

Assessing value for money in workplace pension schemes and pathway investments: requirements for IGCs and GAAs

Policy Statement

PS21/12

October 2021

This relates to

Consultation Paper 20/9
which is available on our website at
www.fca.org.uk/publications

Email:

cp20-09@fca.org.uk

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Summary

In 2020, we consulted on targeted measures specifying a definition of Value for Money (VFM) and the 3 key elements that a pension provider's Independent Governance Committee (IGC) or Governance Advisory Arrangement (GAA) should take into account in assessing VFM. The 3 key elements are costs and charges, investment performance and quality of services. These rules also require that IGCs should compare their provider's offerings with other similar propositions on the market as part of the VFM assessment.

This policy statement summarises feedback received to [CP20/9](#), and sets out our final rules.

The most significant issue raised in the feedback to CP20/9 was around the level at which this comparison should be conducted. To address concerns raised in the feedback, our final rules allow IGCs some flexibility to decide how best to conduct the comparison.

The new rules are a step towards a more systematic and transparent framework for assessing VFM in pensions, which will enhance IGCs' ability to compare pension products and drive VFM on behalf of the consumers they represent.

Assessing VFM in pensions is complex, and while the new rules will provide greater consistency and clarity, we think further work is required to improve the comparability of VFM across the market. The Pensions Regulator (TPR) and the FCA recently launched a joint discussion paper asking for input on standardised metrics and benchmarks for measuring the 3 key elements of VFM. It also seeks to encourage discussions around transparency and the availability of comparison data. Please [review the questions posed in our discussion paper](#) and send us your views using the address VFMdiscussionpaper@fca.org.uk by 10 December 2021.

In this policy statement, where we say IGCs we mean GAAs as well, unless we state otherwise.

Who this affects

The new rules will affect workplace pension stakeholders such as:

- IGCs, GAAs and their advisers
- all firms that provide pathway solutions and providers of FCA-regulated workplace pension schemes
- third party firms that provide GAAs
- workplace scheme members and their employers
- consumer representative groups
- trade bodies representing financial services firms
- charities and other organisations with a particular interest in the ageing population and financial services

1 The wider context of this policy statement

Our consultation

- 1.1** The Office of Fair Trading (OFT) 2013 market study into DC workplace pensions concluded that VFM and good outcomes for savers cannot be driven solely by competition. This is due to a combination of insufficient buyer-side pressure and the inherent complexity associated with the costs and quality of different pension schemes.
- 1.2** In light of the OFT's findings, TPR published in 2016 a non-mandatory framework for trustees of occupational pension schemes under its DC Code, which contained a definition of VFM and provided high-level guidance on conducting VFM assessments. The FCA and TPR also agreed in October 2018 that VFM should be a key priority under our joint pensions strategy.
- 1.3** To address areas of potential consumer harm and improve VFM for consumers in workplace pensions, and partly in response to legislative requirements, we introduced:
- new governance standards requiring providers of workplace pensions (and later, decumulation pathways) to establish IGCs, or GAAs for smaller firms, to assess and report on the VFM of providers' propositions
 - a 0.75% charge cap on workplace default arrangements
 - additional requirements for IGCs and GAAs under PS20/2 to publish and disclose cost and charges to improve transparency and increase competition
- 1.4** Since IGCs were introduced, there has been a growing demand for us to provide further guidance on how VFM should be assessed by IGCs.
- 1.5** In June 2020, we published a review of IGCs and GAAs' effectiveness at improving the VFM of workplace pensions for customers. The review's findings suggest that some IGCs had more robust arrangements in place than others at providing independent challenge to pension providers. It also identified weaknesses in the practices of some GAAs.
- 1.6** In June 2020, we consulted on proposed rules for driving VFM (CP20/9), setting out a common definition of VFM and 3 elements that IGCs must take into account when assessing VFM. The rules are designed to promote a consistent approach to VFM assessment, enabling IGCs to better compare and assess the VFM of relevant pension products and services. The rules proposed in CP20/9 are broadly equivalent to TPR's guidance on VFM for trustees of occupational pension schemes. This policy statement confirms the final rules on the VFM assessment framework. CP20/9 also contained a question for discussion, asking whether firms providing pensions should have a direct VFM requirement placed on them.
- 1.7** In September 2021, the FCA and TPR published a joint discussion paper on driving VFM. The discussion paper aims to lead a broader strategic discussion on VFM assessment through the use of standardised metrics and benchmarking that will apply across the whole pensions sector. Feedback to the discussion paper will be relevant to our further consideration of certain issues raised in response to CP20/9.

How it links to our objectives

- 1.8** The new rules will promote our consumer protection and competition objectives.
- 1.9** In the auto-enrolled workplace pension market, consumers are often only minimally engaged in the key pension decisions that affect them. They are typically 'double defaulted', neither having made an active choice to save into a pension, nor are they involved in the process of selecting appropriate investments. Savings are made on their behalf into a workplace scheme's 'default' option. Price and product comparisons are not readily available to them. At the same time, the final retirement income of Defined Contribution (DC) savers is also highly dependent on the total contributions made, overall investment performance and the amount paid in costs and charges.

