers

14. Pension providers tend to work closely with corporate advisers to employers, such as Employee Benefit Consultants or, typically for smaller employers, Independent Financial Advisers. Corporate advisers play an important role in the distribution chain and may send detailed survey requests to providers so that they can compare propositions available in the market. They can help employers to select a pension provider and design default investment strategies which employees will be automatically enrolled into unless they make an active choice otherwise. They may also design defaults for the employer taking account of demographics of the workplace and may help negotiate better terms for the employer.

Savers

15. By savers we mean employees and ex-employees with contributions invested in a workplace pension. They bear the investment risk, pay charges and receive services in relation to their workplace pension, however they do not have responsibility for many of the key decisions that will affect the value for money of their pension. Most employees are unengaged with their pension saving, and it is highly likely that under AE they may be enrolled into the default without making any active choices. Pressure from employees is weak, and there is often an expectation that employers will act in their best interest.

Independent Governance Committees

16. Following the Office of Fair Trading's (OFT) market study in 2013, IGCs were introduced to address competition concerns in the market. They provide independent oversight of workplace personal pensions in accumulation, and investment pathway solutions in drawdown. IGCs have a duty to scrutinise the value for money of the firm's workplace personal pension schemes on behalf of scheme members. However, it is currently difficult for IGCs to compare performance and quality of services provided on a consistent basis and across the market even with third party data provision.

17. Our current FCA rules require an IGC to raise with the governing body of the firm any concerns it has with the value for money that the firm provides and must also escalate any concerns around how these have been addressed. If not satisfied with the firm's response, the IGC may escalate its concerns to us and may also inform relevant employers and alert scheme members. While our rules require IGCs to consider the key elements of VFM and to make comparisons with the schemes of other firms, it is not clear to us that all IGCs provide the same level of scrutiny and challenge. Few concerns have ever been escalated to us which suggests that, in the main, IGCs consider that firms are taking sufficient action to address their concerns. IGCs may also differ in what they consider to be value for money.

Problem and rationale for intervention

18. The need for regulatory interventions in the market for workplace pensions in accumulation arises from a combination of challenges – competition failing to maximise long-term value for savers, information asymmetries and principal-agent problems.

Competition failing to maximise long-term value for savers

19. We consider it likely that competition between workplace pension firms is failing to maximise long-term value to scheme members who are saving for retirement. TPR data shows that there are now over 11 million workers newly enrolled into their workplace pensions. With the implementation of AE, it is increasingly important that workplace pension products are delivering value for savers.

20. We see relatively little evidence of employers putting competitive pressure on incumbent pension providers by reviewing and actively considering a switch to a better performing proposition. For example, the 2022 DWP employer survey reported 85% of employers who offer a DC scheme not having either switched provider or thought about switching. This is also the conclusion of DWP research on the introduction of AE, also in 2022, which noted that employers rarely switched their pension provider as they felt it was too difficult a process. We are sceptical that low rates of switching are indicative of high customer satisfaction and note the wide range in workplace pension scheme performance and investment strategies. For example, Government analysis suggests that over a five-year period, a defined contribution pot of £10,000 (with no further contributions) invested into the lowest performing scheme would be worth £10,400, whereas invested in the highest performing scheme it would be worth £15,100 – 46 per cent higher.

21. In recent years, we have seen significant consolidation of trust-based schemes and this trend continues. Employers with their own trust-based schemes have decided instead to choose a commercial provider. Anecdotally, employers have typically focused on scheme cost rather than long-term performance. If an annual management charge is too high, then employers may not consider the other components of value. Providers have suggested that the headline price has been the driver of competition within the market.

Information asymmetries

22. There are information failures in the market. Limited transparency around the performance of pension products can make it difficult for employers and IGCs to access the information needed to inform decision making and compare value being delivered.

It can be challenging for employers and IGCs to fully compare the performance of their schemes with others; and a lack of consistency in defining VFM when conducting assessments means considerable variance in their protection of savers' interests.

23. Pensions are complicated products and have high levels of disengagement as benefits are not seen for a long time. Over 90% of DC workplace pension savers are invested in a pension scheme's default strategy and opt out rates are low. The OFT market study found that access and comprehension of information related to the performance of their workplace pension can be challenging for consumers. This means they have limited ability to exert pressure on employers and firms to revise choices in the accumulation phase.

Principal-agent problem

24. There is a principal-agent problem where in the absence of significant saver engagement or ability of savers to directly influence firm performance, employees are dependent on their employer and IGC to do so on their behalf.

25. Scheme members rely on their employers to make most of the key decisions about their pensions for them. Employers often lack the incentive to ensure that employees and ex-employees are receiving long-term value. Over time, ex-employees may represent an increasingly large proportion of savers. Employers choose the pension scheme provider and agree the cost which is paid by their employees and ex-employees who have entered the scheme (some employers also subsidise the arrangement).

26. Market commentary has observed that considerations of cost can often dominate decision-making by employers, with some contracts now being won or lost over very small differences in cost. While many employers want to support the long-term wellbeing of their employees, they don't have a direct financial interest in achieving VFM, many lack knowledge and resourcing, and switching a scheme is costly.

Policy objectives

27. Our proposals aim to drive competition on what matters to workplace pension saver outcomes. Comparative assessments will clearly identify poor performance. Mandatory publication will put pressure on firms both directly and through IGC assessments. Over time, third parties may use the published data and assessments to provide market-wide comparisons, which will stimulate further competition. We expect the intervention to drive competition based on value, with suppliers put under competitive pressure by employers even in cases where they do not switch. Pension savers will be protected from clear underperformance with a set of required actions where an arrangement is assessed as not VFM.

28. All IGCs will be required to follow the assessment process to determine whether an in-scope arrangement is delivering VFM. It will be a mandatory requirement that VFM assessments should be published online and on a free-to-access basis. The published assessment will clearly indicate the RAG rating of a scheme to ensure comparable results, which will be helpful for employers seeking information about scheme performance.

29. The Framework will also detail the specific actions required of firms when an arrangement is assessed as not delivering VFM. Firms will be required to notify employers that their arrangement is not currently delivering value. Employers having information about the value delivered for savers invested in default or quasi-default arrangements may encourage them to review the scheme on behalf of their employees, which will put pressure on firms to improve performance.

30. Where an arrangement isn't delivering VFM, firms will also be required to submit an action plan to the regulators, indicating in detail how they intend to drive better value. Where schemes are assessed as not delivering value for money, they will be closed to new business, until they improve. We would expect this pressure from employers, the regulator and potentially third-party league tables to drive improvement of those underperforming where possible. Where improvement is not possible, we would expect an FCA-authorised firm to consider consolidating the arrangement or exiting the market. We recognise that without changes to the legislation, it may be challenging to transfer savers in bulk to an arrangement that offers better value. In some cases, we will expect improvements even if these are not enough to deliver overall value to savers, for example a reduction in charges when the investment design does not deliver value.

Policy decisions

31. The table below summarises why we, collectively with DWP and TPR along with engagement with industry have made certain policy decisions when developing the framework and the reasons for these. We have sought technical feedback on operational and other aspects of the proposals to ensure they act in the best interest of the consumer and where possible to minimise the burden on firms.

Issue	Why we are doing this	Policy choice
Scope – overall approach	The pension market is large and diverse, and value matters across all products. However, in the interests of proportionality we are proposing to limit the scope of the VFM framework at this initial stage to those schemes and arrangements that are most material to savers.	• We have focused on workplace pensions in accumulation in the first instance: 16 million people now save into defined contribution schemes. We need to strike a balance between targeting schemes where savers face the greatest risks and implementing a framework that is workable. • We propose that disclosures are made for all default and quasi-default arrangements: over 90% of workplace pension savers are invested in their scheme's default arrangement. • We propose to exclude at this stage arrangements with fewer than 1,000 members (unless all arrangements in a scheme have fewer than 1,000 members, in which case the largest is in scope) with proportionality in mind
Firm-designed/ bespoke arrangements	We want to ensure that the framework is proportionate, whilst applying to the arrangements where there is greatest risk of poor value for members.	• We are proposing a more limited set of data requirements and assessments for bespoke arrangements as stakeholders told us it would be unduly burdensome to undertake a full assessment for each arrangement. Providers may not have the detail for the full contextualisation required for an assessment report. However, we will still expect a more quantitative comparison to be carried out with further consideration if there are potential concerns about value.
Investment performance – overall approach	**Investment performance is key to delivery of long-term consumer outcomes. It is thus essential to capture investment performance.**	

Issue	Why we are doing this	Policy choice
Include backward looking returns	Backward looking metrics are an accepted way to measure performance and widely calculated. They have some limitations as they are not a guide to the future.	• We propose disclosure of gross investment performance. • We propose disclosure of performance net of investment charges to allow comparison of the value of the investment element. • We also propose disclosure of investment performance of net of all costs and charges as this will aid comparison of overall value delivered by arrangements.
	We want to drive long-term thinking, so we are selecting metrics over a time period but recognise it is not appropriate or possible to retro engineer decades of data.	• We propose disclosure of 1,3 and 5 year periods where the data is available. We recognise that data for 10 and 15 may not always be readily available. In future, schemes should be able to report on more historic returns. • We propose chain-linking for the periods of 1,3 and 5 years back (10 and 15 where reasonably practical to obtain) recognising that historic data is not always easily obtainable.
	Value matters to pension savers regardless of where they are in the savings journey, but performance can vary and investments can perform differently. We want to capture the returns to enable comparison at key points in the savers journey, in terms of risk.	For simplicity, we propose to capture three phases over a saver's journey: growth, de-risking and at retirement. We propose 30YTR, 5 YTR and at retirement as proxies for these phases.
	Any method of calculating performance needs to work as much as possible with data already collected to make it efficient for industry, whilst still being meaningful.	• Calculation methodology investment and risk metrics are laid out in Chapter 4. These have been tested with industry for availability of data and to ensure a uniform approach.
Risk-based metrics for cohorts	To understand whether value is being delivered, the risk associated with achieving a given level of performance needs to be assessed. Risk-adjusted metrics can help to explain the nature and scale of volatility that an investment has or may potentially be exposed to.	• We propose to use ASD and maximum drawdown as these are more widely used by industry and together offer a clear, tangible perspective on the level of risk.

Issue	Why we are doing this	Policy choice
Asset allocations	Understanding asset allocation is important to provide context to performance and to understand drivers of performance. Standardising asset allocation disclosures and making them public will enable greater transparency across the industry.	• Full asset allocation disclosure would not be proportionate. Instead, we propose requiring the disclosure of asset allocations mirroring current Disclose and Explain policy regulations against 8 key asset classes. We also propose adopting the same definitions as DWP's Disclose and Explain statutory guidance, with the appropriate adjustments. In addition, we propose requiring the disclosure of several sub-asset classes to promote further transparency.
Forward-looking metric	Past returns are factual and reflect member experience. However, there would also be value in having a forward-looking perspective to supplement data on past returns.	• Not currently proposed due to the complexities and gaming risks.
Costs and charges		
Inclusion of costs and charges within the framework – overall approach	**Value in delivering performance and quality of service is dependent upon the costs and charges incurred in doing so.**	
Bundled schemes and combination charges	Investment charges and administration charges are different in nature and drive different outcomes. Investment costs should be expected to correlate to investment choices and performance. Administration costs may cover baseline administration only or may relate to more value-add activities also.	• We propose to unbundle costs to facilitate a better understanding of whether costs link to value generated. • Recognising that unbundled data may not be readily available nor consistent, and not seeking to create undue processes for obtaining such data, we propose an approach to estimate unbundled costs.

Issue	Why we are doing this	Policy choice
Multi-employer in scope arrangement cohorts	The granularity of metrics needs to be sufficient to enable effective comparison, taking into account different variables which drive costs and characteristics of schemes, but we want to limit the granularity in the interest of costs to firms. Pension schemes generally offer a range of terms and conditions for different clients. Requiring multi-employer schemes to report costs and charges for each individual employer would result in very large data disclosures being produced.	• We propose that employers be grouped into employer cohorts for disclosure of costs and charges data. We propose cohorts based on assets under management and number of employees and ex-employees.
Quality of services		
Inclusion of services within the framework – overall approach	**Quality of service is in itself of value to savers and can support informed decision making and therefore outcomes.**	
Scheme administration	We expect schemes to carry out key financial transactions promptly and to maintain a baseline of data about their scheme and scheme members. Efficiency of scheme administration will likely be a main way that scheme savers judge the quality of service that a scheme provides.	• We propose scheme administration metrics that have a material impact on saver outcomes focused on the promptness and accuracy of transactions and the quality of record keeping.
Member communications	Members who engage positively with their scheme have the best chance of optimising their contribution levels and choosing a strategy that best meets their needs.	• Engagement with workplace pensions is low. We suggest quantifiable metrics that may act as measures of engagement, but welcome feedback and any alternative approaches. • We also propose that an event-based member satisfaction survey be conducted to understand savers' experience.

Issue	Why we are doing this	Policy choice
Assessment and outcomes		
Choosing comparators	An arrangement needs to be compared against others in the market to form a view of the value being delivered. Comparisons should be against certain types of comparator arrangements for more consistent assessments and outcomes.	We propose comparisons with arrangements commercially available from at least 3 other providers. • At least two of the providers will need to have total DC workplace pension assets above a proposed scale threshold of £10bn. Scale may provide access to more investment opportunities and enable cost efficient development of in-house expertise and governance for more complex asset classes. It may also give the leverage to negotiate better investment terms and enable cost efficient development and delivery of services. • We propose that where data is available, IGCs will need to compare against at least 1 contract-based and at least 1 trust-based in-scope arrangement. Providers will need to be chosen accordingly. • We propose that an in-scope arrangement features table be produced and published alongside the framework data. This will include information on the provider and the make-up of the arrangement including the number of active and deferred savers.
Assessment process	Assessments currently allow for considerable flexibility in how VFM is assessed by IGCs. The frameworks aims to provide a more consistent and objective assessment that makes use of published framework data.	• We propose a mandatory process for assessing VFM which promotes objectivity in and between assessments whilst allowing scheme demographics to be considered. • IGCs will be required to consider the framework metrics taking account of costs and charges at each step to focus on value delivered.
RAG rating	A VFM assessment should provide a simple, clear and transparent result.	• We propose that arrangements are rated Red, Amber or Green as a simplified and identifiable assessment of value.

Issue	Why we are doing this	Policy choice
Published assessment reports	Published reports for transparency of VFM ratings and so that employers, regulators, third parties and savers can compare schemes against one another.	• Consistent publication timing of VFM assessment results is essential for the purpose of standardised accurate monitoring and compliance. • Assessment reports will be published by the end of October each year using published framework data from Q1. This should allow enough time for data collection and analysis.
Actions		
Mandatory communication to employers and FCA	Employers and regulators are more likely to act if they are aware a scheme is poor value.	• We propose that firms responsible for an in-scope arrangement rated amber or red be required to communicate the rating by 30 November each year to any employer actively paying into it. • We propose that for each amber or red rated arrangement, firms will need to notify us and submit an action plan.
Closing to new business	Firms should not offer poor value pension products. Doing so would not be consistent with a firm's obligations under the Consumer Duty.	• We propose that firms may not accept business from new employers where the in-scope arrangement is rated as amber or red. • We recognise that a firm may want to re-open an arrangement. An IGC can re-assess an in-scope arrangement outside of the annual cycle where appropriate comparisons are possible.
Disclosure requirements		
Publishing options	To enable meaningful VFM assessment and accurate comparisons, framework data will need to be collected and published in a consistent and accessible format where data can be easily extracted and processed.	• We propose to require both machine readable and human accessible versions of the data.
Reporting periods and deadlines	To enable meaningful comparison, framework data needs to be directly comparable.	• We propose that all framework data is published for the preceding year (1 January to 31 December) by the end of Q1. This allows for the most recent market data to be used in comparisons and gives schemes enough time utilise the data for their assessments.

Alternative proposals not pursued

32. The detailed metrics have been developed and agreed jointly with DWP and TPR after carefully considering the differing views and alternative options, including detailed consultation with industry working groups. As the market evolves, we can look to adjust the Framework so that it remains appropriate.

33. The policy decisions table laid out earlier in this CBA, summarises the policy considerations and decisions that we arrived at. Key proposals that we decided against at this stage are listed below.

34. We considered the inclusion of a forward looking metric to complement the backward-looking metrics in the framework. At this time, we have not proposed to include forward looking metrics due to the complexities and gaming risks. We have received mixed feedback from industry about its inclusion, with some raising concerns around the incentive to overestimate future returns.

35. We have also considered the use of a central repository to collect and validate the data at a single source. However, we have noted the costs and potential delays to implementation in developing a centralised portal. Therefore, we intend to proceed with a decentralised approach at this time.

36. We have considered proposing regulator-set benchmarks, as used currently in Australia for superannuation funds. We do not propose to proceed with such benchmarks; however may consider introducing benchmarks or minimum standards once we have a body of data to consider.

Our proposed intervention

37. The VFM Framework has been developed to support a consistent and more objective process for assessing VFM across DC schemes. It provides a transparent, standardised way for IGCs to holistically assess and evidence VFM outcomes. The framework requires specific actions of firms to demonstrate they are trying to improve the value they provide to savers. The intervention will consist of four elements that aim to deliver overall bigger saver pots at retirement.

Mandatory disclosure of comparable metrics

38. Requiring the disclosure of the metrics we consider to demonstrate VFM will ensure that there is consistent and comparable data published publicly on firms' websites. We expect that firms will be incentivised to improve performance where they are seen as underperforming in comparison to others in the market and we expect this will lead to their seeking to improve long-term risk-adjusted investment performance.

39. For example, the disclosure of asset allocations will allow IGCs to consider allocation against comparators during the assessment process to help understand reasons for relative performance. Firms will also be able to scrutinise their investment strategy

against peers and this could inform their decisions on how their asset allocations could be improved to deliver better returns for savers.

40. Under FCA rules, in scope arrangements will be required to disclose their:

- Investment performance – We propose requiring schemes to report past performance for the investment portfolio of the in-scope arrangement at points during the growth phase, de-risking, and at retirement.
- Asset allocations - We propose requiring schemes to disclose asset allocations for their firm-designed arrangements against 8 asset classes (cash, bonds, listed equities, private equity, property, infrastructure, private debt and other). This broadly mirrors Disclose and Explain requirements for trust-based schemes.
- Costs and charges – We propose requiring schemes to disclose their service costs, investment charges and total costs and charges for the most recent year and where available for past years.
- Services – We propose requiring schemes to disclose quantitative metrics that can act as a measure for the quality of services delivered.

Comparative assessment

41. IGCs will be required to adopt a prescribed approach to assessing VFM which will reduce subjectivity, using published data from other firms and trust-based providers, where available, for comparison. This will ensure comparable assessments across the market are possible. IGCs will, however, be allowed to take wider factors into account where justified.