Consumer protection

- 1.10** The new rules aim to set up a more consistent and transparent VFM assessment framework applicable across the workplace pensions market. This will enable IGCs to make better-informed decisions on behalf of the savers they represent about the VFM of their pension products.
- 1.11** Our proposed holistic VFM assessment framework focuses not only on costs and charges, but also on investment performance and service quality. Through this we aim to sharpen incentives for providers to align their pension products with consumer's needs and improve consumer outcomes, including through improved quality of services.

Competition

- 1.12** By enabling all relevant stakeholders to access better information about VFM, the new rules are designed to promote effective competition between firms in the interests of consumers. This should increase the pressure placed on underperforming providers to improve their propositions to retain and attract new customers.

What we are changing

- 1.13** This policy statement confirms we are introducing new rules and guidance requiring IGCs to:
- a.** Take into account 3 key elements of VFM: costs and charges; investment performance; and services provided (including member communications).
 - b.** Assess and report on VFM, particularly through comparison with other options on the market.
 - c.** Consider, as far as they are able to, whether an alternative scheme or schemes would offer better VFM and inform the pension provider or the pathway investment provider if so. If the IGC is unsatisfied with the pension provider's response, the IGC should also inform the relevant employer where this could make a difference to the outcome of members of the scheme.
 - d.** Set out their overall assessment in their reports about whether the scheme or pathway investment provides VFM.
 - e.** Explain how they have assessed VFM in their reports and keep relevant evidence they relied upon for at least 6 years.

1.14 We intend our new rules to:

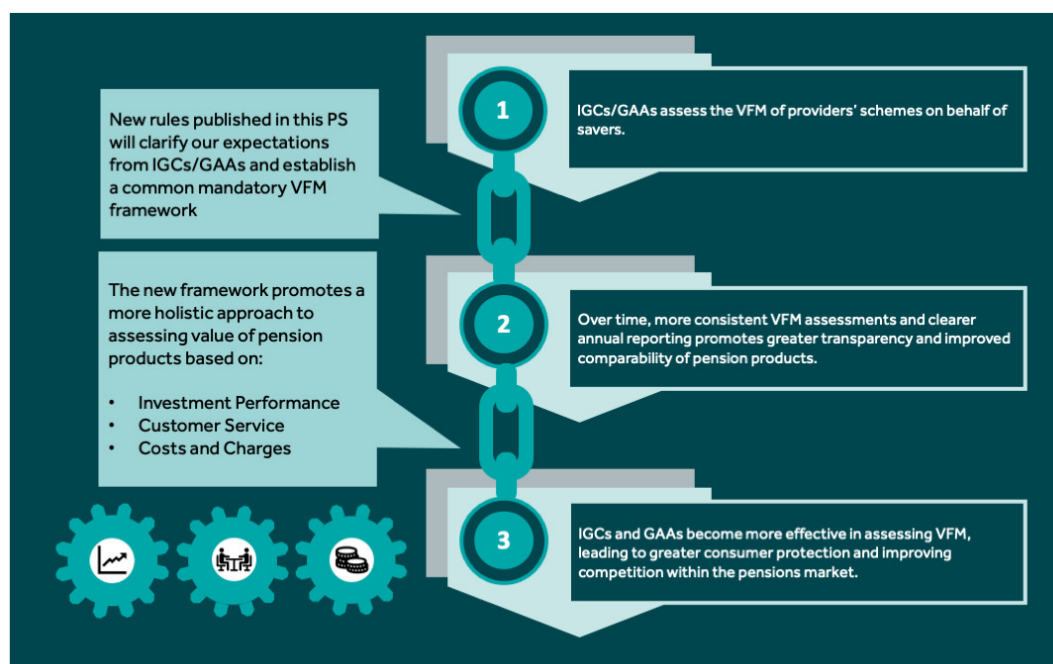
- a.** Better equip IGCs to provide informed challenge to providers to address poor VFM.
- b.** Promote greater transparency to help employers, their advisers and (engaged) employees to bring competitive pressure on providers to provide VFM.
- c.** Clarify FCA expectations, to avoid work being undertaken by firms or IGCs which adds little consumer benefit, but which adds cost for the consumer.

1.15 We have made some changes to the rules to reflect the responses to our consultation. However, we don't think that these changes significantly impact our cost benefit analysis (CBA) under CP20/9. The majority of these changes introduce additional flexibility into the rules, giving IGCs more discretion around how they choose to conduct VFM assessment, and do not impose further requirements on IGCs. Other minor changes serve to create a more similar VFM framework for pathway investments and schemes. This should also not incur additional costs upon IGCs. Therefore, we believe the CBA still remains valid. We explain these changes further in Chapter 2 of this policy statement.

Outcome we are seeking

1.16 We want to enhance IGCs' ability to effectively assess and compare VFM of pension products and services, thereby improving outcomes for consumers in workplace pensions and investment pathway solutions. We previously found wide variation in the approaches taken by IGCs and in the quality of VFM assessment, with some reports containing insufficient information around how VFM was assessed in practice. Consequently, it was sometimes unclear how IGCs arrived at certain conclusions about VFM ratings from their annual reports to members.

1.17 The figure below summarises the causal chain by which we expect our rules to address potential harms and advance our objectives.



Measuring success

- 1.18** With time, we expect that frameworks for assessing VFM will continue to develop and become more detailed as IGCs become increasingly competent at clearly explaining the specific targets or benchmarks used as part of their assessment, as well as other considerations given to the differing needs of members. This would be reflected in the quality of IGC reports, as comparisons between providers become more consistent and effective at driving improvements in product offerings. This will enable us better to track, measure and assess IGCs' effectiveness and how successful they are at driving VFM on behalf of consumers.

Equality and diversity considerations

- 1.19** We have considered the equality and diversity issues that may arise from the proposals in this policy statement.
- 1.20** Overall, we do not consider the rule changes to have an adverse impact on any of the groups with protected characteristics under the Equality Act 2010.

Next steps

- 1.21** The rules we are introducing will come into force on 4 October 2021, and firms and IGCs will have until the end of September 2022 to publish their next report.

What you need to do next

- 1.22** We have also published a joint discussion paper with TPR seeking input from relevant stakeholders around prescribing standardised metrics or benchmarks for our 3 elements of VFM across the pensions market to improve comparability between different products. It also seeks to encourage discussions around transparency and the availability of comparison data. Please review the questions posed in our discussion paper and send us your views by 10 December 2021 using the address VFMdiscussionpaper@fca.org.uk.

2 Summary of feedback and our response

2.1 We received approximately 50 responses, mostly from pension providers, IGCs, GAAs and trade bodies. Respondents broadly agreed with our proposals with some concerns raised on aspects such as the level at which the comparison between providers should be done – at the individual employer level or HMRC registered pension scheme level. Other issues include the availability of data for comparing costs and charges at the employer level, the importance of maintaining a holistic approach to VFM assessment, and some concerns expressed regarding IGCs' direct communication with employers. In this section, we give an overview of the feedback and set out the approach taken in our final rules on driving VFM in pensions.

2.2 The feedback we received is summarised under the following themes:

- a.** Defining VFM (Questions 1-3)
- b.** Charges and transaction costs (Questions 4- 6)
- c.** Investment performance and customer services (Question 7)
- d.** Additional requirements for the assessment process (Question 8)
- e.** VFM responsibility for providers - for discussion (Question 9)
- f.** Cost benefit analysis (Question 10)

Defining VFM

2.3 In CP20/9 we said that to clarify our expectations on how VFM should be assessed, we proposed a common definition of VFM and 3 key elements that IGCs and GAAs must take into account in VFM assessment: costs and charges, investment performance, and quality of services.

2.4 We also said that it would be difficult to meaningfully assess the VFM of an individual provider's scheme or schemes in isolation. We proposed new guidance to define VFM in the context of IGCs' assessment processes. We said that the administration charges and transaction costs borne by relevant policyholders or pathway investors are likely to represent VFM where the combination of the costs and charges, the investment performance and services are appropriate:

- a.** for the relevant policyholders or pathway investors
- b.** when compared with other comparable options on the market

2.5 We also said that IGCs could consider comparing their provider's schemes with not-for-profit options such as NEST or the People's Pension.

2.6 We asked:

Q1: *Do you agree with our 3 proposed elements for assessing VFM? If not, what alternative elements do you suggest?*

Q2: *Do you agree with our proposed definition of VFM? If not, what alternative wording would you suggest?*

Q3: Do you agree with our proposed process for VFM assessment? If not, what alternative process would you suggest?

- 2.7** The respondents broadly agreed with the 3 proposed elements and the process for assessing VFM. Several respondents thought that these are broad headings and that we should provide more details about factors that should be considered under each of these categories. For example, some respondents proposed such elements as: communications and engagement; risk management and governance; application of ESG principles to investments; future proofing of solutions; and the financial strength of the provider. A few suggested that security of data and money should also be included in the assessment to reflect concerns over pension scams.
- 2.8** Respondents said that the VFM assessment should not focus excessively on costs and charges. Instead, the 3 elements ought to be appropriately weighted and a more holistic approach to assessment should be promoted.
- 2.9** On investment performance, respondents noted that past performance is no guarantee of future performance, and that looking solely at recent performance can be misleading. Instead, investment performance should be considered over an investment cycle, and the focus should be on risk adjusted returns.
- 2.10** On quality of service, although respondents were supportive of the idea that it represents an important element of VFM, some thought it a very broad concept, and welcomed more guidance on how it should be measured.
- 2.11** On comparing with NEST, several respondents thought that NEST should not be used for comparison purposes because it is subsidised by the Government, hence this would be an unfair benchmark for a commercial provider to be compared with.