Publication of assessment

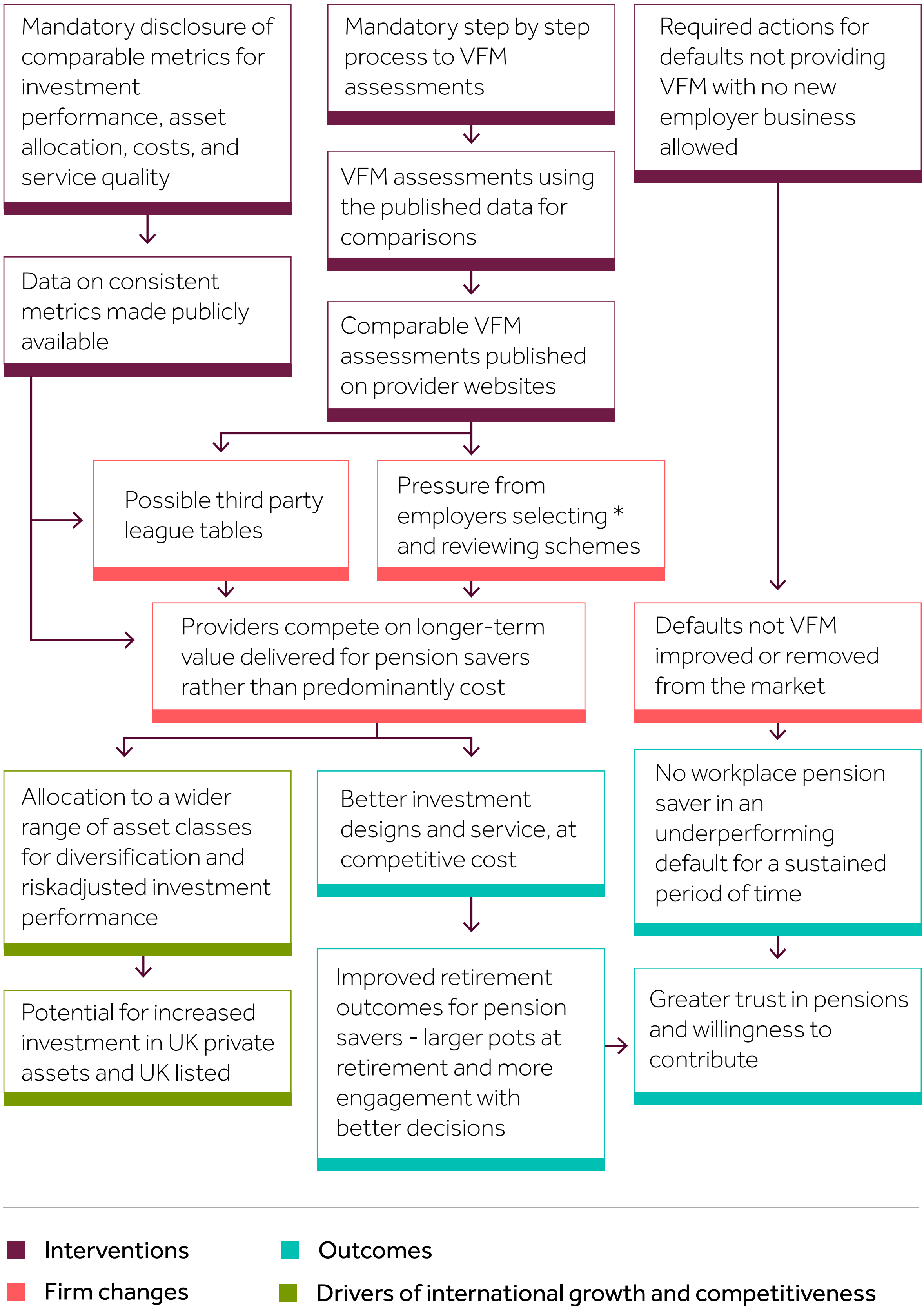
42. We expect mandatory publication of assessment results to further incentivise firms to improve performance and encourage employers to review and consider switching providers where necessary.

Actions

43. If an in-scope arrangement is assessed as not providing VFM, the firm will be expected to take specified actions to improve value for affected savers. The firm will have to inform the employer who would be able to switch their employees into another scheme if they choose to do so. The employer would also be able to encourage savers to switch their existing investments to the new provider. The potential for switching by employers should encourage schemes to enhance their performance so they are in line with or outperforming their counterparts.

The following chart sets out how our proposed intervention would reduce the harm set out above.

Figure 1: The causal chain



* - Employers continuing to consolidate to commercial providers and potentially switching existing providers. We may expect some pressure from the most engaged workplace pension savers and consumer representative groups.

Baseline and key assumptions

Baseline

44. Our baseline for this analysis is our current rules and what firms are doing to comply with these rules, which includes establishing effective IGCs. We currently require IGCs to assess the value for money that a firm provides, with the assessment embedded in FCA rules for a firm's obligations under the Consumer Duty. A firm must use its IGC's VFM assessment in its own value assessment. Where a firm disagrees with its IGC's assessment, the firm must explain why, and set out how it considers that the scheme provides value.

45. Standards differ between IGCs when assessing value under our current rules and we can see this in current assessments of value. The proposed VFM Framework is designed to change this by providing consistent value metrics that workplace pension providers will be required to disclose, which can be used by IGCs to easily compare their scheme against others.

Affected firms and data

46. Our assumptions used to estimate the size of the market for contract-based workplace pensions are explained above in "the Market" section. We assume a market size of around £300bn with 27 firms operating in this market for the purposes of this cost-benefit analysis. We have also included a lower (£250bn) and upper bound (£350bn) in the analysis and estimated what the costs would be at these bounds.

47. We issued a survey in December 2023 to firms who would be in scope of the proposals. We asked firms to estimate the costs of implementation, noting that these may be subject to change once the technical details proposed in this consultation become clear. The FCA identified 27 FCA-authorised firms operating in-scope DC workplace business and we assume that these firms jointly account for around £300 billion workplace personal pension assets.

48. We received responses from 19 firms. We assume that the survey responses from this sample of firms are representative because of the proportion of value of the overall market they cover. The survey responses were used to provide estimates of the:

- incremental compliance costs
- potential benefits from the intervention

49. In addition to the information on costs, we also asked two questions regarding annualised investment performance and annual management charges. We asked that these were provided for the three largest firm-designed default funds. For the purposes of our benefit analysis, we have made a simplifying assumption that the three defaults for each firm are representative all of that firm's arrangements.

50. Market-wide impacts are calculated by weighting individual survey responses on the basis of each individual firm's workplace personal pension assets to produce sample estimates. Weighted average estimates for the sample are then scaled to produce market-wide estimates.

Key assumptions

Compliance costs

51. We have concerns about the consistency of submissions in response to our survey across firms and cost categories. Submissions showed that firms of similar size were reporting significantly different cost estimates for each of the cost components asked for. It was not clear what the reasons were for the range of estimates we received. We spoke to some firms about their estimates and found that some found it difficult to provide more granular costings, without the technical details of the policy. Others had also factored the Framework into wider change programmes, making it difficult to split out the incremental cost of implementation. Some firms had very different workplace pension businesses to others, with diverse platforms and operational structures, meaning different estimated costs of implementation. There also may have been differences in the process of gathering the estimates.

52. For the purposes of this CBA, **we have assumed that by averaging across all firms in the sample, our scaled estimates are representative of the market**.

Benefits

53. To estimate the potential benefits, we have assumed in our estimate that the main benefit from the VFM intervention accrues from 'closing the gap' in investment performance between the lower performers and the average performance. This is an approximation to illustrate potential benefits and is not intended to be comprehensive or precise.

54. Key assumptions are made with respect to the following:

55. **The proportion of the investment performance gap that will be closed each year and the number of years the benefits from closing the gap will continue to accrue**. We assume benefits from closing the gap in performance by 1% to 3% each year for the first 5 years, such that 5% to 15% of the gap is closed by the end of 5 years as a consequence of the Framework. We assume these annual improvements will be cumulative and will persist for 10 years relative to a counterfactual where there is no VFM Framework. This assumption is for illustrative purposes, but we believe it is reasonable given the intention of the Framework to drive up poor performance. We have not assumed an immediate and very substantial improvement. Rather, we expect some incremental improvement each year over 5 years, relative to the case without our intervention, towards a steady state cumulative difference.

56. To illustrate the benefits from closing the gap, we identified lower performers in relation to the weighted average performance of a market sample. When calculating benefits from closing the gap, we hold this weighted average market performance constant throughout the time periods assessed. This assumption simplifies the subsequent calculations while also avoiding an additional set of assumptions regarding the average market performance relative to any improvements.

57. We recognise that firms may also make improvements to defaults already above the market average, in light of comparisons, but have not taken this into account in the analysis. The pressure on those who are outperforming their counterparts to improve will be weaker, however there may be improvements over the longer term, for example where firms allocate a proportion of assets to attractive investment opportunities in productive finance. We have not attempted to quantify these for the purposes of this CBA, however, remain aware that this may lead to an underestimation of the benefits to be delivered by the Framework. We have also not taken into account anticipated improvements to service quality and value.

58. In developing this approach to estimating the benefits, we have made some assumptions to help fill the gaps in survey responses. We asked firms to report their gross investment performance figures in line with what they already report this externally to reduce the burden of completing the survey. 12 out of 19 respondents provided this data.

59. In line with data already collected and provided externally we asked for:

- annualised gross investment performance figures delivered by the three largest firm designed defaults over the following timeframes:
  - 5 years with 30 years to State Pension Age (SPA)
  - 3 years with 30 years to SPA
  - 5 years with 5 years to SPA
  - 3 years with 5 years to SPA
- annual management charge (%) for the most recent year of the three largest firm-designed default funds

60. We have used this data to approximate dispersion in investment performance around a market average. We recognise that dispersion may be greater for smaller default arrangements but do not have data for these. In calculating investment performance for each firm, we make the following assumptions:

- **Equal portfolio weightings:** We have made a simplifying assumption that the three defaults for each firm are representative all of that firm's arrangements. For illustrative purposes, we have given equal weighting to the two timeframes to SPA and two reporting periods. Members will have longer in an investment mix that approximates the 30 years to SPA point, but the amounts invested will be larger as members approach SPA.
- **Gross investment performance:** To reduce the burden of the information request, we asked for gross investment performance where it was readily available. 12 of the 19 firms who responded were able to provide this within the timeframes.

- **Gap in performance:** As described above in paragraph 55 we assume that the benefits from closing the gap in investment performance will accrue over 10 years. This is a result of improvements made by the firm following the introduction of the VFM framework. We assume that these improvements will be implemented each year for the first 5 consecutive years. The incremental annual improvements range between 1 and 3% of the outstanding gap.

61. Our aim is to illustrate the cumulative impact over 5 years of successive small improvements driven by the Framework, with the cumulative impact persisting beyond 5 years, relative to the counterfactual of not implementing the Framework.

Summary of Impacts

62. Overall, we expect the benefits to outweigh the costs. We estimate total costs to industry to be in the range of £29 million to £40 million over 10 years when expressed in present value terms, using a 3.5% discount rate. We expect costs to be higher in the first year due to the additional adjustment costs such as setting up the systems for data collection and developing the metrics for the first time.

63. In quantifying these benefits, which accrue to pension savers, we assume that the Framework will drive improvements to the investment performance of default arrangements of below average performance. A closing of 1% to 3% annually of the gap to the current average, over 5 years and with no further improvement beyond, could range from £430 million to £1.2 billion.

64. We summarise the impacts that we expect to arise from our proposals in Table 1, which are described in more detail in the following sections.

Table 1: Summary of benefits and costs

Description of impact	Impact (£) *
Benefits	
Improvement in investment performance of default arrangements that are below average performance	£430m – £1.2bn
Costs to firms	
One-off costs: familiarisation and gap analysis, learning costs, developing metrics, implementing data template	£7.5m – £10.6m
Ongoing costs: additional meetings/time, data collection and storage, providing data at request, framework data reporting, assessment reporting, and developing metrics	£21.2m – £29.7m
Total costs to firm	£29m – £40m

* All figures are discounted at the standard government Green Book rate of 3.5% and expressed in present value terms over a 10-year time horizon.

65. We present the total impact of our proposals in net present value terms over a 10-year time horizon in Table 2, distinguishing between direct and indirect impacts. We show the range of expected annual net direct cost to business (EANDCB) in Table 3, which is calculated by annualising the total net direct cost to business.

Table 2: Present Value and Net Present Value

	PV Benefits	PV Costs	NPV (10 years) (benefits – costs)
Total impact	£430m - £1.2bn	£29m – £40m	£400m – £1.2bn
-of which direct		£29m – £40m	(£29m – £40m)
-of which indirect	£430m - £1.2bn		£430m – £1.2bn

Table 3: Net direct costs to firms

	Total (Present Value) Net Direct Cost to Business (10 years)	EANDCB
Total net direct cost to business (costs to businesses - benefits to businesses)	£29m – £40m	£3.3m – £4.7m

* To annualise the net direct cost to business, we use the standard discount rate of 3.5% and a 10-year time horizon, which gives an annuity rate of 8.61.

Benefits

66. Our proposals aim to help protect consumers with workplace personal pensions from potentially poor outcomes and drive value for money in the market. The VFM Framework will deliver greater competition between firms on long-term outcomes.

67. Firms will be incentivised to improve performance on metrics where they are weak, and employers are more likely to review, and switch firms – or raise the prospect of switching firms - based on the VFM assessment of their scheme, and the communications provided to them. Following the implementation of AE, research conducted by DWP showed that most employers across all sizes believed that value for members was a priority when considering switching schemes and they were likely to show this through their actions or views about the benefits of pensions. Therefore, we can expect that some employers would be activated to take action if given the information that the impact of their arrangement's performance was detrimental to its employees.

68. Firms will be under greater pressure to improve performance than they currently are. This is due to the potential commercial impact of being assessed as not VFM.

1) If an arrangement is assessed as not delivering value for its members, it cannot accept business from new employers until it is re-assessed as VFM.
2) Firms may lose current business if an employer is activated and decides to switch their employees. We will require that firms send a mandatory communication to employers to inform how their scheme performed and this may activate employers to review their choice.

69. We do not expect switching in large numbers, as the threat of switching should drive improvements to existing arrangements. These may include improvements to the mix of investments and how those change through the pension saving journey. To illustrate the benefits discussed above, we expect that the VFM Framework will drive improvement in the investment performance for below average arrangements.

70. As part of our survey issued to firms, we asked those who already collect it to provide us with data on the performance of their three largest default arrangements. Using the sample data received from firms, we estimated that the market-weighted average annual gross investment return across the 4 portfolio segments ranged from 5.9% to 2.5%. Where a firm reported an annual investment return below the segment average, we calculated the gap between their estimate and the sample average and then multiplied this by their workplace personal pension assets. For instance, if the gap in investment performance between a lower-performing firm and the market average was 1% and that firm had £1 billion assets, their initial gap in investment performance was estimated to be £10 million per year. To calculate the size of total gap (or area for improvement), we summed across all segments for lower-performing firms and then scaled to the market. Where we estimated the market size to be £300 billion, we estimated that initial investment performance gap was £1.3 billion. We also expect improvements on the quality of service metrics and on costs and charges but do not quantify those benefits here. While investment costs may rise, we expect this only to be where anticipated risk-adjusted returns justify the additional expense.

71. We estimate the total benefits of the intervention which would accrue from closing the gap in investment performance, between the lower performers and the average performance, to be in the range of £430 million to £1.2 billion. Using the base size of £300 billion and an assumption that the value for money intervention 'closes the gap' by:

- 1% indicates benefits of £430 million
- 3% indicates benefits of £1.2 billion

72. Given that the size of the market drives the benefits and there is uncertainty around the actual market size, we estimate that the benefits in this illustrative analysis could range from £360 million to £1.4 billion.

Table 4: Total benefits over 10 years (£Mn)

Market Size	250,000	300,000	350,000
Total Benefit from "Closing the gap"*	1,100	1,300	1,500
Where: 1% per annum	360	430	490
Where: 3% per annum	1,050	1,240	1,430

* These are the assumed total potential benefits which could accrue each year if the gap in investment performance was closed in full.
Estimates have been rounded to improve readability and avoid arbitrary precision.

73. To illustrate, in the base case scenario where we assume a market size of £300 billion, we estimate that the potential benefits from fully closing the initial gap would be approximately £1.3 billion. However, we estimate that as a result of improvements undertaken because of the introduction of VFM Framework, the gap will reduce by 1% every year for the next 5 years (5% cumulative). In other words, we assume in this scenario that 5% of the initial gap will be closed in total but that it takes 5 years. Furthermore, we assume that the Framework will be effective for 10 years, and that any annual benefits will persist each year, until Year 10. So, in this scenario, years 6 through 10 each see benefits of 5% of the gap.

74. We assume that the Framework will deliver benefits of £13 million (£1,300mn x 100% x 1%) in Year 1, and that these benefits will persist in each of the subsequent 9 years. Therefore, the present value of the benefits generated from improvements in the Framework in year 1 is estimated to be approximately £112 million.

75. We assume that the Framework will continue to lead to improvements in investment performance for each of next 4 years, such that in as a result of improvement introduced in year 5, benefits of £10.9 million (£1,300mn x 96% x 1% = £12.5 million, which is then discounted to present value terms) will be generated and that these changes will contribute benefits of £62 million by Year 10. Under this scenario, the total benefits from closing the gap in investment performance as a result of improvements in year 1 to 5, is estimated to be £428 million after 10 years - see Table 5 below.

Table 5: Closing the gap under the base case scenario – Illustration

a. Assumptions

Initial gap in performance (£mn)	1,300					
Annual Improvement (%)	1%	1%	1%	1%	1%	
Share of Market (%)	100%	99%	98%	97%	96%	
Time Value of Money (%)	3.5%					

b. Improvements: Result of the introduction of the VFM Framework in year (£mn)

(benefits are discounted and expressed in present value terms)

Year	1	2	3	4	5	**Total**
1	13.0					**13**
2	12.6	12.4				**25**
3	12.1	12.0	11.9			**36**
4	11.7	11.6	11.5	11.4		**46**
5	11.3	11.2	11.1	11.0	10.9	**56**
6	10.9	10.8	10.7	10.6	10.9	**54**
7	10.6	10.5	10.4	10.3	10.5	**52**
8	10.2	10.1	10.0	9.9	10.2	**50**
9	9.9	9.8	9.7	9.6	9.8	**49**
10	9.5	9.4	9.3	9.3	9.5	**47**
Total	**112**	**98**	**85**	**72**	**62**	**428**

76. We expect that the proposals will help raise the quality of the poorest-performing schemes. If the performance of a scheme is more easily comparable, the lowest performers will be more clearly identifiable. Firms will take action to improve their arrangements performance due to the public nature of assessments, potential for league tables to emerge utilising the Framework data and employers/advisers being more focused on the VFM delivered for pension savers.

Costs

77. We expect firms to incur one-off costs, which include familiarising themselves with the new requirements and learning costs, and ongoing costs per year which include additional meeting time and firm costs to support the IGC/GAA.

78. We have based our cost estimates on the information that firms provided in response to the survey, as this is the best information we have on what the intervention may cost industry. We have focused on combined one-off and combined ongoing costs, rather than the different types of cost that we asked for in the survey. Some respondents found it challenging to categorise costs into different types so the data at this level may not be consistent.

79. Whilst we have concerns over the quality of the cost estimates that we have received from firms, we have estimated a total cost to industry in the range of £29 million to £40 million over 10 years.

Table 6: Total compliance costs over 10 years (£Mn)*

Market Size	250,000	300,000	350,000
One-off costs	8	9	11
Ongoing costs	21	25	30
Total costs	29	35	40

* Costs have been discounted and expressed in present value terms and then rounded to the nearest £million,

Compliance costs to firms – one off

80. There will be one-off costs, which include familiarisation cost and gap analysis; learning costs; initial costs to develop the metrics and to put arrangements in place to publish the data following a prescribed template. We have assumed that IGCs/GAAs will need to meet an additional 3-4 times in the first year. The new requirements will require that IGCs/GAAs prepare and assess the VFM of in-scope arrangements following a prescribed assessment process and utilising the published data for comparisons. Firms may need to consider additional resourcing requirements and whether their IGC/GAA has sufficient expertise.

81. We would expect there to be some IT costs in relation to change. These costs relate to the cost of developing metrics, but we expect that these costs will differ between firms as the additional cost will be dependent on the data currently collected. In designing

these metrics, we have taken on feedback from our previous joint publications and industry working groups to ensure that the metrics we have selected are feasible and have sought to reduce costs where possible.

82. We will also be mandating that firms use a prescribed data template to report their data and expect that this will be a significant proportion of the costs of implementation. Estimates from the cost survey indicated that the development of metrics and the implementation of the prescribed template would be where most of the one-off costs will lie.

Table 7: One-off costs (£Mn)

Market Size	250,000	300,000	350,000
Familiarisation and gap analysis	1.2	1.5	1.7
Learning costs	0.6	0.8	0.9
Developing metrics	2.3	2.8	3.2
Implementation of data template	2.3	2.8	3.3
Other costs	1.1	1.3	1.5
Total	7.5	9.0	10.6

Compliance costs to firms – ongoing

83. There will be ongoing compliance costs in order for firms to comply with the new Framework. These costs will include any additional meeting time associated with data and assessment publication; data collection and storage; reporting of both the data and assessment and any costs required to development the metrics. From cost survey data the majority of ongoing costs are expected to sit in the collection and storage of new data and the publication of the annual VFM assessment.

84. We have considered whether there would be expected costs to asset managers. A question in the cost survey asked whether there would be any costs to asset managers in providing the data – there was no clear answer to this, with some firms indicating that it is too early to provide this level of detail.

85. Overall, costs in year 1 will be higher due to the additional adjustment costs such as setting up the systems for data collection and developing the metrics for the first time. After this point, we expect that costs will be lower as systems have already been introduced and should be embedded into the firm's infrastructure.

Table 8: Ongoing costs (£Mn per annum)

Market Size	250,000	300,000	350,000
Additional meetings/time	0.3	0.3	0.4
Data collection and storage	0.6	0.7	0.9
Providing data at request	0.2	0.2	0.2
Framework data reporting	0.5	0.6	0.7
Assessment reporting	0.6	0.8	0.9
Developing metrics	0.3	0.3	0.4
Total (per annum)	**2.5**	**3.0**	**3.5**
Total ongoing costs	**21.2**	**25.5**	**29.7**

* Total ongoing costs discounted and expressed in present value terms over a 10-year time horizon

Costs to the FCA

86. We do not expect our proposed measures to lead to any significant direct costs to the FCA. Supervision and enforcement of the proposed rules will be undertaken using existing resources, this includes reviewing improvement and action plans that will be sent to us by those assessed as not value for money.

Implementation timing

87. We could defer implementation of the Framework for contract-based workplace pensions until DWP is ready to proceed with the full Framework, subject to decisions of the new Government. At this time, we are consulting on rules for the Framework, but have not announced plans for implementation.

88. This CBA has evaluated costs for the measures laid out in this paper, however the evidence gained from the feedback of the consultation will need to be taken into account for future costings. Also of note, this CBA only applies to implementation on the contract-based side of the market; there is potential for greater benefits across the whole market.

89. We could also not proceed with the announced consultation and cease work on the Framework. This would mean that we could not get feedback on the more detailed proposals as set out in the paper, and would be missing a valuable opportunity for feedback.

Secondary international competitiveness and growth objective

90. Improving transparency will increase competition among firms. The Framework is designed to shift the focus of decision-making from cost to value, driving firms to constantly assess the value they offer to savers, and to take action where necessary. This opens up the potential for some arrangements to allocate increased funds to alternative assets that may have the potential to offer greater returns over the longer term but cost more to manage, for example infrastructure and venture capital. Where this investment is in UK-focused assets it has the potential to support UK growth and competitiveness.

91. Greater transparency over asset allocation will make it possible for employers and savers to compare arrangements and understand the potential differences in asset allocations within arrangements that have increased investment performance. This helps employers and savers to build more trust in the pension market, while driving competition among market participants. It will also support visibility of progress against the Government's Mansion House Compact, that encouraged pension funds to invest at least 5% of their assets in unlisted equity.

Monitoring and evaluation

92. **Monitoring:** We will monitor firms' compliance with the new rules through our usual regulatory tools.

93. **Evaluation:** If we implement these proposals we believe these will help ensure that schemes deliver long-term value for savers. In determining whether the intervention has been a success, we would expect to see a proportion of defaults assessed as not VFM, and consequent actions such as consolidation occur over time. For those assessed as VFM we would expect IGCs to identify improvements in their published reports, which could be accessed by the Regulator.

94. Over time as Framework data builds up, we should be able to see trends in performance across the metrics disclosed. For example, we expect to see improvements over time for disclosed service quality metrics.

95. We also expect to see the Framework drive and support consolidation of pension schemes, where this is in the best interest of savers. We will continue to work with TPR and DWP to ensure we are effectively monitoring implementation and consequent outcomes in the market.

Question 47: **Do you have any comments on our cost benefit analysis?**

Annex 4

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s. 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.

5. This Annex includes our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives

7. We consider these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they will drive higher service standards, provide greater consumer protection and promote competition. For the purposes of the FCA's strategic objective, "relevant markets" are defined by s. 1F FSMA and include the markets for regulated financial services.

Consumer protection objective

8. The mandate of the FCA includes the requirement to secure an appropriate degree of protection for consumers. We have had regard in this consultation to the 8 matters listed in s. 1C(2)(a)(h) FSMA on consumer protection. We consider our proposals are compatible with our consumer protection objective.

9. The focus of the VFM Framework is to ensure that pension savers are getting VFM from their arrangement for every pound saved. We want to embed a set of metrics and standards that will help to drive improvements in VFM. We would expect the providers of underperforming arrangements to make immediate improvements or, where the situation persists over time, look at other options to secure better VFM, such as transferring savers into a better performing arrangement. These proposals would ensure that savers are protected from being in underperforming arrangements for long periods of time, when the impact of poor VFM is cumulative.

Competition objective

10. The mandate of the FCA also includes the requirement to promote competition. We have had regard in this consultation to the 5 matters listed in s. 1E(2)(a)(e) FSMA on promoting competition and consider our proposals are compatible with our competition objective and our Competition duty under s. 1(B)(4).

11. Our proposals are also intended to improve competition between schemes. The publication of Framework data on a consistent basis will greatly improve comparisons between schemes. We also believe that a holistic set of metrics, focussed on factors that make a difference to pension saver outcomes, will promote competition that is in the interests of pension savers. We aim to shift the focus from cost to long-term value when commercial providers compete for new business from employers and to retain existing business.

Secondary international competitiveness and growth objective

12. We consider our proposals comply with the FCA's secondary objective in advancing competitiveness and growth. The Framework is designed to shift focus of decision-making from cost to value, driving firms to constantly assess the value they offer to savers, and to take action where necessary. This opens up the potential for some arrangements to allocate increased funds to alternative assets that may have the potential to offer greater returns over the longer term but cost more to manage, for example infrastructure and venture capital. Where this investment is in UK-focused assets it has the potential to support UK growth and competitiveness.

13. Greater transparency over asset allocation will make it possible for employers and savers to compare arrangements and understand the potential difference in asset allocations within arrangements that have increased investment performance. This helps employers and savers to build more trust in the pension market, while driving competition among market participants.

The FCA's regulatory principles

14. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s. 3B FSMA.

The need to use our resources in the most efficient and economic way

15. The proposals set out in this consultation are consistent with an efficient and economic use of our resource. We have built on existing work where possible, and have engaged extensively with stakeholders in developing our proposals to incorporate expertise and feedback throughout the process.

The principle that a burden or restriction should be proportionate to the benefits

16. As set out in the cost benefit analysis we are satisfied that the likely benefits of these proposals outweigh and justify the likely costs. We surveyed firms to get a high-level estimate of what the costs would be and have used this information to inform our analysis.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target)

17. We have had regard to this principle. We consider that the proposals set out in this consultation are consistent with embedding ESG considerations, including climate change considerations, into a workplace pension proposition.

The general principle that consumers should take responsibility for their decisions

18. The proposals do not depart from the general principle that consumers should take responsibilities for their decisions. The Framework is not actively targeted at consumer decision-making, as it is aimed at default and quasi-default arrangements which savers are put in automatically. However, published assessment reports will provide consumers access to the information about their workplace pension scheme.

The responsibilities of senior management

19. It will be responsibility of relevant Senior Managers to ensure that their firms comply with the rule changes that we are proposing, if made. Senior Managers must have regard to their responsibilities under the Senior Managers and Certification Regime.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

20. We do not consider that our proposals are inconsistent with this principle.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

21. We have had regard to this principle and do not believe that our proposals undermine it.

The principle that we should exercise our functions as transparently as possible

22. We have engaged regularly and worked closely with other partners on the work, including the Department for Work and Pensions and The Pensions Regulator. We have also engaged with industry through a series of working groups whilst shaping our proposals and will continue to do so as part of this consultation process before making final rules.

23. In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s 1B(5)(b) FSMA). We do not consider this relevant to our proposals.

Expected effect on mutual societies

24. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies.

Equality and diversity

25. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.

26. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in Chapter 2 of the Consultation Paper.

Legislative and Regulatory Reform Act 2006 (LRRA)

27. We have had regard to the principles in the LRRA for the parts of the proposals that consist of general policies, principles or guidance. We consider that the proposals are proportionate and promote our operational objectives of consumer protection and effective competition, as well as our strategic objective to ensure that markets function well. We consider that the proposals will result in an appropriate level of consumer protection without creating undue burdens on the industry or adversely affecting competition

28. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance and consider the proposals are proportionate to the potential harm to consumer or risks to our statutory objectives identified.

Annex 5

Abbreviations used in this paper

Abbreviation	Description
AIM	Alternative Investment Market
ASD	Annualised standard deviation
AE	Automatic enrolment
CBA	Cost Benefit Analysis
CSV	Comma Separated Variable
COBS	Conduct of Business sourcebook
DC	Defined contribution
DWP	Department for Work and Pensions
EANCB	Expected Annual Net Direct Cost to Business
EBC	Employee benefit consultants
ESG	Environmental, social and governance
EPP	Executive Personal Pensions
FCA	Financial Conduct Authority
FRN	Firm Reference Number
FSMA	Financial Services and Markets Act 2000
GAA	Governance Advisory Arrangements
GPP	Group Personal Pensions
GAR	Guaranteed Annuity Rate
IGC	Independent Governance Committees
LRRA	Legislative and Regulatory Reform Act 2006

Abbreviation	Description
NPV	Net Present Value
PV	Present value
PROD	Product Intervention and Product Governance sourcebook
RAG	Red Amber Green Rating
SIPP	Self-Invested Personal Pensions
SPA	State Pension Age
OFT	The Office of Fair Trading
TPR	The Pensions Regulators
VFM	Value for Money
YTR	Years to retirement

Appendix 1

Draft Handbook text

CONDUCT OF BUSINESS (VALUE FOR MONEY FRAMEWORK) INSTRUMENT 2024

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137A (The FCA's general rules);
(2) section 137T (General supplementary powers); and
(3) section 139A (Power of the FCA to give guidance).

B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Principles of Businesses	Annex B
Conduct of Business sourcebook	Annex C

Citation

E. This instrument may be cited as the Conduct of Business (Value for Money Framework) Instrument 2024.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

firm designed in-scope arrangement	an *in-scope arrangement* designed by a *firm* which is used by an employer without any variation being made for that employer.
in-scope active saver	a member of a *relevant scheme* who: (a) has pension contributions already invested in an *in-scope arrangement* in that *relevant scheme*; and (b) is currently having contributions made on their behalf by their employer, regardless of whether they are themselves contributing, to that *relevant scheme* to be invested in the *in-scope arrangement*.
in-scope arrangement	an arrangement that is in accumulation within a *relevant scheme* and is either an *in-scope default arrangement* or an *in-scope legacy arrangement*.
in-scope default arrangement	a *default arrangement* which has: (a) at least 1,000 members; or (b) fewer than 1,000 members and is the largest, or only, *default arrangement* provided by a *firm*, in relation to the particular *qualifying scheme*.
in-scope deferred saver	a member of a *relevant scheme* who: (a) has pension contributions already invested in an *in-scope arrangement* in that *relevant scheme*; (b) is not currently having contributions made on their behalf by an employer, regardless of whether they are themselves contributing to that *relevant scheme*; and (c) is not receiving, and has not received, payment of pension or other benefits from that *relevant scheme* in respect of the *in-scope arrangement* in which the member is invested.
in-scope legacy arrangement	an arrangement:

(a) offered within a *relevant scheme* which is not a *qualifying scheme*;

(b) in which, at 31 December [*Editor's note:* year to be inserted], at least 80% of current or past workers of at least one employer who still have contributions invested in the *relevant scheme* are invested in the arrangement; and

(c) which has:

(i) at least 1,000 members; or

(ii) fewer than 1,000 members and is either the largest or only such arrangement provided by a *firm* in relation to the particular *relevant scheme*.

in-scope saver	a member of a *relevant scheme* who is an *in-scope active saver* or an *in-scope deferred saver*.
investment charges	(a) in relation to a *firm* providing a *non-vertically integrated arrangement*, fees and charges only in relation to *investments* of the *non-vertically integrated arrangement*, including any performance-based fees but excluding *transaction costs*; or (b) in relation to a *firm* providing a *vertically integrated arrangement*: (i) where the *firm* makes the *investments* available as standalone products, the amount that would be charged to a third party for the *investment*; or (ii) where the *firm* does not make the *investments* available as a standalone product, the charge the *firm* estimates based on objective market rates for reasonably comparable *investment* products.
non-vertically integrated arrangement	an *in-scope arrangement* where all of the underlying *investments* in the arrangement's investment portfolio are managed by a third party outside of the *firm* or the *firm's group*.
service costs	*total costs and charges* less *investment charges*.
total in-scope assets	the total value of all assets made up of: (a) assets held by the *firm* for the purpose of any *relevant scheme*; and (b) assets arranged to be invested or invested by a *firm* in relation to a *defined contribution occupational pension scheme*, the trustee of which is a client of the *firm*, including a master trust for

which the scheme funder is the *firm*, or a *person* within the same *group* as the *firm*.

total costs and charges — the total of all *administration charges,* which will equal the sum of *service costs* and *investment charges*.

relevant assets — assets in accumulation invested in a particular *in-scope arrangement* that have been obtained with contributions from or on behalf of *in-scope savers*.

retirement age cohorts — the following cohorts of *in-scope savers*:

(a) *in-scope savers* of the *in-scope arrangement* who have reached their target retirement date in the calendar year being assessed;

(b) *in-scope savers* of the *in-scope arrangement* who are 5 years away from their target retirement date in the calendar year being assessed; and

(c) *in-scope savers* of the *in-scope arrangement* who are 30 years away from their target retirement date in the calendar year being assessed.

vertically integrated arrangement — an *in-scope arrangement* which is not a *non-vertically integrated arrangement*.

Amend the following definitions as shown.

administration charge

(1) (except for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8), any charge made which:

…

(2) (for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8 only), in relation to a member of a pension scheme or (for the purposes of *COBS* 19.5 only) a pathway investor, means any of the following to the extent that they may be used to meet the administrative expenses of the scheme or (for the purposes of *COBS* 19.5 only) the *pathway investment*, to pay commission or in any other way that does not result in the provision of pension benefits for or in respect of members or (for the purposes of *COBS* 19.5 only) pathway investors:

…

governance advisory arrangement — (in *PRIN*, ~~and~~ *COBS* 19.5, and *COBS* 19.5A) an arrangement between a *firm* and a third party under which the third party establishes a committee to represent the interests of:

…

IGC (in *PRIN*, *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) an independent governance committee established by a *firm* with terms of reference which satisfy *COBS* 19.5.5R and *COBS* 19.5A.24R with the purpose, in summary, to represent the interests of:

…

regulated market …

(2) (in addition, in *INSPRU*, *IPRU(INS)*, *SYSC* 3.4, *COBS* 2.2B, *COBS* 19.5A and for the purposes of *Principle* 12 and *PRIN* 2A only) a market situated outside the *United Kingdom* which is characterised by the fact that:

…

…

relevant policyholder (in *SYSC* 3.2, *SYSC* 4.1 ~~and~~, *COBS* 19.5, and *COBS* 19.5A) a member of a *relevant scheme* who is or has been a worker entitled to have contributions paid by or on behalf of ~~his~~ their employer in respect of that *relevant scheme*.

'Worker' has the same meaning as in section 88 of the Pensions Act 2008, that is, in summary, an individual who has entered into or works under (a) a contract of employment, or (b) any other contract by which the individual undertakes to do work or perform services personally for another party to the contract.

relevant scheme (1) (except in *FEES* 6, *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) a *collective investment scheme* managed by an *EEA UCITS management company*.

…

(3) (in *PRIN*, *SYSC* 3.2, *SYSC* 4.1 ~~and~~, *COBS* 19.5, and *COBS* 19.5A) a *personal pension scheme* or *stakeholder pension scheme* for which direct payment arrangements are, or have been, in place, and under which contributions have been paid for two or more *employees* of the same employer. 'Direct payment arrangements' has the same meaning as in section 111A of the Pension Schemes Act 1993, that is, arrangements under which contributions fall to be paid by or on behalf of the employer towards the scheme (a) on the employer's own account (but in respect of the employee); or (b) on behalf of the employee out of deductions from the employee's earnings~~.~~, but excluding a *SIPP* where the following conditions are satisfied:

(a) members of the *relevant scheme* have entered into *SIPPs* provided by the same *firm* that provides the *relevant scheme*;

(b) those members have requested that their employer, or an employer in the same *group*, pays contributions into the *relevant scheme* to be paid to those *SIPP*s on their behalf; and

(c) all of those members have made a choice as to how some or all of their contributions are invested.

transaction costs	(for the purposes of *COBS* 19.5, *COBS* 19.5A and *COBS* 19.8) means costs incurred as a result of the buying, selling, lending or borrowing of *investments*.

Annex B

Amendments to the Principles of Businesses (PRIN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2A The Consumer Duty

2A.4 Consumer Duty: retail customer outcome on price and value

…

Application to pension scheme operators and providers of pathway investments

2A.4.36 R (1) This *rule* applies to a *firm* that is required to comply with *COBS* 19.5 (Independent Governance Committees (IGCs) and publication and disclosure of costs and charges) and/or *COBS* 19.5A (Value for money framework).

(2) A *firm* to which this *rule* applies must use the value for money ~~assessment~~ assessment(s) carried out by the *IGC* or the *governance advisory arrangement* in accordance with *COBS* 19.5 and *COBS* 19.5A (if applicable) when carrying out its value assessment under *PRIN* 2A.4.2R.

(3) Where a *firm* disagrees with the value for money assessment carried out by the *IGC* or the *governance advisory arrangement* in accordance with *COBS* 19.5 it must:

…

…

(5) …

(6) Where a *firm* disagrees with a value for money assessment carried out by the *IGC* or the *governance advisory arrangement* in accordance with COBS 19.5A it must follow the process in *COBS* 19.5A.47R.

(7) Where an *IGC* or *governance advisory arrangement* does not consider a *firm's* representations made in accordance with the process in *COBS* 19.5A.47R to be material to its assessment of value under *COBS* 19.5A and so does not carry out another assessment in accordance with *COBS* 19.5A.47R(2), the *firm* must apply *PRIN* 2A.4.25R in relation to the *in-scope arrangement*.

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

19	**Pensions supplementary provisions**		
…			
19.5	**Independent governance committees (IGCs) and publication and disclosure of costs and charges**		
…			
	Definitions		
19.5.1A	R	In this section:	
		…	
		(7)	"*IGC's* remit of review" means the remit of the *IGC* as described in *COBS* 19.5.5R(2), *COBS* 19.5.5R(2A), *COBS* 19.5.5R(2B), *COBS* 19.5.5R(2C), ~~and,~~ where applicable *COBS* 19.5.5R(2D) and *COBS* 19.5.5R(2E)<u>, and *COBS* 19.5A</u>.
	Purpose		
19.5.1B	G	…	
	<u>Interaction with COBS 19.5A (Value for money assessments)</u>		
<u>19.5.1BA</u>	<u>G</u>	<u>*COBS* 19.5A applies to a *firm* where the *firm* is operating a *relevant scheme* which includes an *in-scope arrangement*. In such circumstances, the *IGC* must undertake a value for money assessment in relation to that *in-scope arrangement* in accordance with the terms of reference set out at *COBS* 19.5A.24R to *COBS* 19.5A.50R instead of the terms of reference which set out the ongoing value for money assessment in *COBS* 19.5.5R(2). The rest of *COBS* 19.5, including the rest of the terms of reference in *COBS* 19.5.5R where applicable, continues to apply to *firms* where relevant.</u>	
…			
	Terms of reference for an IGC		
19.5.5	R	A *firm* must include, as a minimum, the following requirements in its terms of reference for an *IGC*:	
		…	

(2) the *IGC* will assess the ongoing value for money for *relevant policyholders* delivered by a *relevant scheme*, except in relation to any *in-scope arrangement(s)*, and particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

…

…

(6) the Chair of the *IGC* will be responsible for the production of an annual report setting out the following, in sufficient detail, taking into account the information needs of *consumers*:

…

(ac) …

(ad) the information required by *COBS* 19.5A.50R where *COBS* 19.5A applies to the *firm*;

…

(7) the Chair of the *IGC* will ensure the annual report is produced, and a copy provided to the *firm*, by ~~30 September~~ 31 October each year, in respect of the previous calendar year;

…

…

Duties of firms in relation to an IGC

19.5.7 R A *firm* must:

…

(8) ~~make available the *IGC's* terms of reference and the three most recent annual reports, in a way appearing to the *firm* to be best calculated to bring them to the attention of *relevant policyholders* and their employers or to the attention of pathway investors; and~~ publish the *IGC's* terms of reference and the 5 most recent annual reports:

(a) for free on its publicly accessible website where one exists, or, where one does not exist, on a publicly accessible website; and

(b) in the way the *firm* deems best designed to bring them to the attention of *relevant policyholders* and their employers or to the attention of pathway investors;

(8A) publish the *IGC's* most recent annual report in accordance with (8) in a timely manner and in any event within 5 *business days* from 31 October of the most recent calendar year; and

…

…

Appointment of IGC members

19.5.9 R …

(3) A *firm* must appoint members to the *IGC* so that:

…

(b) *IGC* members are bound by appropriate contracts which reflect the terms of reference in *COBS* 19.5.5R and *COBS* 19.5A.24R to *COBS* 19.5A.50R where applicable, and on such terms as to secure the independence of independent members;

…

…

Publication and disclosure of costs and charges by IGCs

19.5.13 R …

19.5.13A R The requirements in *COBS* 19.5.13R apply to the extent that they are not satisfied by the *firm's* compliance with *COBS* 19.5A.14R. The *firm* is not required to publish the same information twice where information published in accordance with *COBS* 19.5A.14R would satisfy some or all of the requirements in *COBS* 19.5.13R.