Our response

In developing our assessment framework, we aimed to strike the right balance between the level of prescription required to deliver a more consistent approach to VFM and the flexibility to allow IGCs to consider a scheme's specific circumstances. We do not think it would be desirable to prescribe an exhaustive list of possible elements that should be considered in assessing VFM. We think that additional factors, including those proposed by the respondents, can be categorised within these 3 broad headings. For example, we agree that a provider's ESG strategy is an important factor in VFM generation. In 2019, we made rules requiring IGCs to consider the firm's ESG policy and comment on it within their annual reports. However, we decided not to bring out ESG as a separate component of VFM because we think different ESG factors should be included under the proposed 3 categories. For example, material financial risks and opportunities should be considered as part of investment performance assessment and non-financial considerations, such as how members' concerns are addressed, as part of the services assessment.

We agree with the feedback that it is essential to maintain a holistic approach and to consider how all 3 elements affect the overall consumer

outcome. We also agree that costs and charges should not be assessed in isolation. IGCs should, however, be concerned if they think that a provider's higher costs and charges are not justified by superior quality of service or investment returns. Firms should not impose costly services that add little value for consumers.

In our proposals in CP20/9, we also said that IGCs should explain how they've assessed VFM. We think that this gives IGCs the opportunity to include and expand on those bespoke elements that are valued by the members of a particular scheme.

Finally, we note the feedback that more guidance is required regarding the methodology for assessing investment performance and quality of services, however as this is covered in our joint DP with TPR, we do not propose to address it here.

We maintain our view on the proposed definition and VFM assessment framework and will proceed as proposed in CP20/9. We have made some changes to how IGCs can carry out the assessment and these are detailed in the section on charges and transaction costs below.

Charges and transaction costs

- 2.12** In CP20/9 we proposed that firms should require their IGCs to consider whether any of the comparable schemes assessed in the VFM assessment process offer lower administration charges and transaction costs. This should drive competitive pressure on the costs and charges of pension schemes. We also said that we were confident that IGCs will have access to such pension scheme data to conduct this comparison once scheme governance bodies begin publishing costs and charges information on their websites following our new rules in PS20/2.
- 2.13** In June 2021, we clarified in a statement that we expect the costs and charges to be disclosed at the level of individual employer arrangement, as per the rules issued in PS20/2. In order to avoid any future issues, we are planning clarificatory changes to our rules on data publication and we will consult in due course.
- 2.14** We also said that having done this comparison, the IGC should bring any disparity in charges, together with an explanation and relevant evidence, to the attention of the firm's governing body. If the IGC is not satisfied with the response of the firm's governing body, it should inform the relevant employer directly.
- 2.15** We asked:
- Q4:** *Do you agree with our proposals for IGCs to compare charges and transaction costs with other options on the market? If not, how should IGCs review costs and charges?*
- 2.16** The feedback to this question was mixed. Respondents noted that providers typically have an overarching scheme registered with HMRC and multiple individual arrangements with different employers within the scheme, each charged on a different

basis. Given a perceived ambiguity in the use of the term 'scheme', respondents expressed concerns and asked us to clarify whether the comparison of costs and charges should be done at the HMRC registered scheme level or the individual employer level, noting that it would be challenging and costly to undertake such comparison at the employer level. Several respondents also argued that the underlying data that are likely to impact on costs and charges at the individual employer arrangement level, such as the firm's charging model, average pot size and member age profile would not be publicly available.

- 2.17** Several respondents also expressed concerns regarding the proposal that IGCs should notify the employer if they think the scheme represents poor VFM, where the provider firm has failed to respond adequately to this. These respondents felt that notifying employers directly might give IGCs an advisory role beyond their current remit, and risks putting IGCs at odds with employee benefits consultants. Additionally, respondents questioned the practicability of the measure since it is not always clear whether the employer will or can act upon the information received from the IGC.

Our response

We maintain our view that in many circumstances, the most meaningful level for the comparisons of cost and charges is at the individual employer arrangement level, since it is at this level that members experience the service offered by the particular firm at a price which is particular to that arrangement. However, we also recognise that in some cases comparing costs and charges at a more aggregated level (i.e. cohorts of similar employer arrangements) is also appropriate and can provide a meaningful basis on which IGCs can compare VFM. Some combination of the two approaches may also be appropriate – starting at the higher level and then drilling down to look at outliers, for example.

To address the general comment on proportionality, we propose to **change our policy** to afford IGCs greater flexibility and judgement around both the types of information to consider and how to assess and compare the information. So we have made some changes to our final rules and guidance.

The final rules state that IGCs have a judgement to make on whether assessing the employer arrangement at an individual level, an aggregated level, or a combination of both, is the most appropriate and proportionate way to assess the firm's scheme so that the IGC can produce a VFM assessment that is the most useful for members. This flexibility also extends to an IGC's comparisons with other schemes. IGCs will have to consider whether carrying out the comparison with other schemes at an individual employer arrangement level, an aggregated level, or a combination of both, is the most appropriate and proportionate way to compare other firms' offerings. IGCs will have to select sufficiently similar arrangements that will enable them to produce a VFM assessment that is the most useful for members.

IGCs will also need to record the reasons for their chosen approach in their annual report. Additional reporting requirements will apply where the IGC has carried out the VFM assessment at an aggregated level.