…

19.5.16 R …

19.5.16A R The requirement in *COBS* 19.5.16R applies to the extent that such information is not included in the *IGC's* annual report as a result of *COBS* 19.5A.50R.

…

Insert the following new section after COBS 19.5 (Independent governance committees (IGCs) and publication and disclosure of costs and charges). All of the text is new and is not underlined.

19.5A Value for money framework

Application

19.5A.1 R This section applies to a *firm* which operates a *relevant scheme* in relation to:

(1) any *in-scope arrangement* it provides; and

(2) any group of members within such an arrangement meeting the criteria in *COBS* 19.5A.5R which are to be treated as separate *in-scope arrangements*.

Purpose

19.5A.2 G The purpose of this section is to ensure that *in-scope savers* benefit from the independent review of the value for money provided by *in-scope arrangements* in which they are invested by:

(1) requiring *firms* to measure and publicly disclose data on investment performance, costs and charges, and service quality for each *in-scope arrangement* against consistent metrics;

(2) requiring *IGCs* to assess the value for money delivered for *in-scope savers* by using the published data in comparisons with arrangements offered by other providers, following a consistent assessment process; and

(3) requiring *firms* to take action to improve value for *in-scope savers* where an *IGC* has concluded that they are not receiving value for money.

In-scope arrangements

19.5A.3 R A *firm* must take the following steps to determine the *in-scope arrangements* it operates:

(1) identify whether a *relevant scheme* it operates includes any *in-scope arrangements*; and

(2) determine whether any of those *in-scope arrangements* include different groups of members that meet the criteria in *COBS* 19.5A.5R such that each group is treated as a separate *in-scope arrangement*.

19.5A.4 R The *in-scope arrangements* that a *firm* operates are subject to the assessment process and publication requirements in this section where they have been operating for a calendar year.

19.5A.5 R For the purposes of *COBS* 19.5A.3R(2), a group of members within an *in-scope arrangement* must be treated as a separate *in-scope arrangement* where the *firm* provides a different package of services to that group as compared with other groups of members within the *in-scope arrangement*.

19.5A.6 G For the purposes of *COBS* 19.5A.5R, an example of where there may be a different package of services being offered to a different group of members could be where services are offered or delivered through a different administration platform to that used for other groups of members.

19.5A.7 G Where the terms of a package have been amended for a particular employer, this will not be considered as a different package of services where that amendment is not material.

Timing

19.5A.8 R A *firm* is to determine whether a *default arrangement* is an *in-scope default arrangement* as on 31 December of the calendar year prior to the year of assessment.

19.5A.9 G Once a *firm* has determined whether any arrangement it provides is an *in-scope legacy arrangement* as on 31 December [*Editor's note*: year to be inserted], it may also review that determination periodically to determine whether the arrangement is still considered to be an *in-scope legacy arrangement*.

Governance advisory arrangements

19.5A.10 R If a *firm* has decided to establish a *governance advisory arrangement* rather than an *IGC* pursuant to *COBS* 19.5.3R(1), this section applies to the *firm* by reading references to the *IGC* as references to the *governance advisory arrangement*.

Interaction with COBS 19.5

19.5A.11 G *Firms* are reminded that they will still need to comply with certain requirements in *COBS* 19.5, including:

(1) taking reasonable steps to ensure that the *IGC* acts and continues to act in accordance with its terms of reference (*COBS* 19.5.7R(1));

(2) taking reasonable steps to provide the *IGC* with all information reasonably requested by the *IGC* in good time for the purposes of carrying out its role (*COBS* 19.5.7R(2)); and

(3) providing the *IGC* with sufficient resources as are reasonably necessary to allow it to carry out its role independently (*COBS* 19.5.7R(3)).

Definitions

19.5A.12 R In this section:

(1) ‘bespoke arrangement’ means an *in-scope arrangement* where the *firm* has agreed to an investment design proposed by an employer or a third party acting on behalf of the employer for use by employees or past employees of that particular employer only;

(2) ‘comparators’ means other pension arrangements (that are not provided by the *firm*) selected by the *IGC* in accordance with *COBS* 19.5A.25R(2) and *COBS* 19.5A.26R;

(3) ‘multi-employer *in-scope arrangement*’ means an *in-scope arrangement* which is used by more than one employer;

(4) ‘employer cohorts’ means employers grouped together based on their size as determined by assets under management or number of employees and ex-employees. The cohorts are:

(a) for size by assets under management: less than £100,000; between £100,000 and £1,000,000; between £1,000,000 and £5,000,000; between £5,000,000 and £25,000,000; between £25,000,000 and £50,000,000; between £50,000,000 and £100,000,000; between £100,000,000 and £250,000,000; and more than £250,000,000.

(b) for size by number of employees and ex-employees (members): under 100; between 100 and 499; between 500 and 999; between 1,000 and 4,999; between 5,000 and 9,999; between 10,000 and 24,999; between 25,000 and 49,999; between 50,000 and 99,999; and more than 100,000.

(5) ‘pension provider’ means a provider of an *occupational pension scheme*, or an *operator* of a *personal pension scheme* or a *stakeholder pension scheme*; and

(6) ‘reporting periods’ means:

(a) the previous calendar year;

(b) the previous 3 calendar years;

(c) the previous 5 calendar years;

(d) the previous 10 calendar years; and

(e) the previous 15 calendar years;

Requirements on firms in relation to the publication of value for money metrics data relating to in-scope arrangements

19.5A.13 R A *firm* must prepare the following metrics and information:

(1) for each of its *in-scope arrangements*:

(a) investment performance metrics as set out in *COBS* 19 Annex 7;

(b) cost and charges metrics as set out in *COBS* 19 Annex 8;

(c) quality of service metrics as set out in *COBS* 19 Annex 9; and

(d) a features table as set out in *COBS* 19 Annex 10; and

(2) for each of its *firm designed in-scope arrangements*, asset allocations information as set out in *COBS* 19 Annex 11.

19.5A.14 R Once a *firm* has prepared the metrics and information in *COBS* 19.5A.13R, it must publish those metrics and information in accordance with *COBS* 19.5A.16R and *COBS* 19.5A.18R, and by the time specified in *COBS* 19.5A.15R.

[**Note:** transitional provisions apply to this rule: see *COBS* TP 2.36AR and *COBS* TP 2.36BR]

Timing of publication

19.5A.15 R A *firm* must publish the metrics and information set out in *COBS* 19.5A.13R annually in respect of the reporting periods ending 31 December of the previous year, by 31 March each year.

Format of publication

19.5A.16 R A *firm* must publish the metrics and information set out in *COBS* 19.5A.13R in 2 formats:

(1) in an accessible, comprehensible form and user-friendly manner such that any natural person can access and understand them; and

(2) in a comma-separated value (CSV) machine-readable format.

19.5A.17 G For the purposes of *COBS* 19.5A.16R(1), an example of how the metrics and information could be presented in an accessible, comprehensible and user-friendly manner is in *COBS* 19 Annex 12.

19.5A.18 R For the purposes of *COBS* 19.5A.16R(2), the metrics and information must be presented in the manner set out in *COBS* 19 Annex 13.

Presentation of publication

19.5A.19 R A *firm* must publish the metrics and information set out in *COBS* 19.5A.13R in the formats required by *COBS* 19.5A.16R:

(1) for free on its publicly accessible website where one exists or, where one does not exist, on a publicly accessible website;

(2) prominently; and

(3) in such a manner that it is easily identifiable.

19.5A.20 R The *firm* must ensure the metrics and information set out in *COBS* 19.5A.13R remains published in accordance with *COBS* 19.5A.16R for a period of 5 years beginning with 31 March of the year it was first published.

Retention of published data

19.5A.21 R The *firm* must retain the metrics and information it has published in accordance with *COBS* 19.5A.16R for a period of 6 years beginning with 31 March of the year it was first published.

Notification to the FCA

19.5A.22 R A *firm* must notify the *FCA*, within 5 *business days* after publication of the metrics and information in accordance with *COBS* 19.5A.16R, of the publicly accessible website where the metrics and information has been published.

Terms of reference for an IGC

19.5A.23 G *COBS* 19.5A.24R to *COBS* 19.5A.50R set out what a *firm* must include in an *IGC's* terms of reference. For consistency in assessments, *IGCs* will need to follow 4 steps to come to a view about whether *in-scope savers* invested in a particular *in-scope arrangement* receive value for money as against comparators. The first 3 steps of the process require the *IGC* to consider the metrics and other information available to it and to make a provisional judgement in relation to the value provided by the *in-scope arrangement's* investment performance, quality of services and overall value. The fourth and final step requires the *IGC* to reach a decision and allows the *IGC* to consider that information in the context of additional information or other relevant factors. This is so that the *IGC* can form a view on value taking account of additional information where it has a strong rationale for doing so.

19.5A.24 R In addition to *COBS* 19.5.5R, a *firm* must include in its terms of reference for an *IGC* the rules in *COBS* 19.5A.25R to *COBS* 19.5A.50R.

19.5A.25 R (1) The *IGC* will carry out a value for money assessment in relation to each *in-scope arrangement*, and rate that arrangement, in accordance with the process set out in *COBS* 19.5A.27R to *COBS* 19.5A.48R.

(2) For the purposes of the value for money assessment the *IGC* will select at least 3 pension arrangements as comparators which satisfy the following criteria:

(a) at least 1 arrangement is within a *personal pension scheme* and at least 1 arrangement is within an *occupational pension scheme* where comparable metrics and information are available;

(b) each pension arrangement is:

(i) provided by a different pension provider, 2 of which have *total in-scope assets* (or equivalent if the provider is not a *firm*) of at least £10 billion;

(ii) either a *firm-designed in-scope arrangement* or, if the pension provider is not a *firm*, an arrangement designed by that provider and used by an employer without any variation being made for that employer;

(iii) the pension arrangement with the largest *total in-scope assets* (or equivalent if the pension provider is not a *firm*) provided by the pension provider, unless the *IGC* can show it is reasonable to use a different arrangement provided by that provider on the basis that the demographics and characteristics of its *in-scope savers* (or members if the provider is not a *firm*) are more comparable to the *in-scope arrangement* it is assessing;

(iv) commercially available for use by employers new to the provider; and

(v) an arrangement that was assessed as providing value for money in the previous calendar year;

(c) where the *in-scope arrangement* being assessed by the *IGC* was also assessed for value for money in the previous calendar year, at least one of the arrangements was used by the *IGC* in the previous year's assessment as a comparator (unless all such comparators have since been assessed as not providing value for money).

[**Note:** transitional provisions apply to this rule: see *COBS* TP 2.36CR and *COBS* TP 2.36DR]

Considerations for IGCs when selecting comparators

19.5A.26 R (1) For the purposes of *COBS* 19.5A.25R(2)(a), comparable metrics and information will be considered as available to the *IGC*, where the *IGC* ought reasonably to be aware of it.

(2) When selecting comparators, an *IGC* should:

(a) consider selecting 1 or more pension arrangements that it thinks may offer particularly good value to support identification of potential improvements to the *in-scope arrangement* being assessed, including where the *in-scope arrangement* is ultimately assessed as value for money;

(b) select pension providers and arrangements from across the market, and not only the most similar providers and arrangements to the *in-scope arrangement* it is assessing; and

(c) use the same comparators for each of its assessments of *in-scope arrangements*, unless the *IGC* can justify selecting different comparators for the assessment of a particular *in-scope arrangement*.

(3) Notwithstanding (2), the *IGC* may use 1 or more comparators which have characteristics and needs that are broadly comparable to those of the *in-scope savers* of the *in-scope arrangement* being assessed.

(4) Where the arrangement is a multi-employer *in-scope arrangement*, the *IGC* will assess the value for money in respect of each employer cohort as set out in the table in *COBS* 19 Annex 8 13.4R – 'employer size by relevant assets' and 'employer size by number of members' following the banding in the costs and charges table.

(5) Where either the comparator or the *in-scope arrangement* being assessed is used by more than 1 employer, the *IGC* may consider using the approach suggested in the following table:

Arrangement assessed	**Comparator arrangement**	**Approach**
Multi-employer with charges that vary	Multi-employer with charges that vary	Comparisons across comparable employer cohorts.
Multi-employer with charges that vary	Multi-employer with charges that do not vary	For each employer cohort, consideration of whether value for money is provided relative to the comparator at the level of the cohort.

Multi-employer with charges that do not vary	Multi-employer with charges that vary	The median charge will not be appropriate where the distribution of employers differs significantly. For example, one arrangement may be skewed to larger employers and the other to smaller. An *IGC* will need to consider how much weight to give the charges for each cohort in estimating a single charge for comparison.
Multi-employer with charges that do not vary	Multi-employer with charges that do not vary	Consideration of the distribution of employers.
Single employer (for example, bespoke)	Multi-employer with charges that vary	Comparison with the comparable employer cohort of the multi-employer arrangement.

(6) Where the *IGC* uses a third party to facilitate comparisons, the *IGC* is expected to consider whether the third party has sufficient expertise and whether any conflicts of interest arise and, if so, how these will be managed.

Steps for the IGC to take when carrying out the value for money assessment

19.5A.27 R The *IGC* will identify and consider differences in the value received by *in-scope savers* invested in the *in-scope arrangement* as against savers invested in the comparators. The *IGC* will determine whether any differences are material such that they have the potential to significantly affect the outcomes for the *in-scope savers* of the particular *in-scope arrangement*. Where such differences are found not to be sufficiently material to affect those outcomes, the *IGC* should be able to explain the reasons for that decision. Ultimately, the *IGC* will form a view on the impact of identified differences on outcomes for *in-scope savers* as compared against the comparators' savers and will use its judgment to come to a decision as to whether the *in-scope arrangement* is providing value for money.

Step 1 – investment performance

19.5A.28 R In step 1, the *IGC* will be comparing what is achieved for the *in-scope savers* of a particular *in-scope arrangement* in terms of investment performance for each *retirement age cohort* as against that of the comparators. The *IGC* will form a provisional view in relation to whether an *in-scope arrangement* is providing value for money to its *in-scope savers* by comparing the investment performance metrics that the *firm* has prepared and published in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex 7 against the investment performance metrics published by the comparators for each *retirement age cohort*.

Step 1 – investment performance – process

19.5A.29 R (1) The *IGC* will consider the investment performance metrics that have been prepared and published by the *firm* in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex 7 and assess the value delivered by the investment performance of an *in-scope arrangement* to its *in-scope savers* by comparing with each comparator:

(a) the gross investment performance net of *investment charges* for each *retirement age cohort* for the reporting periods where data is available; and

(b) the annualised standard deviation and maximum drawdown alongside the gross investment performance for each *retirement age cohort* for the reporting periods where data is available,

and identifying whether there is a material difference between the value delivered by the investment performance of the *in-scope arrangement* to its *in-scope savers* and that of the comparators.

(2) The *IGC* will form a provisional view as to the value delivered by the investment performance of the *in-scope arrangement* to its *in-scope savers*.

Considerations for IGCs on step 1

19.5A.30 R (1) In this step, the *IGC* is considering the value provided to *in-scope savers* by considering the data in relation to each of the *retirement age cohorts* and whether the investment performance of the *in-scope arrangement* overall is providing value for money. The *IGC* should put quantitative comparisons for each *retirement age cohort* in context where the *IGC* has information that clearly explains observed differences in terms of differing saver needs of the *in-scope savers* of the arrangement being assessed relative to the savers of a comparator arrangement. The starting assumption should be that savers’ needs in respect of value delivered by investment performance do not differ.

(2) Where the *IGC* identifies:

(a) materially worse returns net of *investment charges* compared to the comparators; and/or

(b) similar investment performance compared to the comparators, but much greater investment risk,

the *IGC* should consider that factor as indicative of potentially poor value being delivered by the investment performance of the *in-scope arrangement*.

(3) Where there is a material difference between the investment performance for a particular *retirement age cohort* of the *in-scope arrangement* and the corresponding age cohort of comparators¸ the *IGC* will consider that difference in the context of the investment performance of the *in-scope arrangement* as a whole. However, where the *IGC* has significant concerns about the investment performance for that *retirement age cohort*, the *IGC* should provisionally conclude that the *in-scope arrangement* as a whole is not offering value for money.

(4) Where data is not available for gross investment performance net of *investment charges* for each reporting period, the *IGC* should use available data for *investment charges* for shorter periods as indicative of this particular metric for a longer period.

(5) When considering investment performance for different reporting periods, subject to the magnitude of the differences in performance, the *IGC* should use the following order of weighting: 5 years and 10 years (where available), 3 years, 15 years (where available), 1 year.

(6) Where the *in-scope arrangement* being assessed has valuable features, such as a guaranteed investment return, the *IGC* may consider these features in this step but should start with comparisons of the gross investment performance of the underlying investments net of *investment charges*.

(7) Where the *IGC* compares with-profit arrangements, the *IGC* should focus on the gross investment performance of the underlying *investments* net of the cost of those *investments*.

(8) The *IGC* should not use asset allocation information to assess the value delivered by the investment performance of an *in-scope arrangement* unless the *IGC* has concerns about the asset allocation and cannot justify a green rating.

Step 2 – quality of service

19.5A.31 R In step 2, the *IGC* will form a provisional view as to the value delivered by the quality of services provided to *in-scope savers* of the *in-scope* *arrangement* as against that provided by comparators, taking into account *service costs*. The *IGC* should consider the value delivered by all of the services as a whole package relative to the costs of those services, rather than looking at each service in isolation. The *IGC* will determine whether any differences in value are material such that they have the potential to significantly affect the outcomes for the *in-scope savers*. The *IGC* should also consider whether any differences in service quality, regardless of cost, have the potential to significantly affect the outcomes for the *in-scope savers*.

Step 2 – quality of service – process

19.5A.32 R (1) The *IGC* will examine the quality of service metrics that have been prepared and published by the *firm* in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex 9 and assess the value delivered by the services to each *retirement age cohort* in a particular *in-scope arrangement* by:

(a) considering the quantitative metrics prepared for each indicator of quality of service in *COBS* 19 Annex 9 as against comparators; and

(b) considering the 1-year *service costs* for each *retirement age cohort* as against comparators; and

(c) identifying any material difference in the value of services provided to the *in-scope savers* of that *in-scope arrangement*.

[**Note:** transitional provisions apply to this rule: see *COBS* TP 2.36ER and *COBS* TP 2.36FR]

(2) The *IGC* will then form a provisional view as to the value delivered by the quality of services provided to *in-scope savers* of the *in-scope arrangement*.

Considerations for IGCs on step 2

19.5A.33 R (1) An *IGC* may give more weight to a comparison against a comparator where the *in-scope savers* have broadly similar demographics and characteristics.

(2) Where the *IGC* identifies:

(a) materially worse overall service quality for comparable *service costs* compared to the comparators;

(b) materially higher *service costs* for comparable overall quality of service compared to the comparators; or

(c) that the quality of services provided to *in-scope savers* is such that the needs of those *in-scope savers* are not met, and they are unlikely to receive good outcomes,

the *IGC* should consider that as provisionally indicative of poor value delivered by the quality of services.

Step 3 – overall value

19.5A.34 In step 3, the *IGC* will form a provisional view of the overall value provided to *in-scope* savers invested in the *in-scope arrangement*. In doing so, the *IGC* will take into account its findings in relation to step 1 and step 2, the gross investment performance net of *total costs and charges* metric, and any material difference it has identified in the overall value between the *in-scope arrangement* and comparators.

Step 3 – overall value – process

19.5A.35 R (1) The *IGC* will consider the following:

(a) the gross investment performance net of *total costs and charges* metric that has been prepared and published by the *firm* in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex *7*, for each of the reporting periods that are available as against comparators;

(b) its findings in relation to step 1 regarding investment performance; and

(c) its findings in relation to step 2 regarding the quality of service provided,

and determine whether there is any material difference in the overall value delivered by the *in-scope arrangement* relative to the comparators.

(2) The *IGC* will then come to a provisional view as to the overall value of the *in-scope arrangement* as a whole by weighing up the data it has considered in (1) above.

Multi-employer arrangements

19.5A.36 R Where the *in-scope arrangement* being assessed is a multi-employer *in-scope arrangement*, the *IGC* will consider the overall value provided by the *in-scope arrangement*, and then consider the overall value of each employer cohort with reference to the range and median figures for gross investment performance net of *total costs and charges* provided by the *firm* in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex 7.

Considerations for IGCs on step 3

19.5A.37 R (1) The *IGC* should balance the investment performance metrics, quality of services metrics, and costs and charges metrics in reaching a provisional view on overall value.

(2) The *IGC* should take into account any valuable features for *in-scope savers*, such as guaranteed investment returns.

(3) When considering arrangements with *combination charge structures*, and where the amounts saved relative to contributions or fixed fees are expected to increase, the *IGC* should take into account any disclosed estimate of future *total costs and charges*.

(4) When considering the gross investment performance net of *total costs and charges* metric that has been prepared and published by the *firm* in accordance with *COBS* 19.5A.13R, *COBS* 19.5A.14R and *COBS* 19 Annex 7 for different reporting periods, the *IGC* should use the following order of weighting: 5 years and 10 years (where available), 3 years, 15 years (where available), 1 year.

Step 4 – red, amber or green rating – considerations for the IGC

19.5A.38 R In step 4, the *IGC* will come to a conclusion as to whether the *in-scope arrangement* provides value for money as a whole, taking into account the factors considered in steps 1-3 and wider considerations that are relevant to that decision making. The *IGC* should balance the relevant factors against each other, giving appropriate weight to them. The *IGC's* conclusion as to value will be expressed as a rating of red, amber or green. Where a *firm* disagrees with the *IGC's* rating, it will be given the opportunity to provide further information or clarification to the *IGC*.

Step 4 – red, amber or green rating – process

19.5A.39 R (1) The *IGC* will determine whether the *in-scope arrangement* it is assessing provides value for money compared to each of the comparators by taking into account:

(a) the data, evidence and other information it has considered as part of steps 1-3;

(b) its findings in relation to steps 1-3 above, including the results of comparisons against comparators;

(c) any features or characteristics disclosed in the features tables for the *in-scope arrangement* and comparators; and

(d) any other information or evidence that is relevant to the determination as to value but only where the *IGC* can clearly justify the relevance of that information or evidence to an assessment outcome.

(2) For the purposes of determining value, the *in-scope arrangement* must not be considered as providing value for money where:

(a) the investment performance, taking account of risk, is materially worse than comparators;

(b) the quality of services is materially worse than comparators; or

(c) the *total costs and charges* are materially higher than those of comparators, where investment performance or service quality are not materially better.

(3) When making its decision as to value for money of the *in-scope arrangement*, the *IGC* will act solely in the interests of the *in-scope savers*.

Multi-employer arrangements

19.5A.40 R (1) Where an *IGC* assesses a multi-employer *in-scope arrangement* where charges vary by employer, the *IGC* will need to consider whether value has been delivered at the level of each employer cohort.

(2) Where the *IGC* considers that the *in-scope arrangement* has failed to deliver value for a material number of *in-scope savers* in relation to the total number of *in-scope savers* for the *in-scope arrangement*, taking into account comparisons at the level of employer cohorts, the *IGC* must determine that the arrangement is not providing value for money.

Other information

19.5A.41 R (1) The *IGC* should take account of any valuable features or characteristics disclosed in features tables for an *in-scope arrangement* or its comparators, such as a guaranteed annuity rate.

(2) The *IGC* should not take into account any changes to the design of an *in-scope arrangement* that have not had an impact on the metrics considered as part of the assessment of value process, unless the *IGC* has concerns about the changes and considers that the *in-scope arrangement* should not be assessed as value for money.

(3) The *IGC* should generally not use other information and evidence as referred to in *COBS* 19.5A.39R(1)(d) to assess an *in-scope arrangement* as providing value for money. The *IGC* should only do so in circumstances where it has a clear and compelling rationale based on that other information and evidence.

(4) Where the *IGC* considers that an *in-scope arrangement* is not providing equivalent or better value for money than its comparators

in a way that the *IGC* considers is not material, the *IGC* may still determine that the arrangement is providing value for money based on other information the *IGC* has considered where it is reasonable to do so.

In-scope legacy arrangements

19.5A.42 R Where the *IGC* is assessing an *in-scope legacy arrangement*, it should consider whether additional value is delivered by special features or characteristics of the arrangement.

Rating the arrangement

19.5A.43 R (1) Where the *IGC* determines that the *in-scope arrangement* is providing value for money, it must rate it as green.

(2) Where the *IGC* determines that the *in-scope arrangement* is not providing value for money, the *IGC* must:

(a) request from the *firm* what actions the *firm* proposes to take to improve the value for money provided by the *in-scope arrangement*; and

(b) determine whether, within a reasonable period, the proposed actions are reasonably likely to result in the *in-scope arrangement* providing value for money; and

(c) agree the actions that the *firm* will take to be included in the action plan submitted by the *firm* to the *FCA* in accordance with *COBS* 19.5A.60R.

(3) The *IGC* may also provide the *firm* with recommendations to improve the value for money provided by the *in-scope arrangement*.

(4) Where the *IGC* determines that an *in-scope arrangement* is not providing value for money, but, in accordance with *COBS* 19.5A.43R(2)(b) that within a reasonable period the *firm's* proposed actions are reasonably likely to result in the *in-scope arrangement* providing value for money, the arrangement must be rated as amber.

(5) Where an *IGC* determines that an *in-scope arrangement* is not providing value for money, and determines that the *firm's* proposed actions are not reasonably likely to result in the *in-scope arrangement* providing value for money within a reasonable period, or will not result in the *in-scope arrangement* providing value for money, the arrangement must be rated as red.

(6) Where an *in-scope arrangement* has been rated as amber in each of the previous 3 years, and the *IGC* would otherwise rate it as amber following the most recent assessment, the *IGC* must rate that

arrangement as red, unless it concludes that it would not be in the best financial interest of its *in-scope savers* to do so.

Scale

19.5A.44 R (1) Where the *IGC* has assessed an *in-scope arrangement* as potentially not providing value for money, the *IGC* must consider whether the *firm's* scale is preventing the *in-scope arrangement* from providing value for money to its *in-scope savers* and may conclude that the *firm* lacks sufficient scale to deliver value for money. In which case, the *in-scope arrangement* should be rated red.

(2) If (1) applies, and the *IGC* considers that the *firm's* scale is not preventing the *in-scope arrangement* from providing value for money to its *in-scope savers*, the IGC should consider whether that scale has been used for the benefit of those *in-scope savers*.

Bespoke arrangements

19.5A.45 R (1) Where the *IGC* is assessing a bespoke arrangement, it should consider whether further information is required from the *firm* in order for the *IGC* to determine whether the bespoke arrangement provides value for money, and if so, request that further information from the *firm*.

(2) If the *IGC* has formed a provisional view that the bespoke arrangement does not provide value for money and requests further information in accordance with (1), and the *firm* does not provide that information, the *IGC* should determine that the arrangement does not provide value for money.

Out of cycle assessments

19.5A.46 R (1) Where an *in-scope arrangement* is rated as amber or red, an *IGC* may re-assess that arrangement outside of the annual assessment cycle where the *firm* can evidence potential improvements it has made to the value of the *in-scope arrangement* which could reasonably affect the rating. In doing so, the *IGC* must follow the assessment process in steps 1-4.

(2) For the purposes of (1), a *firm* is unlikely to be able to evidence improvements to investment performance outside of the annual assessment cycle, as a comparison of investment performance would require available comparator investment performance metrics to the same end point in time.

Process where the firm disagrees with the IGC's rating

19.5A.47 R (1) Where a *firm* does not agree with the *IGC's* rating of amber or red, it must be given the opportunity to make representations to the *IGC*, and provide further relevant information or evidence where necessary before the rating is inserted into the annual report in accordance with *COBS* 19.5A.50R(3)(a).

(2) The *IGC* must give full and proper consideration to the *firm's* representations and carry out another assessment using steps 1-4 where it considers those representations material to its assessment of value.

Environmental, social and governance considerations

19.5A.48 R The *IGC* should consider how environmental, social and governance considerations have been taken into account by the *firm* across its *firm-designed in-scope arrangements* and how they may have shaped their relevant strategies.

Retention of evidence

19.5A.49 R The *IGC* will retain copies of any evidence used in the assessment of value for money and rating of each in-scope arrangement for a minimum of 6 years.

Information to be included in the IGC's annual report

19.5A.50 R (1) The *IGC* will include in its annual report the information set out below to bring transparency to the assessment process and how it has arrived at the rating of each *in-scope arrangement*.

(2) In addition to the requirements in *COBS* 19.5.5R(6), the Chair of the *IGC* will be responsible for setting out the following information in the annual report:

(a) a review of the key themes the *IGC* has seen across all *in-scope arrangements* it has assessed;

(b) each comparator used in the assessment of each *in-scope arrangement*;

(c) an explanation of the *IGC's* rationale for selecting each of the comparators and the *firms* providing those comparators, with justification for any different choices for particular pension arrangements or groups of pension arrangements; and

(d) an explanation of how the *firm's* scale has been considered in its assessments of value for money when considering other information in accordance with *COBS* 19.5A.39R(1).

(3) For each *in-scope arrangement* assessed by the *IGC*, the following information must be included in the annual report:

(a) the unique identifier of the *in-scope arrangement* and its rating of green, amber or red and, for *firm designed in-scope arrangements*, an explanation for that rating;

(b) its gross investment performance net of *total costs and charges* for the 5-year reporting period for each of the *retirement age cohorts*, where this information is available; and

(c) where the determination of whether the *in-scope arrangement* is providing value for money was dependent on the *IGC's* consideration of other information in accordance with *COBS* 19.5A.39R(1)(d), a narrative explanation of the determination, including the rationale for relying on that other information.

(4) For each *in-scope arrangement* rated by the *IGC* as green, any concerns identified by the *IGC* and recommendations made to the *firm* must be included in the annual report.

(5) For each *in-scope arrangement* rated by the *IGC* as amber where the *firm* has taken actions to improve the arrangement's value for money which are yet to be evidenced in the metrics, an explanation as to why this is the position must be included in the annual report.

(6) For each *in-scope arrangement* rated by the *IGC* as amber or red, the actions proposed by the *firm* to improve the arrangement's value for money that have been agreed with the *IGC* must be included in the annual report.

(7) For each *in-scope arrangement* rated by the *IGC* as red, planned transfers of *in-scope savers* to other arrangements, or where a transfer is not planned, an explanation as to why and any other actions to improve value for money for *in-scope savers* must be included in the annual report.

(8) Where the *IGC* considers how environmental, social and governance considerations have been taken into account in accordance with *COBS* 19.5A.48R, those considerations should be set out in the annual report.

(9) The review of key themes referred to in *COBS* 19.5A.50R(2)(a) may include, for example, trends in return on investments net of investment charges relative to comparator arrangements. The review should highlight where the *IGC* has made recommendations to the *firm* to improve, for example, the design of arrangements including the strategic asset allocation.

(10) The responsibility of the Chair of the *IGC* at *COBS* 19.5A.50R(2) to set out the information in the annual report may be met in relation to

the following information by setting it out in a tabulated annex to the annual report:

(a) the comparators used by the *IGC* and for the assessment of which *in-scope arrangement* (*COBS* 19.5A.50R2(b));

(b) the rating and investment returns net of *total costs and charges* of each *in-scope arrangement* (*COBS* 19.5A.50R(3)(a) and (b)); and

(c) the explanation of the *IGC's* rationale for selecting each of the comparators and the *firms* providing those comparators (*COBS* 19.5A.50R(2)(c)).

Actions a firm must take where rating is amber or red: closure to new employer business

19.5A.51 R A *firm* must not accept contributions from an employer to be invested in an *in-scope arrangement* that has been rated as amber or red unless the employer making some or all of those contributions had contractually agreed to make those contributions to the *firm*, prior to the amber or red rating.

19.5A.52 R The closure to new employer business required in *COBS* 19.5A.51R will continue until the *in-scope arrangement* is assessed by the *IGC* as providing value for money and therefore rated green.

Actions a firm must take where rating is amber or red: consideration of transfer of in-scope savers

19.5A.53 R Where an *in-scope arrangement* has been rated as red, the *firm* must consider transferring all *in-scope savers* from that arrangement into another arrangement that has been assessed as providing value for money.

19.5A.54 G *Firms* are reminded that *PRIN* 2A.4.25R requires *firms* to take appropriate action to mitigate, and where appropriate, remediate any harm caused to existing *retail customers* and prevent harm to new *retail customers* where a *product* no longer provides fair value. This could include considering transferring *in-scope savers* in accordance with *COBS* 19.5A.53R.

19.5A.55 G The transfer referred to in *COBS* 19.5A.53R may be to an alternative pension arrangement provided by the *firm* or by another pension provider.

Actions a firm must take where rating is amber or red: action plan

19.5A.56 R For each *in-scope arrangement* that the *IGC* has rated as amber, the *firm* must prepare an action plan, which must be agreed with the *IGC* and include:

(1) the actions the *firm* proposes to take to improve the value for money provided by the *in-scope arrangement*, including the specific areas of improvement to be made and the intended outcomes;

(2) an explanation as to how those actions will improve the value for money;

(3) the proposed timeline for taking those actions; and

(4) the timeline for when the *firm* reasonably expects those actions to improve the value for money and therefore have an effect on the metrics.

19.5A.57 R For each *in-scope arrangement* that the *IGC* has rated as red, the *firm* must prepare an action plan, which must be agreed with the *IGC* and include:

(1) the actions the *firm* intends to take to improve value for money for affected *in-scope savers*;

(2) an explanation as to how those actions will improve value for money for those *in-scope savers*;

(3) where the actions in (1) do not include planned transfers of all affected *in-scope savers*, an explanation of how the *firm* has considered such transfers;

(4) the proposed timeline for taking those actions; and

(5) the timeline for when the *firm* reasonably expects those actions to improve that value for money.

19.5A.58 G An action plan should include the actions that the *firm* submitted and agreed with the *IGC* in accordance with *COBS* 19.5A.43R(2)(c).

19.5A.59 G Where a *firm* is going to or has taken appropriate action in accordance with *PRIN* 2A.4.25R, and that includes material that may be used for the purposes of *COBS* 19.5A.56R or *COBS* 19.5A.57R, the *firm* can use that material for the purposes of preparing its action plan in accordance with *COBS* 19.5A.56R or *COBS* 19.5A.57R.

19.5A.60 R The *firm* must submit an action plan prepared in accordance with *COBS* 19.5A.56R or *COBS* 19.5A.57R to the *FCA* within 1 month of receiving the *IGC's* annual report.

19.5A.61 R For an *in-scope arrangement* that continues to be rated amber by the *IGC* after being rated amber as a result of the previous year's value for money assessment, the action plan referred to in *COBS* 19.5A.56R must also include an update on the actions the *firm* has taken previously and/or are underway, and any outcome and/or emerging results from those actions.

Actions a firm must take where rating is amber or red: communication to employers

19.5A.62 R For each of a *firm's in-scope arrangements* that have been rated as amber or red, the *firm* must provide the following information to each employer that is paying contributions that may be invested into that *in-scope arrangement* and to any employer who will pay such contributions having contractually agreed to do so with the *firm*:

(1) the *in-scope arrangement's* rating as amber or red;

(2) the next steps the *firm* intends to take to address the rating; and

(3) any recommendations the *firm* may have to the employer.

19.5A.63 R Where a multi-employer *in-scope arrangement* is rated amber by the *IGC* because it does not provide value for money in relation to some employers, the *firm* must communicate the rating to the affected employers.

19.5A.64 R A *firm* must provide the information referred to in *COBS* 19.5A.62R to the employer annually and within 1 *month* of receiving the *IGC* Chair's annual report for publication.

Action a firm may consider where rating is green

19.5A.65 G Where an *in-scope arrangement* has been rated as green, a *firm* may wish to consider providing the employer with information about the arrangement's rating.

Actions a firm must take where rating is amber or red: communication to the FCA

19.5A.66 R For each of a *firm's in-scope arrangements* that has been rated as amber or red by the *IGC*, the *firm* must notify the *FCA* of the rating no later than 5 *business days* after it has received the *IGC's* annual report.

19.5A.67 R Where the *firm* has not agreed the action plan with the *IGC* within 1 calendar month of it receiving the *IGC* Chair's annual report for publication, the *firm* must provide the *FCA* with a copy of the unagreed action plan by that date.

19.5A.68 R Where a *firm* sends an unagreed action plan in accordance with *COBS* 19.5A.67R, the *firm* must provide the *FCA* with a copy of the action plan agreed with the *IGC* as soon as practicable after it has been agreed.

Consideration for the firm where the rating is green

19.5A.69 G *Firms* are encouraged to consider any recommendations made by its *IGC* in relation to *in-scope arrangements* that are rated green, such as where improvements to investment performance could potentially be made to improve long-term value to *in-scope savers*.

Insert the following new Annex after COBS 19 Annex 6 (Value data requirements). All of the text is new and is not underlined.

19 Annex 7 **Investment performance metrics**

This Annex belongs to *COBS* 19.5A.13R.

1	**Introduction**		
1.1	G	*COBS* 19.5A.13R(1)(a) requires *firms* to prepare investment performance metrics in relation to each of their *in-scope arrangements*. This Annex describes what those metrics are and the methodology that *firms* will use to calculate them.	
2	**Definitions**		
2.1	R	The definitions in *COBS* 19.5A.12R are applied to this Annex.	
3	**Investment performance metrics**		
3.1	R	The investment performance metrics referred to in *COBS* 19.5A.13R(1)(a) are:	
		(1)	gross investment performance;
		(2)	gross investment performance net of *investment charges*;
		(3)	gross investment performance net of *total costs and charges*;
		and include two risk metrics, which are:	
		(4)	annualised standard deviation; and
		(5)	maximum drawdown.
3.2	G	The metrics in *COBS* 19 Annex 7 3.1R(1) to (3) reflect investment performance of the *in-scope arrangement*. The metrics in *COBS* 19 Annex 7 3.1R(4) and (5) are comparative risk metrics. Throughout this Annex, they are referred to collectively as the ‘investment performance metrics’.	
4	**Identification of retirement age cohorts**		
4.1	R	A *firm* must identify each *retirement age cohort* within each of its *in-scope* arrangements.	

4.2	G	The make-up of *in-scope savers* within a *retirement age cohort* may vary from year-to-year within each reporting period.		
4.3	R	A *firm* must prepare and publish each of the investment performance metrics for each *retirement age cohort*.		
4.4	R	Each of the investment performance metrics must be expressed as a single percentage figure to a maximum of 2 decimal places.		
5	**Reporting periods**			
5.1	R	Subject to *COBS* 19 Annex 7 9.1R, a *firm* must publish a single annualised percentage figure for each investment performance metric for each of the *retirement age cohorts* for the following reporting periods:		
		(1)	where the data is available to the *firm*:	
			(a)	the previous calendar year;
			(b)	the previous 3 calendar years; and
			(c)	the previous 5 calendar years; and
		(2)	where the data is reasonably practicable to obtain:	
			(a)	the previous 10 calendar years; and
			(b)	the previous 15 calendar years.
5.2	G	For the purposes of *COBS* 19 Annex 7 5.1R(1), data will be available to the *firm* unless the *in-scope arrangement* has not been open for at least 12 *months* prior to the date that the investment performance metrics need to be prepared.		
	[Note: transitional provisions apply to this rule: see *COBS* TP 2.36GR, *COBS* TP 2.36HR and *COBS* TP 2.36IR]			
6	**Illustration of how information is to be published**			
6.1	G	The following table illustrates the information *firms* must publish for each *retirement age cohort* where the data is available to the *firm*. The boxes shaded in grey indicate the information that a *firm* must disclose where it is reasonably practicable to obtain it. A *firm* may disclose data that has not been chain-linked in accordance with *COBS* 19 Annex 7 11.1R if it chooses to.		