We have included additional guidance for IGCs about the factors that an IGC should consider if it assesses employer arrangements at an aggregated level.

We have also mirrored this flexible approach for IGCs' VFM assessment of pathway investments. As part of these changes we have made some minor additional changes to the final rules to clarify how an IGC should carry out its VFM assessment of pathway investments, record how an IGC has carried out its VFM assessment and the escalation provisions where an IGC's concerns about VFM are not addressed by a firm. These changes are intended to make the VFM assessment and the outcome of the VFM assessment more uniform for schemes and pathway investments (some differences remain in the framework due to the differences in how schemes and pathway investments operate).

We are not making changes in light of the argument regarding data availability. We expect that our June statement, mentioned above, will help to address the data availability issue raised by some respondents, and that full employer-level data will be published from next year.

Additionally, the final rules require IGCs to use reasonable endeavours to obtain and compare the data they need to carry out their VFM assessments in a way that is proportionate to the likely benefits to members from assessing the data. The final rules make clear that the VFM framework requires a comparison of the specified factors so far as there is data relating to those factors publicly or readily available.

However, in our June statement we also said that in light of the different approaches being taken by firms we will allow HMRC scheme level costs and charges data to be published in the first year. Given the timing of the publication of this policy statement, we are also giving IGCs and firms more time to publish their annual reports and data about administration charges and transactions costs as we extend the deadline from 31 July 2022 to the end of September 2022. In the future, reports and IGCs' information about administration charges and transactions costs will have to be published by 30 September each year.

On the feedback about direct communication with employers, we note that notifying the employer is an option that IGCs already have under the current rules and guidance, where it seeks to escalate its concerns. We also know that at least 1 IGC has written to employers in the past. An expectation that IGCs should disclose to employers if their concerns have not been addressed may also create greater incentives for providers to address IGC concerns in the first instance.

We are proceeding as proposed, with 2 changes to the rules consulted on. The first is that where an IGC assesses that writing to an employer would achieve no meaningful outcome, it is not required to do so. An example could be if the scheme only consists of deferred members, where the employer can take no reasonable action to improve their outcomes. This is because an employer can only switch providers for future contributions, which are not a factor where there are no active members. Secondly, we have adjusted the wording to make clear that

our expectation for IGCs to notify employers applies to concerns around VFM in general, rather than just costs and charges.

We do not accept some respondents' suggestions that IGCs would be overstepping their intended remits and be exposed to liability if an employer acts on the IGC's concerns. The new rules do not require IGCs to suggest alternatives to the current scheme. They are required only to say that the current scheme may not represent VFM for the members and that the firm has not responded to the IGC's concerns.

2.18 In CP20/9 we proposed guidance to clarify that a scheme that fully complies with the charge cap does not necessarily indicate VFM. For arrangements where the mandatory charge cap does not apply, we propose further guidance that reducing charges to 1% does not necessarily indicate VFM.

2.19 We asked:

Q5: *Do you agree with our proposed guidance that fully complying with the charge cap does not necessarily indicate VFM?*

2.20 Almost all respondents agreed with our proposed guidance that regulatory compliance with the charge cap does not necessarily indicate VFM. One response explained how charge cap measures can result in a misleading view of overall VFM for different pot sizes and suggested that a more helpful measure would indicate how charges will change according to different levels of pension value. This may improve transparency of how non-investment related fees increase relative to the value of pension pots because other work required to administer pensions remains largely constant.

Our response

Given the wide support, we maintain our view that fully complying with the charge cap does not necessarily indicate VFM and will proceed with the proposed guidance as consulted.

2.21 In CP20/9 we said that we expect the IGC to consider the scale of the employer and the size and demographic of the scheme membership when drawing its conclusions. Our intention is that IGCs will apply pressure to providers where administration charges and transaction costs are significantly higher than comparable options available on the market.

2.22 We asked:

Q6: *Do you agree that a reasonable comparison of costs and charges with other options available on the market will put pressure on high-charging providers to reduce their charges and transaction costs? If not, how else could this outcome be achieved?*

- 2.23** The responses to this question were mixed, with some respondents noting that market forces, existing rules, and IGC pressure is sufficient to drive cost down over time as supported in TR20/1, and that overemphasising costs over other VFM elements could negatively impact the quality of communications and diversification. Most respondents, however, agreed that such comparisons would increase pressure on providers to lower costs and charges, although this would depend upon having standardised charging structures and holistic comparisons of other VFM elements.
- 2.24** Several respondents sought clarification on what was meant by the term 'high-charging' providers and whether this is referring solely to those exceeding the 0.75% charge cap. They disagreed with the premise that all 'high-charging providers' should be reducing their costs and charges. This is because legacy portfolios often have fixed charges, with insufficient overall margins to allow lower charging retrospectively.
- 2.25** A few respondents suggested that pressure from IGCs will have limited impact on lowering margins, and that this outcome could be better driven by focusing efforts on increasing customer engagement or intervening through more direct requirements on providers such as charge caps.