Performance metrics	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**

Gross investment performance					
Investment performance net of investment charges					
Investment performance net of total costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					
Optional: non-chain-linked data					

7	**Calculation of gross investment performance**		
	Calculating the metrics for a retirement age cohort for a particular calendar year		
7.1	R	Subject to *COBS* 19 Annex 7 7.2R, to calculate gross investment performance and gross investment performance net of *investment charges* (*COBS* 19 Annex 7 3.1R (1) and (2)) for a *retirement age cohort* for a particular calendar year, a *firm* must:	
		(1)	obtain the monthly returns, net of *transaction costs*, of the underlying *investments* for the particular *retirement age cohort* within the *in-scope arrangement* for the calendar year being assessed, expressed as a percentage of the monthly assets of each underlying *investment*;
		(2)	weight each of the monthly returns of the underlying *investments* by monthly asset allocation, by expressing it as a percentage of the assets for that particular *retirement age cohort* to arrive at the monthly return; and

		(3)	compound those monthly returns to arrive at an annual percentage figure for the calendar year being assessed.
7.2	R	Where an *in-scope arrangement* includes a unit linked fund in its investment portfolio, the *firm* must use the charge applied in relation to that unit linked fund as its *investment charges* in order to calculate gross investment performance net of *investment charges* for a particular calendar year for each *retirement age cohort*.	
7.3	G	A *firm* should be able to obtain the relevant monthly returns for gross investment performance and gross investment performance net of *investment charges* from the manager(s) of the *investments* in the *in-scope arrangement's* investment portfolio and those monthly returns should already be net of *transaction costs*.	
7.4	R	To calculate gross investment performance net of *total costs and charges* (*COBS* 19 Annex 7 3.1R(3)) for a particular calendar year, a *firm* must use the annualised percentage figure for gross investment performance and deduct the percentage figure for *total costs and charges* as calculated in *COBS* 19 Annex 8.	
7.5	R	A *firm* must not take into account any guaranteed investment return when calculating any of the investment performance metrics in *COBS* 19 Annex 7 3.1R(1) to (5).	
7.6	G	A *firm* should record the methodology used to compute the investment returns it uses for the purposes of calculating the investment performance metrics. The methodology should be consistent.	
8	**Calculating the metrics as an annualised figure for reporting periods containing multiple years**		
8.1	R	To calculate the investment performance metrics in *COBS* 19 Annex 7 3.1R(1) to (3) as a single percentage figure for each *retirement age cohort* for each of the reporting periods of 3, 5, 10 or 15 years, a *firm* must:	
		(1)	take the percentage calendar year figures produced in accordance with *COBS* 19 Annex 7 7.1R for each year within the particular reporting period for each *retirement age cohort*;
		(2)	treating each *retirement age cohort* separately, express the single percentage figures as a decimal figure (for example express 5.0% as 0.05), and add 1 (for example, 1.05);
		(3)	multiply those figures together to calculate the product of those values;

		(4)	take the nth root of the product of all values (where n equals the number of years in the relevant reporting period);
		(5)	subtract 1 from the result in (4) and convert to a percentage figure; and
		(6)	express each single percentage figure to 2 decimal places.
8.2	G	An example of the process in *COBS* 19 Annex 7 8.1R(1) above would be as follows. Where a *firm* is calculating the gross investment performance metric over the past 5 years for the *retirement age cohort* where *in-scope savers* are 30 years from retirement, the *firm* would use the gross investment performance figure for the previous calendar year at the time of the assessment, the gross investment performance figure for those who would have been 30 years to retirement for the year prior to the previous year (this group would be made up of different members), and so on for the past 5 years.	
8.3	G	An example of the process in *COBS* Annex 7 8.1R(2) to (6) is as follows.	

30 years to retirement cohort	**2023**	**2022**	**2021**	**2020**	**2019**
Investment return	17%	-6%	10%	4%	13%
Age cohort considered	Aged 36 in 2023	Aged 36 in 2022	Aged 36 in 2021	Aged 36 in 2020	Age 36 in 2019
Annualised	(1.17 x 0.94 x 1.10 x 1.04 x 1.13) ^ (1/5) -1 = 7.29% annualised				

9	**Multi-employer arrangements**		
	Range and median disclosures		
9.1	R	Where a *firm* operates a multi-employer *in-scope arrangement* and the *total costs and charges* vary between employers, instead of a single annualised percentage figure as required by *COBS* 19 Annex 7 7.1R, the *firm* must publish the range and median for:	
		(1)	gross investment performance;
		(2)	gross investment performance net of *total costs and charges*; and

		(3)	gross investment performance net of *investment charges* where *investment charges* vary between employers,
		for each *retirement age cohort* and for each reporting period as set out in *COBS* 19 Annex 7 5.1R.	
9.2	G	There should generally be no variation between employers in relation to gross investment performance in *COBS* 19 Annex 7 9.1R(1) and this metric should be published in accordance with *COBS* 19.5A.14R (where the investment performance metric represents gross investment performance net of *transaction costs*). Where there is variation, for example where gross investment performance has been chain-linked and *COBS* 19 Annex 7 11.1R(2) applies, the range and median should be disclosed.	
10	**Preparation and publication of the annualised standard deviation and maximum drawdown metrics (COBS 19 Annex 7 3.1R(4) and (5))**		
10.1	R	A *firm* must prepare and publish for each *retirement age cohort* for each of the reporting periods in accordance with *COBS* 19 Annex 7 5.1R:	
		(1)	the annualised standard deviation of the monthly gross investment performance (net of *transaction costs*) that the *firm* will have produced in accordance with *COBS* 19 Annex 7 7R, calculated using each of the monthly data points across the whole reporting period being assessed; and
		(2)	the maximum drawdown, calculated by identifying the largest loss from a peak to a trough in the monthly gross investment performance (net of *transaction costs*) that a *firm* will have obtained, in accordance with *COBS* 19 Annex 7 7R, across the relevant reporting period and then applying the formula (trough value minus peak value) divided by peak value, expressed as a percentage.
11	**Additional considerations**		
	Chain linking		
11.1	R	A *firm* must use the chain-linking methodology set out in *COBS* 19 Annex 7 11.2R or *COBS* 19 Annex 7 11.5R to calculate the investment performance metrics for each *retirement age cohort* for each reporting period each time the following circumstances arise within a reporting period:	
		(1)	where the *firm* replaces an existing *in-scope arrangement* with a different *in-scope arrangement* operated by the same

			firm and members of the existing *in-scope arrangement* are transferred to the replacement *in-scope arrangement*; or
		(2)	where members from at least 1 existing *in-scope arrangement* operated by a *firm* are transferred to another existing *in-scope arrangement* operated by the same *firm*, such that the first *in-scope arrangement(s)* no longer operates as an arrangement on its own
11.2	R	Where the circumstances in *COBS* 19 Annex 7 11.1R(1) arise, a *firm* must link the historic performance of the existing *in-scope arrangement* and the historic performance of the replacement *in-scope arrangement* to calculate the investment performance metrics across a reporting period using the following formula: $((1+A) \times (1+B))^{1/5} -1$ where A and B are the cumulative performance of each *in-scope arrangement*.	
11.3	G	Where there is more than 1 transfer between *in-scope arrangements*, the formula should be adjusted accordingly.	
11.4	G	An example of the calculation that a *firm* must undertake where the circumstances in (1) arise and *COBS* 19 Annex 7 11.2R applies is as follows: Members are moved from *in-scope arrangement* A to *in-scope arrangement* B during the 5-year time period that is being assessed. The calculation would be as follows (which also annualises the data in accordance with *COBS* 19 Annex 7 8.1R): 5-year performance period: 31 December 2017 to 31 December 2022 Transfer date: 30 June 2020 *in-scope arrangement* A cumulative performance: 21 December 2017 to 30 June 2020 = -5.0% *in-scope arrangement* B cumulative performance: 30 June 20 to 31 December 2022 = +24.0% Calculation: $((1+A) \times (1+B))^{1/5} -1$ $= (0.95 \times 1.24)^{1/5} -1$ $= 1.178^{1/5} -1$ = +3.33% annualised	
11.5	R	To calculate the investment performance metrics where *COBS* 19 Annex 7 11.2R(2) applies, a *firm* must use a weighted average historic investment performance of the 2 *in-scope arrangements* for their respective months or years within the reporting period, weighted according to the assets that can be attributed to the *in-scope savers* within the particular *retirement age cohort* using the following formula:	

		$\left(\frac{(1+A) \times VA + (1+B^1) \times VB}{VA+VB} \times (1+B^2)\right)^{1/5} - 1$ where A and B are the cumulative performance of each *in-scope arrangement* over particular time periods, and VA and VB are the respective values of the *in-scope arrangements* at the date of the transfer.
11.6	G	An example of the calculation that a *firm* must undertake where the circumstances in (2) arise and *COBS* 19 Annex 7 11.5R applies is as follows: 5 year performance period: 31 December 2017 to 31 December 2022 Transfer/merger date: 30 June 2020 Default A cumulative performance 31 December 2017 to 30 June 2020 = -5.0% Default B^1 cumulative performance 31 December 2017 to 30 June 2020 = +2.0% Default B^2 cumulative performance 30 June 2020 to 31 December 2022 = +24.0% Value of Default A (VA) at 30 June 2020 = £10,000,000 Value of Default B (VB) at 30 June 2020 = £40,000,000 Calculation: $\left(\frac{(1+A) \times VA + (1+B^1) \times VB}{VA+VB} \times (1+B^2)\right)^{1/5} - 1$ $= \left(\frac{0.95 \times 10{,}000{,}000 + 1.02 \times 40{,}000{,}000}{50{,}000{,}000} \times 1.24\right)^{1/5} - 1$ $= (1.006 \times 1.24)^{1/5} - 1$ $= 1.2474^{1/5} - 1 = +4.52\%$ annualised
11.7	G	A *firm* may also choose to disclose investment performance metrics that have not been chain-linked alongside the metrics which have been chain-linked.
12	**Guarantees**	
12.1	R	Where a *firm* is providing an *in-scope arrangement* which includes a guarantee – for example, a *guaranteed annuity rate* or a guaranteed investment return – the *firm* must include that guarantee on the features table required by *COBS* 19.5A.13R(1)(d).

12.2	G	The *IGC* should refer to such guarantees when undertaking the value for money assessment.
12.3	G	*Firms* are reminded that guaranteed investment returns are not to be taken into account when calculating any of the investment performance metrics, in accordance with this Annex.
13	**With-profits funds**	
13.1	R	Where a *firm* provides an *in-scope arrangement* that is invested in a *with-profits fund*, and the *firm* calculates the gross investment performance metric (*COBS* 19 Annex 7 3.1R(1)) for each *retirement age cohort* from the monthly asset share figures, the *firm* must ensure that all deductions from the fund and other adjustments in relation to the asset share figures are reversed and then calculate the investment performance metrics in accordance with *COBS* 19 Annex 7 7.1R.
13.2	G	Where the *firm* has data for monthly gross investment performance of the underlying *investments*, the *firm* should use that information to calculate the gross investment performance for each *retirement age cohort*.
14	**Smoothed returns**	
14.1	R	Where the investment returns of an *investment* in an *in-scope arrangement's* investment portfolio are smoothed by tracking an index, a *firm* must disregard those returns and calculate the investment performance metrics by using the monthly returns of that *investment* as per *COBS* 19 Annex 7 7R.

19 Annex 8 **Costs and charges metrics**

This Annex belongs to *COBS* 19.5A.13R.

1	**Introduction**	
1.1	G	*COBS* 19.5A.13R(1)(b) requires *firms* to prepare costs and charges metrics in relation to each of their *in-scope arrangements*. This Annex describes what those metrics are, and the methodology *firms* must use to calculate them.
2	**Definitions**	
2.1	R	The definitions in *COBS* 19.5A.12R are applied to this Annex.
3	**Costs and charges metrics**	

3.1	R	The costs and charges metrics referred to in *COBS* 19.5A.13R(1)(b) are:		
		(1)	*investment charges*;	
		(2)	*service costs*; and	
		(3)	*total costs and charges*.	
3.2	G	The metrics above reflect the charges an *in-scope arrangement* makes to its members and are referred to throughout this Annex as the 'costs and charges metrics'.		
4	**Identification of retirement age cohorts**			
4.1	R	A *firm* must apply the *rules* to this Annex set out in *COBS* 19 Annex 7 4 and read the references to 'investment performance metrics' as 'costs and charges metrics'.		
5	**Reporting periods**			
5.1	R	Subject to *COBS* 19 Annex 8 11.1R , a *firm* must publish a single annualised percentage figure for each costs and charges metric for each of the *retirement age cohorts* for the following reporting periods:		
		(1)	where the data is available to the *firm*:	
			(a)	the previous calendar year;
			(a)	the previous 3 calendar years; and
			(b)	the previous 5 calendar years; and
		(2)	where the data is reasonably practicable to obtain:	
			(a)	the previous 10 calendar years; and
			(b)	the previous 15 calendar years.
5.2	G	For the purposes of *COBS* 19 Annex 8 5.1R(1), data will be available to the *firm* unless the *in-scope arrangement* has not been open for at least 12 *months* prior to the date that the costs and charges metrics need to be prepared.		
		[Note: transitional provisions apply to this rule: see *COBS* TP 2.36JR, *COBS* TP 2.36KR and *COBS* TP 2.36LR]		
	Illustration of how information is to be published			

5.3	G	The following table illustrates the information *firms* must disclose for each year to retirement cohort where the data is available to the firm. The boxes shaded in grey indicate the information *firms* must disclose where reasonably practicable. A *firm* may in addition choose to disclose an estimate of *total costs and charges* where *combination charge structures* apply to *in-scope savers*.

Costs and charges metrics	**Reporting periods**				
	1 year	**3 years**	**5 years**	**10 years**	**15 years**
Investment charges					
Service costs					
Total costs and charges					
Optional: estimate of *total costs and charges*					

6	**Calculation of costs and charges metrics**		
	Calculating the metrics for a particular calendar year		
6.1	R	To calculate the costs and charges metrics for a particular calendar year for a particular *retirement age cohort* a *firm* must:	
		(1)	express the monetary amount for each metric for each *retirement age cohort* as a decimal figure;
		(2)	divide each figure in (1) by the average *relevant assets* for the *retirement age cohort* (where the "average of *relevant assets*" is the sum of the *relevant assets* at 31 December for the calendar year being assessed and at 31 December for the previous calendar year divided by 2); and
		(3)	express the result as a percentage figure.
7	**Calculating the metrics as an annualised figure for reporting periods containing multiple years**		
7.1	R	To express each costs and charges metric as a single percentage figure of *relevant assets* for each of the reporting periods of 3, 5, 10 or 15 years a *firm* must calculate the geometric mean across the calendar year. A *firm* must:	

		(1)	take the percentage calendar year figures produced in accordance with *COBS* 19 Annex 8 6.1R for each year within the particular reporting period for each *retirement age cohort*
		(2)	treating each *retirement age cohort* separately, express the single annual percentage figures as a decimal figure (for example, express 0.5% as 0.005), and subtract this from 1 (for example 0.995);
		(3)	multiply those figures together to calculate the product of those values;
		(4)	take the nth root of the product of all values (where n equals the number of years in the relevant reporting period); and
		(5)	subtract the result in (4) from 1 and convert to a percentage figure; and
		(6)	express each single percentage figure to 2 decimal places.
8	**Mutuals profit sharing**		
8.1	G	A *mutual* that pays *relevant policyholders* a share of its profits may calculate its *total costs and charges* net of profit share. *Service costs* may reduce as a consequence.	
9	**Combination charge structures**		
9.1	R	A *firm* that applies *combination charge structures* must disclose the *costs and charges metric*s in accordance with *COBS* 19 Annex 8 5.1R and *COBS* 19 Annex 8 5.3G.	
9.2	G	Where *combination charge structures* apply to an *in-scope saver*, and the amounts saved by a particular *retirement age cohort* in the *in-scope arrangement* are low relative to contributions or fixed fees (at the point in time that the firm is required to publish the information in accordance with *COBS* 19.5A.15R), a *firm* may also disclose an estimate of the *total costs and charges* at a future date to be calculated based on the expectation the *firm* has for the growth in the amount saved relative to future contributions or fixed fees.	
9.3	G	The estimate in *COBS* 19 Annex 8 9.2R above should be expressed as a single percentage figure for savers in a particular *retirement age cohort*.	
9.4	G	Where a *firm* elects to calculate the estimate of *total costs and charges*, it should disclose the date on which the calculation in *COBS* 19 Annex 8 9.2R is based.	

10	**Unbundling of costs and charges**		
10.1	R	Where a *firm* that provides *vertically integrated arrangements* has estimated its *investment charges*, it must keep a record for 6 years of how the estimate has been calculated, including a record of the objective market rates used and the source of the information.	
11	**Multi-employer in scope arrangements**		
	Range and median		
11.1	R	Where a *firm* operates a multi-employer *in-scope arrangement* and one or more of the costs and charges metrics vary between employers, the *firm* must prepare and publish the range and median for each of those metrics, instead of a single annualised percentage figure as required by *COBS* 19 Annex 8 5.1R.	
11.2	R	The range and median referred to above is across all *in-scope savers* invested in the arrangement and for each *retirement age cohort* and each reporting period as set out in *COBS* 19 Annex 8 5.1R.	
11.3	G	Where a *firm* operates a multi-employer *in-scope arrangement* and the costs and charges metrics do not vary by employer, the *firm* is not expected to publish the range and median in respect of that metric but will be required to prepare and publish a single annualised percentage figure in accordance with *COBS* 19 Annex 8 7.1R.	
12	**Profit share**		
12.1	R	For multi-employer *in-scope arrangements* where *service costs* or *total costs and charges* will vary, the range and median for each metric (weighted by number of savers) must be disclosed separately after allowing for profit share. *Service costs* may reduce as a consequence.	
13	**Additional disclosures by multi-employer in scope arrangements**		
13.1	R	For each multi-employer *in-scope arrangement*, a *firm* must publish additional disclosures for the most recent year for savers who are 30 years to retirement.	
13.2	R	To calculate the additional disclosures for multi-employer *in-scope arrangements*, a *firm* must:	
		(1)	identify each employer cohort in accordance with the table in *COBS* 19 Annex 8 13.4R for each of its multi-employer *in-scope arrangements*;

		(2)	for each set of employer cohorts in the table in *COBS* 19 Annex 8 13.4R below, calculate for the most recent year, for savers who are 30 years to retirement:	
			(a)	the range and median of the *total costs and charges*;
			(b)	the average contributions per saver; and
			(c)	the distribution of employers across the *in-scope arrangement*;
		(3)	complete the tables in *COBS* 19 Annex 8 13.4R;	
		(4)	for the purposes of this *rule*:	
			(a)	'average contributions per saver' means contributions by and on behalf of savers averaging across the *in-scope active savers* and *in-scope deferred savers* for each employer cohort; and
			(b)	'distribution of employers across the *in-scope arrangement*' means the percentage of employers in each employer cohort which should add up to 100%.
13.3	G	The additional disclosure in *COBS* 19 Annex 8 13.1R will enable a comparison of multi-employer *in-scope arrangements* at employer cohort level within the 30 years to *retirement age cohort*.		
13.4	R	Where a *firm* operates a multi-employer *in-scope arrangement*, the *firm* must complete the table below for the most recent year for *in-scope savers* in the 30 years to *retirement age cohort*.		

30 years to retirement at 1 year								
Employer size by relevant asset bands	< £100k	£100k-£1m	£1m-£5m	£5m-£25m	£25m-£50m	£50m-£100m	£100m-£250m	>£250m
Range and median of charges (e.g. 0.22%-0.41%, 0.31%)								
Average contributions per saver								

(active and deferred) £								
Distribution of employers across the in-scope arrangement (%)								

30 years to retirement at 1 year									
Employer size by number of members	Under 100	100-499	500-999	1,000-4,999	5,000-9,999	10,000-24,999	25,000-49,999	50,000-99,999	>100,000
Range and median of charges (e.g. 0.22%-0.41%, 0.31%)									
Average contributions per saver (active and deferred) £									
Distribution of employers across the in-scope arrangement (%)									

19 Annex 9 **Quality of service metrics**

This Annex belongs to *COBS* 19.5A.13R.