Our response

The IGC effectiveness review (TR20/1) suggests that some IGCs have more robust arrangements in place than others at providing independent challenge to pension providers and some weakness in the practice of GAAs. The findings of this review informed some of our proposals in CP20/9. Despite recent improvements in relation to charge cap requirements, we see continued examples of VFM issues, including high costs, poor investment performance and quality of services. This is especially the case with the speed of transfers and consumer ability to access their savings at retirement, where some firms have experienced and continue to experience significant IT problems. By setting up a consistent VFM framework, we aim to enhance the effectiveness of IGCs across the market and enable them to better compare pension products and services. Our intention is that improved ability of IGCs to compare their providers' propositions with alternative options on the market will help them exert pressure to drive down costs or improve service quality where issues persist.

As noted above, we agree with the feedback that it is important to maintain a holistic approach to VFM and that IGCs should consider all 3 components, and how these components work together to deliver VFM to consumers. In our joint discussion paper with TPR, we make clear our intention to steer stakeholders towards taking a more holistic view of VFM which revolves around improving long-term member outcomes, beyond solely looking at investment performance and costs. We agree that there will be instances when IGCs ought to account also for a provider's specific circumstances, as is the case for legacy portfolios. We expect that IGCs will assess all 3 components to understand what drives the costs and whether, as a whole, the product offers good VFM.

We also acknowledge that there are persistent issues in legacy books, in both the workplace and non-workplace sectors. We are considering how we might work further with firms and their IGCs (where relevant) to ensure the best possible outcomes for consumers of these products. Under existing guidance (FG16/8), we expect firms to take proper account of fair customer outcomes and apply existing terms and conditions in conjunction with our Principles for Businesses. Firms should also ensure that their closed-book customers are able to move from products that are no longer meeting their needs in a fair and reasonable manner.

Investment performance and customer services

2.26 In CP20/9 we said that we expect the IGC to include analysis of investment performance and services in its annual report. We also said that TR20/1 indicated that many IGCs are not paying sufficient attention to legacy products in their assessment process. We said that we expect legacy product assessment to look beyond the cost to the firm and review VFM in the context of the wider market.

2.27 We asked:

Q7: *Do you think that further guidance will improve the assessment of legacy products?*

2.28 Responses were mixed, with some respondents saying that further guidance is not required, and that existing IGC oversight and regulations are sufficiently strong with regards to legacy products. Many respondents, however, agreed that further guidance on assessing legacy products would be helpful, with some suggesting this guidance ought to be more prescriptive and clearer around the interpretation of legacy products to increase its effectiveness.

2.29 A few respondents requested clarity around legacy schemes with default funds (many of which are not qualifying pension schemes) and whether these would currently fall under our proposed VFM assessment rules.

Our response

We thank respondents for sharing their views on this question. In this policy statement, we are not providing further guidance on the assessment of legacy products. However, we do think that firms (and IGCs where the schemes fall within their remit) should consider VFM issues across all pension products. We will consider further intervention related to legacy schemes in due course, based on the feedback received on this question.

Additional requirements for the assessment process

2.30 In CP20/9 we said that evidence from TR20/01 indicates that some IGC reports did not present the overall findings of their assessment clearly or explain how they reached them. So, we proposed that IGCs should state in their assessment whether they believe that a product provides VFM or not. We also proposed that IGCs must explain how they have conducted their VFM assessment and arrived at their conclusions. We expect this explanation to include the VFM assessment of the firm's legacy products. The IGC must retain any evidence used in the assessment process for 6 years.

2.31 We asked:

Q8: *Do you think that our proposed rules and guidance will improve the clarity of IGC annual reports?*

2.32 The vast majority of respondents agreed that standardisation resulting from our proposals would help improve the clarity of IGCs' annual reports.

2.33 A few respondents sought clarification around whether annual reports ought to be a short document focused on consumers' needs, or a more lengthy technical report for industry stakeholders.

Our response

Given the wide support, we are not changing our proposals in relation to this question. There is nothing to stop firms and IGCs from producing a summary aimed at consumers of the information contained in the IGC's report. We believe, however, that the report itself should contain sufficient technical information about how the VFM assessment was carried out, so as to be useful as a means of comparison between providers' offerings for more specialist stakeholders.

VFM responsibility for providers – for discussion

2.34 In CP20/9 we asked 1 question for discussion. We said that we are considering whether pension providers should have a direct responsibility for providing VFM to consumers, alongside the responsibilities of the IGC. We also noted that providers already have a responsibility under our Principles to ensure the fair treatment of customers.

2.35 We asked:

Q9: *Do you think that firms providing pension products should have a specific responsibility on ensuring the VFM to customers of these products?*

2.36 Many respondents disagreed with assigning specific VFM responsibility to pension providers, stating that existing regulations and governance structures are already in

place to consider VFM. Some respondents said this would create confusion around the specific role and responsibility of IGCs, as well as lead to the duplication of costs and effort.

- 2.37** Others, however, agreed that pension providers should have specific VFM responsibilities based on a mix of arguments, with 1 respondent stating that this could help promote greater challenge and constructive conversations between firms and IGCs.

Our response

We take note of this feedback, however we are not going to consult on further changes related to this question at this stage. We note that TR20/1 highlights that GAAs in particular sometimes struggled to obtain certain information from firms despite having requested this on several occasions. Providers must under existing rules ensure that their pension offerings are designed to deliver appropriate client outcomes. However, although existing rules such as Principle 6 for firms on Treating Customers Fairly and our Conduct of Business Sourcebook (COBS) currently require providers to 'pay due regard to the interests of customers,' a specific VFM rule may encourage firms to take a more outcomes-based approach.

Several themes from this question also align with the proposals under our consultation earlier this year about a new Consumer Duty principle (CP21/13). So we propose to postpone our decision and will use the feedback received to CP20/9 to inform our final response under CP21/13.

Cost benefit analysis

- 2.38** We requested views from respondents on the cost benefit analysis for our new rules.

- 2.39** We asked:

Q10: *Do you agree with the analysis set out in our cost benefit analysis?*

- 2.40** The feedback on the CBA mirrored feedback on the policy. The responses on this question were generally mixed. Some respondents agreed with the basic format of the CBA and the analysis, while others raised concerns that the cost estimates were too low. In particular, these respondents thought that the costs would be higher by a significant amount if the VFM comparison with another provider is required at the employer arrangement level. Specifically, there would be significant costs associated with gathering the data, and there were concerns over its availability and the proportionality of the costs compared with the likely benefits. Respondents did not specify by how much the costs were underestimated and noted that it is hard to predict what the costs would be.

Our response

We do not think the consultation feedback impacts on our CBA analysis. As mentioned above, the employer level data will become available, and the rules only require IGCs to carry out such comparisons as far as data are publicly or readily available. We are not requiring firms to incur costs in obtaining data.

Therefore, the CBA published in CP20/9 remains valid.

Annex 1

List of non-confidential respondents

21st Century

AEGON

AJ Bell

AON

Association of British Insurers (ABI)

B&CE

Barnett Waddingham

Bestrustees

CBE

CFA Institute

Churchill

Clifford Chance

Financial Services Consumer Panel

Hargreaves Lansdown

Hymans Robertson

Individual

Individual

Individual

Interactive Investor

Investment and Life Assurance Group

Legal & General

Lloyd's Banking Group

Mercer

Milliman

Money and Pensions Service

Personal Investment Management & Financial Advice Association (Pimfa)

Pinsent Masons

Prudential

Royal London Group

Scottish Widows

St. James's Place

The Investing and Saving Alliance

The Investment Association

The Society of Pension Professionals

True Potential Investor

Annex 2

Abbreviations used in this paper

Abbreviation	Description
CBA	Cost Benefit Analysis
COBS	Conduct of Business Sourcebook
CP	Consultation Paper
DP	Discussion Paper
DC	Defined Contribution
ESG	Environmental, Social, and Governance
FCA	Financial Conduct Authority
FG	Finalised Guidance
GAA	Governance Advisory Arrangement
HMRC	Her Majesty's Revenue and Customs
IGC	Independent Governance Committee
NEST	National Employment Savings Trust
OFT	Office of Fair Trading
PS	Policy Statement
TPR	The Pensions Regulator
TR	Thematic Review
VFM	Value for Money

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Appendix 1

Made rules (legal instrument)

**CONDUCT OF BUSINESS SOURCEBOOK (ASSESSING VALUE FOR MONEY IN
WORKPLACE PENSION SCHEMES AND INVESTMENT PATHWAYS:
REQUIREMENTS FOR IGCs AND GAAs) INSTRUMENT 2021**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) 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 powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 4 October 2021.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Notes

- F. In Annex A to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Conduct of Business Sourcebook (Assessing Value for Money in Workplace Pension Schemes and Investment Pathways: Requirements for IGCs and GAAs) Instrument 2021.

By order of the Board
30 September 2021

Annex A

Amendments to the Glossary of definitions

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

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

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

[*Editor's note*: the above definition of “transaction costs” was previously defined in *COBS* 19.8.1R for the purposes of *COBS* 19.5 and *COBS* 19.8. We are now adding it as a definition to the main Handbook Glossary so all consequential references to “transaction costs” in *COBS* 19.5 and *COBS* 19.8, should be read as, and amended to, references to “*transaction costs*”.]

Amend the following definitions as shown.

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

...

(2) (for the purposes of *COBS* 19.5 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:

(a) any payments made to the scheme or (for the purposes of *COBS* 19.5 only) for a *pathway investment* by, or on behalf or in respect of, the member or (for the purposes of *COBS* 19.5 only) pathway investor; or

(b) any income or capital gain arising from the investment of such payments; or

(c) the value of the member's rights under the scheme or (for the purposes of *COBS* 19.5 only) the pathway investor's rights under the *pathway investment*;

but an administration charge does not include any charge made for costs:

- (d) incurred directly as a result of buying, selling, lending or borrowing investments; or
- (e) incurred solely in providing benefits in respect of the death of such a member or (for the purposes of COBS 19.5 only) pathway investor; or
- (f) incurred in complying with a court order, where that order has provided that the operator, trustee or manager of the scheme or (for the purposes of COBS 19.5 only) pathway investment may recover those costs; or
- (g) arising from earmarking orders or pension sharing arrangements pursuant to regulations made under section 24 or section 41 of the Welfare Reform and Pensions Act 1999.