1	**Introduction**	
1.1	G	*COBS* 19.5A.13R(1)(c) requires *firms* to publish quality of service metrics in relation to each of their *in-scope arrangements*, referred to in this Annex as the “quality of service metrics”. This Annex requires *firms* to send out customer satisfaction surveys to *in-scope savers*, collect data to allow for the calculation and publication of

		the quality of service metrics, and describes what the quality of service metrics are and how *firms* should calculate them. *Firms* are also able to include certain savers other than *in-scope savers* when complying with the requirements in this Annex.			
2	**Definitions**				
2.1	R	In addition to the definitions set out below, the definitions in *COBS* 19.5A.12R apply to this Annex.			
2.2	R	In this Annex:			
		(1)	"common data" means data that is used by a *firm* that operates a *relevant scheme* to identify a member of the *relevant scheme* and must include: National Insurance number, surname and either forename or initial(s), sex, date of birth, date pensionable service started, policy start date, date of first contribution, expected retirement date, policy maturity date, membership status (active/deferred), last status event, address including postcode, personal email address, and phone number;		
		(2)	a "closed complaint" is a complaint:		
			(a)	where the *firm* has sent a final response; or	
			(b)	where the complainant has positively indicated acceptance of a response from the *firm*;	
		(3)	"complaint" means any oral or written expression of dissatisfaction, whether justified or not, from an individual, or on their behalf with their consent, about the provision of, or failure to provide, a financial service, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience;		
		(4)	"contacted the *firm*" includes contacting a *person* to which the *firm* outsources the customer service function;		
		(5)	"customer satisfaction survey" means the survey in the table at *COBS* 19 Annex 9 4.1R that a *firm* must issue in accordance with *COBS* 19 Annex 9 4.1R;		
		(6)	"final response" means a written response from the *firm* which:		
			(a)	either:	
				(i)	accepts the complaint and, where appropriate, offers redress or remedial action;

				(ii)	offers redress or remedial action without accepting the complaint; or
				(iii)	rejects the complaint and gives reasons for doing so; and
			(b)	encloses a copy of the *Financial Ombudsman Service's* standard explanatory leaflet;	
			(c)	provides the website address of the *Financial Ombudsman Service*;	
			(d)	informs the complainant that if they remain dissatisfied with the respondent's response, they may now refer their complaint to the *Financial Ombudsman Service*; and	
			(e)	indicates whether or not the *firm* consents to waive the relevant time limits in *DISP* 2.8.2R (Was the complaint referred to the Financial Ombudsman Service in time?) by including the appropriate wording set out in *DISP* 1 Annex 3R.	
		(7)	the "key financial transactions" are:		
			(a)	payments in and investment of contributions – which occur from the point of payment of monies into the *relevant scheme* to the point at which the monies are received by the appropriate investment fund;	
			(b)	transfers between *relevant schemes* – which occur from the point of a formal request for a transfer to another *relevant scheme* until the point at which the saver's details and benefits have been successfully received by the receiving *relevant scheme*;	
			(c)	transfers and switches between *investments* – which occur from the point of a formal request for a transfer to an alternative *investment* until the point at which the transfer is successfully received by the alternative *investment*; and	
			(d)	payments out to beneficiaries – which occur from the point at which a request is made for payment to a beneficiary to be issued until the point at which the payment is received by the beneficiary's receiving account;	
		(8)	"savers":		

			(a)	means *in-scope savers* of the *in-scope arrangement*; and
			(b)	may include other members of the same *relevant scheme* as those in (a), whether *in-scope savers* of another *in-scope arrangement* within the *relevant scheme* or not, who are provided with services under the same or a substantially similar package of services as the *in-scope savers* in (a), where the *firm* chooses to include them.
		(9)	"scheme specific data" means data unique to each member of the *relevant scheme*, that is not common data, and is needed by a *firm* that operates a *relevant scheme* to meet its obligations, to conduct its regular functions, for effective administration of the *relevant scheme* and to provide effective communications; and	
		(10)	"time period for closing a complaint" is the period of time from the receipt of a complaint by the *firm* in relation to the *relevant scheme* until the complaint is a closed complaint.	
3	**Collecting data and preparing and publishing the metrics**			
3.1	R	A *firm* must collect data to enable it to prepare and publish the quality of service metrics (where required) in relation to:		
		(1)	each of its *in-scope arrangements*; and	
		(2)	any other arrangement that it reasonably expects to determine as being an *in-scope arrangement* the following calendar year.	
3.2	R	A *firm* must prepare and publish the quality of service metrics for *in-scope savers* of a particular *in-scope arrangement*.		
3.3	G	A *firm* may choose to meet the requirement above by relying on data collected for savers and not just that collected for *in-scope savers*.		
4	**Requirement to send customer satisfaction surveys**			
4.1	R	A *firm* must send a customer satisfaction survey in the form set out in the following table to all *in-scope savers* of each of the *in-scope arrangements* that it operates.		

	Strongly disagree	Disagree	Undecided	Agree	Strongly agree

I was able to achieve what I wanted to	1	2	3	4	5
I found the process easy	1	2	3	4	5
I was satisfied with the service provided today	1	2	3	4	5
I have been satisfied with the communications I have received over the past year	1	2	3	4	5
Overall, I am satisfied with my scheme	1	2	3	4	5

4.2	G	In addition to *in-scope savers*, a *firm* may choose to send the customer satisfaction survey in *COBS* 19 Annex 9 4.1R to:	
		(1)	all savers;
		(2)	members invested in any other arrangement that the *firm* reasonably expects to be determined as being an *in-scope arrangement* the following calendar year; and
		(3)	members in the same *relevant scheme* as those in (2) who are provided with services under the same or sufficiently similar package of service as the savers in (2).

4.3	R	Notwithstanding the above, when calculating the quality of services metrics, a *firm* must only use the data from the customer satisfaction survey provided by *in-scope savers* and savers.	
4.4	R	The customer satisfaction survey must be sent within 5 *business days* of any of the following events taking place (in this *rule*, *in-scope saver* must be read so as to include all savers and members who are within the categories in *COBS* 19 Annex 9 4.2G)):	
		(1)	the *in-scope saver* telephones the *firm's* helpline;
		(2)	the *in-scope saver* registers to use the *firm's* online account services, such as an online portal or mobile application;
		(3)	the *in-scope saver* nominates a death beneficiary; or
		(4)	the *in-scope saver* transfers pension benefits into the *relevant scheme*.
5	**Calculating the quality of service metrics**		
5.1	R	Unless otherwise indicated, when calculating the percentage of savers for a particular metric, a *firm* must use the number of savers on 31 December of the previous calendar year to produce the percentage.	
6	**Indicators of quality of service**		
6.1	R	Each quality of service metric relates to one of the indicators of quality of service. The indicators of quality of service are:	
		(1)	savers can be confident that transactions are secure, prompt, and accurate;
		(2)	savers are satisfied with the service they receive;
		(3)	savers are supported to make plans and decisions for their retirement;
		(4)	savers can amend their pension with ease; and
		(5)	savers are supported to engage with their pension.
7	**Quality of service metrics**		
7.1	R	The quality of service metrics that a *firm* must prepare and publish are set out at *COBS* 19 Annex 9 7.2R to 7.6R. Each of the metrics is listed under its relevant indicator.	
	Indicator: savers can be confident that transactions are secure, prompt and accurate		

7.2	R	(1)	The following are the metrics relating to the *relevant scheme's* common data:	
			(a)	whether the *firm* reviews the *relevant scheme's* common data for accuracy on a more frequent than annual, annual, or less than annual basis;
			(b)	whether the *firm* updates the *relevant scheme's* common data on a more frequent than annual, annual, or less than annual basis;
			(c)	the date when the firm last reviewed the *relevant scheme's* common data;
			(d)	at that last review date, the percentage of savers as at that date with complete and accurate common data; and
			(e)	at that last review date, the number of savers with incomplete and/or inaccurate common data.
		(2)	The following are the metrics for the *relevant scheme's* scheme-specific data:	
			(a)	whether the *firm* reviews the *relevant scheme's* scheme-specific data for accuracy on a more frequent than annual, annual, or less than annual basis;
			(b)	whether the *firm* updates the *relevant scheme's* scheme specific data on a more frequent than annual, annual, or less than annual basis;
			(c)	the date when the firm last reviewed the *relevant scheme's* scheme specific data;
			(d)	at that last review date, the percentage of savers as at that date with complete and accurate scheme specific data; and
			(e)	at that last review date, the number of savers with incomplete and/or inaccurate scheme specific data.
		(3)	The information in the following table constitutes the metrics for each of the key financial transactions.	

	Payments in and investment of contributions	**Transfer between schemes**	**Transfers and switches between investments**	**Payments out to beneficiaries**

Number of requests received by the *firm* in the previous calendar year				
The time period specified by the *firm's* scheme service level agreement or internal policy for completing each key financial transaction				
The number of requests that took longer to complete than the time period specified in the *firm's* scheme service level agreement or internal policy in the previous calendar year				
The mean end-to-end time period to complete each key financial transaction in the previous calendar year				
The range of end-to-end time periods to complete each of the key financial transactions in				

the previous calendar year				

	Indicator: savers are satisfied with the service they receive				
7.3	R	(1)	The following are the metrics relating to complaints:		
			(a)	the number of complaints received by the *firm* in relation to the *relevant scheme* in the previous calendar year;	
			(b)	the percentage of *savers* that made at least one complaint to the *firm* in relation to the *relevant scheme* in the previous calendar year;	
			(c)	the mean end-to-end time period for closing a complaint in the previous calendar year;	
			(d)	the range of end-to-end time periods for closing a complaint in the previous calendar year;	
			(e)	the time period for closing a complaint specified in the *firm's* scheme service level agreement or internal policy;	
			(f)	the number of complaints which became closed complaints in the previous calendar year, where the time period for closing the complaint was sent outside of the time period in (e); and	
			(g)	the number of complaints received by the *firm* from savers in relation to the *relevant scheme* that were:	
				(i)	referred to the *Financial Ombudsman Service* or the *Pensions Ombudsman* in the previous calendar year;
				(ii)	determined by the *Financial Ombudsman Service* or the *Pensions Ombudsman* in the previous calendar year;
				(iii)	upheld by the *Financial Ombudsman Service* or the *Pensions Ombudsman* in the previous calendar year; and
				(iv)	partly upheld by the *Pensions Ombudsman* in the previous calendar year.
		(2)	The following are the metrics relating to the customer satisfaction survey:		

			(a)	the number of customer satisfaction surveys issued by the *firm* to savers in the previous calendar year;
			(b)	the percentage of those customer satisfaction surveys issued to savers in the previous calendar year to which the *firm* received a response in the previous calendar year;
			(c)	the percentage of savers that are represented by the percentage in (b); and
			(d)	a collation of annualised results of those customer satisfaction surveys issued to savers in the previous calendar year to which the *firm* received a response in the previous calendar year, where the number of responses received for each rating for each question is expressed as a percentage of the total responses received for each question as per the following table:

Collation of annualised results	**Strongly disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly agree**
I was able to achieve what I wanted to	(%)	(%)	(%)	(%)	(%)
I found the process easy	(%)	(%)	(%)	(%)	(%)
I was satisfied with the service provided today	(%)	(%)	(%)	(%)	(%)
I have been satisfied with the communications I have received over the past year	(%)	(%)	(%)	(%)	(%)
Overall, I am satisfied with my scheme	(%)	(%)	(%)	(%)	(%)

	Indicator: savers are supported to make plans and decisions for their retirement	
7.4	R	The following are the relevant metrics:

		(1)	the percentage of savers that have used one of the following offered by the *firm* in relation to the *relevant scheme* in the previous calendar year: mobile application, tools, pension calculators or modellers that support savers planning and decision-making for their retirement; and
		(2)	the percentage of savers, excluding those with *safeguarded benefits*, who have a pot value greater than £30,000 and are taking benefits as an *uncrystallised funds pension lump sum*.
	Indicator: savers can amend their pension with ease		
7.5	R	The following are the relevant metrics:	
		(1)	subject to (2), the percentage of savers that have reviewed and/or updated their beneficiaries at least once in the previous 5 calendar years;
		(2)	where the *firm* does not have data for the previous 5 calendar years, the *firm* must publish the data that is available, the time period that it covers, and the percentage of savers that have reviewed and/or updated their beneficiaries at least once in that time period;
		(3)	subject to (4), the percentage of savers that have reviewed and/or updated their active pension contributions at least once in the previous 5 calendar years; and
		(4)	where the *firm* does not have data for the previous 5 calendar years, the *firm* must publish the data that is available, the time period that it covers, and the percentage of savers that have reviewed and/or updated their active pension contributions at least once in that time period.
	Indicator: savers are supported to engage with their pension		
7.6	R	The following are the relevant metrics:	
		(1)	the percentage of savers that have contacted the *firm* at least once in the previous calendar year;
		(2)	the percentage of savers that are registered to use the *firm's* online portal or mobile application to access information about their pension on 31 December of the previous calendar year; and
		(3)	of those savers that are registered to use the *firm's* online portal or mobile application, the percentage that accessed it at least once in the previous calendar year.

19 Annex 10 **Features table**

This Annex belongs to *COBS* 19.5A.13R.

1	**Introduction**				
1.1	G	*COBS* 19.5A.13R(1)(d) requires *firms* to prepare and publish a features table in relation to each of its *in-scope arrangements*. This Annex details the minimum features information required to be disclosed in that features table. The information to be included in the features table is mandatory. An example of how the features table could be presented is also provided in this Annex.			
1.2	R	The features information to be included in the features table that a *firm* must prepare and publish for each of its *in-scope arrangements* in accordance with *COBS* 19.5A.13R(1)(d) is:			
		(1)	the following information about the *firm* providing the *in-scope arrangement*:		
			(a)	name of the *firm*;	
			(b)	*FCA* firm reference number;	
			(c)	total number of *active in-scope savers* on 31 December of the previous calendar year;	
			(d)	total number of *deferred in-scope savers* on 31 December of the previous calendar year; and	
			(e)	*total in-scope assets* of the *firm* on 31 December of the previous calendar year;	
		(2)	the following information about the *in-scope arrangement*:		
			(a)	a unique identifier of the *in-scope arrangement*;	
			(b)	whether the arrangement is a *firm-designed in-scope arrangement*;	
			(c)	whether the arrangement is an *in-scope default arrangement* or an *in-scope legacy arrangement*;	
			(d)	whether the arrangement is commercially available for use by employers new to the provider;	

			(e)	total number of *active in-scope savers* on 31 December of the previous calendar year;
			(f)	total number of *deferred in-scope savers* on 31 December of the previous calendar year;
			(g)	*relevant assets* on 31 December of the previous calendar year;
			(h)	whether the arrangement is a *vertically integrated arrangement* on 31 December of the previous calendar year; and
			(i)	whether there are employer subsidies;
		(3)	the following information about the demographics of the *in-scope arrangement* on 31 December of the previous calendar year:	
			(a)	total number of employers in relation to *in-scope savers*;
			(b)	the average number of *in-scope savers* per employer;
			(c)	the average total contribution by or on behalf of an *in-scope active saver* who is invested in the *in-scope arrangement*;
			(d)	the average pot value of all *in-scope savers*; and
			(e)	the number of *in-scope savers* that have switched or transferred all of their pension contributions from the *in-scope arrangement* during the previous calendar year as a percentage of the total number of *in-scope savers* at 31 December; and
		(4)	any features of the *in-scope arrangement* not reflected in the metrics that can reasonably be expected to be relevant to the assessment of whether the *in-scope arrangement* is providing value for money.	
1.3	G	The types of features that may be published in accordance with *COBS* 19 Annex 10 1.2R(4) include any additional benefits and/or legacy features provided through the *in-scope arrangement*. This may include, but is not limited to, life insurance lump sums, *guaranteed annuity rates* and dependent pension upon death.		
1.4	G	When complying with *COBS* 19 Annex 10 1.2R(4) in relation to an *in-scope arrangement* that is used by more than one employer with a single charge, a *firm* should publish the characteristics of employers		

		using the arrangement, such as if the size of employers is skewed towards large or small employers.
1.5	G	If a *firm* publishes additional benefits and/or legacy features when complying with *COBS* 19 Annex 10 1.2R(4), it should set out the percentage of *in-scope savers* of the *in-scope arrangement* that are currently entitled to that benefit and/or feature.
	Example of the features table	
1.6	G	The following table illustrates the features information that must be published.

Provider details	
Name of provider	
FCA firm reference number (FRN)	
Total number of active savers	
Total number of deferred savers	
Total contract-based pension assets in accumulation	
In-scope arrangement summary	
Identification of in-scope arrangement	
Firm designed	Yes / No
Automatic Enrolment or legacy	
Open for use by new employers	Yes / No
Total number of active savers	
Total number of deferred savers	
Total relevant assets in accumulation	
Vertically integrated / estimated investment charges	Yes / No
Any employer subsidies	Yes / No

The following relate to the demographics of the in-scope arrangement	
Number of employers	
Average number of savers per employer (active and deferred)	
Average contribution of savers (active only)	
Average pot size of savers (active and deferred)	
Average turnover rate of savers (active and deferred)	
Description of any features not reflected in disclosed metrics that should be considered in assessing value	
Features may include guarantees associated with some legacy arrangements such as life insurance lump sums, guaranteed annuity rates and dependent pensions upon death. Descriptions should draw reference to the proportion to the members that currently hold the benefit or feature. For multi-employer arrangements with a single charge, the characteristics of employers using the arrangement should be disclosed – for example, if skewed towards large or small employers.	

19 Annex 11 **Asset allocation for firm-designed in-scope arrangements**

1	**Introduction**		
1.1	G	*Firms* are required by *COBS* 19.5A.13R(2) to prepare asset allocation information for their *firm-designed in-scope arrangements*. This Annex provides *firms* with the methodology of how to prepare that information, which is referred to as the "asset allocation information" throughout this Annex.	
2	**Definitions**		
2.1	R	In addition to the definitions set out below, the definitions in *COBS* 19.5A.12R apply to this Annex.	
2.2	R	In this Annex:	
		(1)	"bond" means an instrument creating or acknowledging indebtedness, issued by:

			(a)	a *company*;
			(b)	His Majesty's Government in the United Kingdom; or
			(c)	the government of any country or territory other than the United Kingdom;
		(2)	"buyout or leveraged buyout funds" means investment in a business, which is often a relatively mature business compared to that in growth equity, where a controlling interest is taken;	
		(3)	"cash" means cash and assets that offer low-risk alternatives to cash, such as money market funds, treasury bills, or insurance funds linked to these or cash-like assets;	
		(4)	"growth equity" means investment in a business, which is often a relatively mature business compared to that in venture capital, that is going through a transformational event in its lifecycle, with potential for growth;	
		(5)	"infrastructure" means physical structures, facilities, systems, or networks that provide or support public services, including water, gas and electricity networks, roads, telecommunications facilities, schools, hospitals, and prisons;	
		(6)	a "listed" asset is an asset which is admitted to trading on a *regulated market*;	
		(7)	"listed equities" means *shares* admitted to trading on a *regulated market*;	
		(8)	an "unlisted" asset is an asset which is not admitted to trading on a *regulated market*;	
		(9)	"private debt" means an instrument creating or acknowledging indebtedness which is not a bond;	
		(10)	"private equity" means *shares* not admitted to trading on a *regulated market*; and	
		(11)	"venture capital" means investment in a business, generally one which is small and at an early stage, that is expected to have high growth potential but with access to other forms of financing.	
3	**Asset allocation information**			

3.1	R	The asset allocation information that a *firm* must prepare and publish is:		
		(1)	asset allocation calculated in accordance with *COBS* 19 Annex 11 6; and	
		(2)	any other information relating to asset allocation that the *firm* considers material to investment performance.	
4	**Identification of arrangements and retirement age cohorts**			
4.1	R	A *firm* must identify each of its *firm designed in-scope arrangements* and each *retirement age cohort* within those arrangements.		
4.2	R	The *firm* must then prepare and publish asset allocation information for:		
		(1)	each *retirement age cohort* of each of its *firm-designed in-scope arrangements*; and	
		(2)	all *in-scope savers* of each of its *firm-designed in-scope arrangements*.	
5	**Timing**			
5.1	R	A *firm* will undertake its calculation of asset allocation information using the data as at 31 December of the previous calendar year.		
6	**Calculating asset allocation information**			
6.1	R	To calculate asset allocation information, a *firm* must:		
		(1)	calculate the share of assets allocated to each of the asset classes listed in *COBS* 19 Annex 11 7.1R, expressed as a percentage of:	
			(a)	assets invested for the benefit of those *in-scope savers* of the relevant *retirement age cohort* as at 31 December of the previous calendar year, if calculating asset allocation for each *retirement age cohort*; or
			(b)	*relevant assets*, if calculating asset allocation for the *firm-designed in-scope arrangement*;
		(2)	apportion the percentage figure in (1) to show the percentage of those assets allocated to each of the asset classes which are listed and unlisted;	

		(3)	apportion the percentage figures from (2) to show the percentage of those assets which are invested in the *UK* and not invested in the *UK*; and	
		(4)	apportion the percentage figures from (3) to show the percentage of those assets which are allocated to each sub-asset class listed in *COBS* 19 Annex 11 7.2R.	
6.2	R	The percentages referred to in *COBS* 19 Annex 11 6.1R must be expressed to 1 decimal place and must add up to 100%.		
6.3	G	The table at *COBS* 19 Annex 11 10.3G illustrates the asset allocation information that is to be prepared in accordance with this Annex.		
6.4	R	For the purposes of the calculations in *COBS* 19 Annex 11 6.1R:		
		(1)	contributions received by the *firm* in relation to *in-scope savers* that have not yet been allocated by the *firm* are not assets that have been allocated; and	
		(2)	cash is not an asset that has been allocated if it is cash held by the *firm* to meet operating expenses.	
7	**Asset classes and sub-asset classes**			
7.1	R	The asset classes referred to in *COBS* 19 Annex 11 6.1R(1) are:		
		(1)	listed equities;	
		(2)	bonds;	
		(3)	private equity;	
		(4)	private debt;	
		(5)	infrastructure;	
		(6)	real estate which does not fall within paragraph (5);	
		(7)	cash; and	
		(8)	any other assets which do not fall within paragraphs (1) to (7).	
7.2	R	The sub-asset classes referred to in *COBS* 19 Annex 11 6.1R(4) are:		
		(1)	for listed equities:	
			(a)	shares located in a developed market;

			(b)	shares located in an emerging market; and
			(c)	shares located in another market;
		(2)	for bonds:	
			(a)	fixed interest government bonds;
			(b)	indexed-linked government bonds;
			(c)	investment-grade corporate bonds;
			(d)	non-investment grade corporate bonds;
			(e)	securitised bonds; and
			(f)	other bonds;
		(3)	for private equity:	
			(a)	venture capital;
			(b)	growth capital;
			(c)	buyout or leveraged buyout funds; and
			(d)	other private equity;
8	**Guidance on asset allocation**			
8.1	G	Where an asset is allocated to a listed investment vehicle, the asset allocation information should show:		
		(1)	that asset as a listed asset; and	
		(2)	the asset class and the sub-asset class of the underlying asset in which the vehicle is invested.	
8.2	G	When calculating asset allocations, some assets may reasonably be allocated to more than 1 asset class. To avoid double counting, *firms* should consider the primary purpose of an asset when deciding to which asset class it should be allocated. Often, this will be clear from the mandate of the fund, with specialist managers for infrastructure, real estate, private equity and private debt. Where there is uncertainty, *firms* should apply the following order:		
		(1)	infrastructure;	
		(2)	real estate;	
		(3)	private equity; and	

		(4)	private debt.
9	**Guidance on UK and non-UK assets**		
9.1	G	When determining whether an asset is a *UK* or non-*UK* asset for the purposes of *COBS* 19 Annex 11 6.1R(3), *firms* should categorise the assets as follows:	
		(1)	subject to (2) below, a listed asset is a *UK* asset if it has its primary listing on a *UK* market and constituents of *UK* market indices;
		(2)	where an asset is an *investment* via a pooled fund, whether the asset is a *UK* asset or not should reflect any *UK* allocation within the fund and would include, for example, *UK* market exposure within global equity funds;
		(3)	private equity is a *UK* asset if it relates to *shares* in a *UK*-registered private company or partnership;
		(4)	infrastructure and property is a *UK* asset if it is located in the *UK*; and
		(5)	private debt is a *UK* asset if the borrower is located in the *UK*.
9.2	G	Where a listed asset is an *investment* in a listed investment vehicle, the asset is a *UK* asset if the underlying asset in which the vehicle is invested is a *UK* asset.	
9.3	G	Where a *firm-designed in-scope arrangement* has assets that do not use a physical allocation, such as *derivatives*, a *firm* should state what their synthetic allocation would provide in physical asset terms, distinguishing between *UK* and non-*UK* exposure. Where that is not possible, the assets should be classed as "other", so that the total asset allocation percentage remains at 100%, and an explanation should be provided. *Firms* may provide this explanation as part of its compliance with *COBS* 19 Annex 11 3.1R(2).	
10	**Guidance on information material to investment performance**		
10.1	G	In relation to *COBS* 19 Annex 11 6.1R(1), it is expected that in most cases there will be no other information relating to asset allocation that is material to investment performance.	
10.2	G	For the purposes of *COBS* 19 Annex 11 6.1R(1), information that a *firm* might consider material to investment performance could include:	
		(1)	durational information regarding fixed income *investments*;

		(2)	the particular structure, stage or sector of unlisted equity *investments*;
		(3)	information on the extent to which listed equities are focused on small or large cap stocks; and
		(4)	any hedging or use of derivatives.
10.3	G	The following table illustrates the asset allocation calculation that is to be completed in accordance with *COBS* 19 Annex 11 6R.	

Asset allocations		**Listed**		**Unlisted**		**Hedged**
Asset class	Sub-asset class splits	UK %	Non-UK %	UK %	Non-UK %	£ Hedged as a % of asset class
Listed equities	Developed markets Emerging markets Other markets					
Bonds	Fixed interest government bonds Index-linked government bonds Investment-grade corporate bonds Non-investment grade corporate bonds Securitised bonds Other bonds					
Private equity	Venture capital Growth equity Buyout/Leveraged Other types of private equity					
Private debt/credit						
Infrastructure						

Property/Real Estate						
Cash						
Other	[Asset type]					
Total						
Where applicable anything else that is material to performance: this could relate, but is not limited, to durational information regarding fixed income investments, the particular structure/stage/sector of private equity investments (for example where initially low returns are reasonably expected to increase over time), or information on the extent to which listed equities are focussed on small/large cap stocks.						

19 Annex 12 Value for money framework data

19 Annex 12.1 G The tables set out below are examples of how the metrics and information required to be published by *COBS* 19.5A.14R can be presented in an accessible, comprehensible and user-friendly manner for the purposes of *COBS* 19.5A.17G.

19 Annex 12.2 G Investment performance – example tables

Performance metrics - 30 Years To Retirement (YTR)	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Gross investment performance					
Investment performance net of investment charges					
Investment performance net all costs and charges					

Annualised standard deviation of returns					
Maximum drawdown					

Performance metrics - 5 YTR	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Gross investment performance					
Investment performance net of investment charges					
Investment performance net all costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					

Performance metrics - AT RETIREMENT	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Gross investment performance					
Investment performance net of investment charges					

Investment performance net all costs and charges					
Annualised standard deviation of returns					
Maximum drawdown					

19 Annex 12.3	G	Investment performance: optional disclosures

Optional non-chain-linked: Performances - 30 YTR	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Gross investment performance: Arrangement 1 (date – date)					
Gross investment performance: Arrangement 2 (date – date)					
Gross investment performance: (insert additional rows for additional arrangements as needed)					

Optional non-chain-linked:	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**

Performance metrics- 5 YTR					
Gross investment performance: Arrangement 1 (date – date)					
Gross investment performance: Arrangement 2 (date – date)					
Gross investment performance: (insert additional rows for additional arrangements as needed)					

Optional non-chain-linked: Performance metrics - AT RETIREMENT	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Gross investment performance: Arrangement 1 (date – date)					
Gross investment performance: Arrangement 2 (date – date)					
Gross investment performance: (insert additional rows for					

additional arrangements as needed)					

19 Annex 12.4 G Asset allocation – example tables

Asset class (30 YTR percentage allocation)	**Sub-asset class splits**	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest government					
	Index-linked government					
	Investment-grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					

	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						
Mandatory disclosure of anything else that is material to performance:						

Asset class (5 YTR percentage allocation)	**Sub-asset class splits**	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest government					
	Index-linked government					

	Investment-grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						
Mandatory disclosure of anything else that is material to performance:						

Asset class (AT RETIREMENT) percentage allocation)	Sub-asset class splits	Listed (UK%)	Listed (Non-UK%)	Unlisted (UK%)	Unlisted (Non-UK%)	Optional: % £ hedged

Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest government					
	Index-linked government					
	Investment-grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					
	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						

Cash						
Other						
Total						
Mandatory disclosure of anything else that is material to performance:						

Asset class (Total in accumulation percentage allocation)	**Sub-asset class splits**	**Listed (UK%)**	**Listed (Non-UK%)**	**Unlisted (UK%)**	**Unlisted (Non-UK%)**	**Optional: % £ hedged**
Listed equities	Developed markets					
	Emerging markets					
	Other markets					
Bonds	Fixed interest government					
	Index-linked government					
	Investment-grade corporate					
	Non-investment-grade corporate					
	Securitised					
	Other bonds					
Private equity	Venture capital					

	Growth equity					
	Buyout / Leveraged					
	Other private equity					
Private debt / credit						
Infrastructure						
Property / Real Estate						
Cash						
Other						
Total						
Mandatory disclosure of anything else that is material to performance:						

19 Annex 12.5 G Costs and charges: example tables

Cost Metric 30 YTR	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

Cost Metric 5 YTR	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

Cost Metric RETIREMENT	**1 year**	**3 years**	**5 years**	**10 years**	**15 years**
Service costs					
Investment charges					
Total costs and charges					
Optional: Estimate of total costs and charges					

19 Annex 12.6 G Costs and charges: multi-employer arrangement cohort example tables - 30 YTR

Employer size by Assets Under Management bands	**< £100k**	**£100k-£1m**	**£1m-£5m**	**£5m-£25m**	**£25m-£50m**	**£50m-£100m**	**£100m-£250m**	**> £250m**
Range and median of charges								

Average contribution per saver (active and deferred) £								
Distribution of employers across the in-scope arrangement (%)								

Employer size by number of members	**Under 100**	**100-499**	**500-999**	**1,000 - 4,999**	**5,000 - 9,999**	**10, 000-24, 999**	**25, 000-49, 999**	**50, 000-99, 999**	**>100, 000**
Range and median of charges									
Average contribution per saver (active and deferred) £									
Distribution of employers across the in-scope arrangement (%)									

19 Annex 12.7 G Quality of service: example tables

Common data			
How frequently is common data reviewed?	More than annually	Annually	Less than annually

How frequently is action taken to correct common data?	More than annually	Annually	Less than annually
When was the common data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate common data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate common data?			

Scheme-specific data			
How frequently is the scheme-specific data reviewed?	More than annually	Annually	Less than annually
How frequently is action taken to correct the scheme-specific data?	More than annually	Annually	Less than annually
When was the scheme-specific data last reviewed?			
At the last review date, what was the percentage (%) of savers with complete and accurate scheme-specific data?			
At the last review date, what was the number (#) of savers with incomplete / inaccurate scheme-specific data?			

Processing financial transactions	Payments in and investment of contributions	Transfer between schemes	Transfers and switches between investments	Payments out to beneficiaries
Number of requests received by the firm in the previous calendar year				

The time period specified by the firm's scheme service level agreement or internal policy for completing each key financial transaction				
The number of requests that took longer to complete than the time period specified in the firm's scheme service level agreement or internal policy in the previous calendar year				
The mean end-to-end time period to complete each key financial transaction in the previous calendar year				
The range of end-to-end time periods to complete each of the key financial transactions in the previous calendar year				

Savers are satisfied with the service they receive - Negative perception metrics	
What was the number (#) of complaints received by the scheme in the previous calendar year?	
What percentage (%) of members raised at least 1 complaint in the previous calendar year?	

What was the average end-to-end time taken to close a complaint during the previous calendar year?	
What was the range of end-to-end time taken to close a complaint in the previous calendar year?	
What is the time period stated in the service level agreement (SLA) for complaint resolution?	
What was the number (#) of complaints within the last calendar year that were not resolved within this time period?	
What was the number (#) of complaints escalated to the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints determined by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints fully upheld by the Pension / Financial Ombudsman in the previous calendar year?	
What was the number (#) of complaints partly upheld by the Pension / Financial Ombudsman in the previous calendar year?	

Customer satisfaction survey	
What was the number (#) of customer satisfaction surveys issued across the previous calendar year?	
What was the percentage (%) of responses received?	
Of the percentage of responses received, what percentage of the membership is represented? (%)	

Collation of annualised results	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
I was able to achieve what I wanted to	(%)	(%)	(%)	(%)	(%)
I found the process easy	(%)	(%)	(%)	(%)	(%)
I was satisfied with the service provided today	(%)	(%)	(%)	(%)	(%)

I have been satisfied with the communications I have received over the past year	(%)	(%)	(%)	(%)	(%)
Overall, I am satisfied with my scheme	(%)	(%)	(%)	(%)	(%)

Savers are supported to make plans and decisions for their retirement	
Percentage (%) of savers using apps, tools, pensions calculators or modellers to support their planning and decision-making for their retirement within the previous calendar year	
Percentage (%) of savers without safeguarded benefits and with a pot of >£30,000 taking benefits as a taxed lump sum	

Savers can amend their pension with ease	
Percentage (%) of individual savers that have updated or reviewed their beneficiaries at least once within the previous 5 calendar years	
Percentage (%) of individual savers that have updated or reviewed their active contributions at least once within the previous 5 calendar years	

Savers are supported to engage with their pension	
Percentage (%) of individual savers that have contacted the scheme at least once in the previous calendar year (via phone, post, application, online portal etc)	
Percentage (%) of individual savers registered to a secure portal or application	
Percentage (%) of individual savers registered to a secure portal or application that have accessed it at least once within the previous calendar year	

19 Annex 13 **Value for money framework data comma-separated value (CSV) machine-readable format**

19 Annex 13.1	R	The comma-separated value (CSV) machine-readable format in which the metrics and information set out in *COBS* 19.5A.13R must be presented can be found at the following address: https://www.fca.org.uk/publication/forms/vfm-flat-file-template.xlsx

Amend the following as shown.

TP 2 Other Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
2.36	…	…	…	…	…
2.36A	*COBS* 19.5A.13R(1)(c) and *COBS* 19.5A.14R	R	A *firm* need not comply with the *rule* in *COBS* 19.5A.13R(1)(c) for the first year of assessment if the data required by *COBS* 19 Annex 9 is not available. The *rules* in *COBS* 19.5A.13R(1)(c) and *COBS* 19.5A.14R are replaced by *COBS* TP 2.36BR.	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]
2.36B	*COBS* 19.5A.13R(1)(c) and *COBS* 19.5A.14R	R	A *firm* must prepare and publish the quality of service metrics where the data is available for the particular metric. Where the data is not available for a particular metric, a *firm* need not prepare and publish anything in relation to that particular metric.	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]

2.36C	*COBS* 19.5A.25R(2)(b)(v)	R	When an *IGC* is selecting comparators, the comparator will not need to meet the criteria in *COBS* 19.5A.25R(2)(b)(v) in the first year that the *IGC* carries out the value for money assessment.	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]
2.36D	*COBS* 19.5A.24R(2)(c)	R	When an *IGC* is selecting comparators, the comparator will not need to meet the criteria in *COBS* 19.5A.25R(2)(c) in the first year that the *IGC* carries out the value for money assessment.	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]
2.36E	*COBS* 19.5A.32R(1)(c)	R	The terms of reference will need to reflect that in the first year of assessment the data may not be available for the purposes of *COBS* 19.5A.32R(1)(c). This *rule* is replaced by *COBS* TP 2.36FR.	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]
2.36F	*COBS* 19.5A.32R(1)(c)	R	(c) considering the quantitative metrics prepared for each indicator of quality of service in *COBS* 19 Annex 9 as against comparators, where that data is available	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first assessment to be completed]	[*Editor's note*: date to follow]
2.36G	*COBS* 19 Annex 7 5.1R	R	A *firm* need not comply with *COBS* 19 Annex 7 5.1R for the first 4 years of assessment in relation to any *vertically integrated*	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first 4 years of	[*Editor's note*: date to follow]

			arrangement it provides. This *rule* is replaced with *COBS* TP 2.36H and *COBS* TP 2.36I, as appropriate in relation to *vertically integrated arrangements* only.	assessments to be completed]	
2.36H	*COBS* 19 Annex 7 5.1R	R	Where a *firm* provides a *vertically integrated arrangement*, it must publish a single annualised percentage figure for the gross investment performance net of *investment charges* metric (*COBS* 19 Annex 7 3.1R(2)) for each of the *retirement age cohorts* for the following reporting periods:	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first year of assessment to be completed]	[*Editor's note*: date to follow]
			(1) where the data is available, the previous calendar year; and		
			(2) where the data is reasonably practicable to obtain:		
			(a) the previous 3 calendar years;		
			(b) the previous 5 calendar years;		
			(c) the previous 10 calendar years; and		
			(d) the previous 15 calendar years.		

2.36I	*COBS* 19 Annex 7 5.1R	R	Where a *firm* provides a *vertically integrated arrangement*, it must publish a single annualised percentage figure for the gross investment performance net of *investment charges* metric (*COBS* 19 Annex 7 3.1R(2)) for each of the *retirement age cohorts* for the following reporting periods:	From [*Editor's note*: insert end date of *COBS* TP 2.36H] to [*Editor's note*: insert date to allow 3 years of assessments to be completed]	[*Editor's note*: date to follow]
			(1) where the data is available:		
			(a) the previous calendar year; and		
			(b) the previous 3 calendar years; and		
			(2) where the data is reasonably practicable to obtain:		
			(a) the previous 5 calendar years;		
			(b) the previous 10 calendar years; and		
			(c) the previous 15 calendar years.		
2.36J	*COBS* 19 Annex 8 5.1R	R	A *firm* need not comply with *COBS* 19 Annex 8 5.1R for the first 4 years of assessment in relation to any *vertically integrated*	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to	[*Editor's note*: date to follow]

			arrangement it provides. This *rule* is replaced with *COBS* TP 2.36K and *COBS* TP 2.36L, as appropriate in relation to *vertically integrated arrangements* only.	allow first 4 years of assessment to be completed]	
2.36K	*COBS* 19 Annex 8 5.1R	R	Where a *firm* provides a *vertically integrated arrangement*, it must publish a single annualised percentage figure for each of the *investment charges* and *service costs* metrics (*COBS* 19 Annex 8 3.1R(1) and (2)) *for* each of the *retirement age cohorts* for the following reporting periods:	From [*Editor's note*: insert commencement date of rules] to [*Editor's note*: insert date to allow first year of assessment to be completed]	[*Editor's note*: date to follow]
			(1) where data is available, the previous calendar year; and		
			(2) where the data is reasonably practicable to obtain:		
			(a) the previous 3 calendar years;		
			(b) the previous 5 calendar years;		
			(c) the previous 10 calendar years; and		
			(d) the previous 15 calendar years.		

2.36L	*COBS* 19 Annex 8 5.1R	R	Where a *firm* provides a *vertically integrated arrangement*, it must publish a single annualised percentage figure for each of the *investment charges* and *service costs* metrics (*COBS* 19 Annex 8 3.1R(1) and (2)) for each of the *retirement age cohorts* for the following reporting periods:	From [*Editor’s note*: insert end date of *COBS* TP 2.36K] to [*Editor’s note*: insert date to allow 3 years of assessments to be completed]	[*Editor’s note*: date to follow]
			(1) where the data is available:		
			(a) the previous calendar year; and		
			(b) the previous 3 calendar years; and		
			(2) where the data is reasonably practicable to obtain:		
			(a) the previous 5 calendar years;		
			(b) the previous 10 calendar years; and		
			(c) the previous 15 calendar years.		
2.36M	*COBS* 19 Annex 9 2.2R(1) (definitions in quality of services metric)	R	For the first year of assessment the definition of “common data” is replaced with the following definition:	From [*Editor’s note*: insert commencement date of rules] to [*Editor’s note*: insert date to allow first year	[*Editor’s note*: date to follow]

			"Common data" means data that is used by a *firm* that operates a *relevant scheme* to identify a member of the *relevant scheme* and must include: National Insurance number, surname and either forename or initial(s), sex, date of birth, date pensionable service started, policy start date, date of first contribution, expected retirement date, policy maturity date, membership status (active/deferred), last status event and address including postcode.	of assessment to be completed]	
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