[*Editor's note:* the above wording that is set out in paragraph (2) of the definition of “administration charge” was previously set out in the definition of “administration charges” in COBS 19.8.1R for the purposes of COBS 19.5 and COBS 19.8. We are now adding it as paragraph (2) to the main Handbook Glossary definition of “administration charge” so all consequential references to “administration charges” in COBS 19.5 and COBS 19.8, should be read as, and amended to, references to “*administration charges*”. We have also inserted references to “pathway investments” and “pathway investors” where applicable for the purposes of COBS 19.5.]

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

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

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:

(1A) “employer pension arrangements” means an arrangement where eligibility for membership of that arrangement or section is limited to the employees of a specified employer or employers;

(1A) “investment performance” means the investment performance of the:
A)

(a) pension savings of *relevant policyholders*; or

(b) the drawdown fund of pathway investors;

...

(3A) “pathway investment comparators” means other *pathway investments* (that are not provided by the *firm*) selected by an *IGC* under *COBS* 19.5.5R(2A)(e)(i) to (iii) and which:

(a) are individual *pathway investments*; or

(b) are cohorts of similar *pathway investments*;

...

(5A) “scheme comparators” means other pension arrangements (that are not provided by the *firm*) selected by an *IGC* under *COBS* 19.5.5R(2)(e)(i) to (iii) and which:

(a) are individual employer pension arrangements; or

(b) are cohorts of similar employer pension arrangements;

(5A) “services” refers to the services provided by a firm to relevant
 A) policyholders or pathway investors and includes:

- (a) the communications issued to relevant policyholders or pathway investors; and
- (b) the administration of the relevant scheme or pathway investment;

...

Interpretation

19.5.1B R ~~In this section “administration charges” and “transaction costs” have the same meaning as in COBS 19.8.1R. [deleted]~~

...

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 particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):

(a) the level of charges and costs, in particular:

(i) administration charges and any transactions costs borne by relevant policyholders; and

(ii) any other charges borne by relevant policyholders and any other costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the pension savings of relevant policyholders;

(b) investment performance; and

(c) the quality of services including whether:

(i) the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the relevant policyholders; and

- (ii) core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;
- (d) as part of the ongoing value for money assessment in (2), the IGC will need to consider whether to assess the *relevant scheme* by reference to employer pension arrangements on an individual basis or on an aggregated basis using cohorts of sufficiently similar employer pension arrangements, or a combination of both, to enable the IGC to produce a value for money assessment that is the most useful for the members of the *relevant scheme*, but which is also appropriate and proportionate in the circumstances;
- (e) as part of the ongoing value for money assessment in (2)(a)(i), (b) and (c), the IGC will need to:
 - (i) consider whether individual employer pension arrangements or cohorts of employer pension arrangements, or a combination of both, would be most appropriate to be part of its scheme comparators taking into account the proportionality and usefulness of each;
 - (ii) (where it selects cohorts of employer pension arrangements as part of its scheme comparators) select sufficiently similar employer pension arrangements that enable the IGC to produce an assessment that is the most useful for the members of the *relevant scheme*;
 - (iii) select a small number of reasonably comparable scheme comparators (including those which could potentially offer better value for money in respect of factors (2)(a)(i), (b) and (c));
 - (iv) use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in (2)(a)(i), (b) and (c), in a manner which is proportionate to the likely member benefits that will result from the IGC assessing the data;
 - (v) assess the *relevant scheme* by reference to the scheme comparators based on factors (2)(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors); and
 - (vi) consider whether any of the scheme comparators offer better value for money for *relevant policyholders*

based on factors (2)(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the scheme comparators in respect of those factors);

- ~~(a)~~ as part of the assessment of quality of services in 2(c), the
 - ~~(f)~~ IGC will need to assess whether default investment strategies within those schemes:
 - (i) are designed and executed in the interests of *relevant policyholders*; and
 - (ii) have clear statements of aims and objectives;
 - ~~(b)~~ as part of the assessment of quality of services in 2(c), the
 - ~~(g)~~ IGC will need to assess whether the characteristics and net performance of investment strategies are regularly reviewed by the *firm* to ensure alignment with the interests of *relevant policyholders* and that the *firm* takes action to make any necessary changes;
 - ~~(e)~~ ~~whether core scheme financial transactions are processed promptly and accurately;~~
 - ~~(d)~~ ~~the levels of charges borne by *relevant policyholders*;~~
 - ~~(e)~~ ~~the direct and indirect costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the pension savings of *relevant policyholders*, including transaction costs; and~~
 - ~~(f)~~ ~~whether the communications to *relevant policyholders* are fit for purpose and properly take into account the *relevant policyholders*' characteristics, needs and objectives;~~
- (2A) the IGC will assess the ongoing value for money for pathway investors delivered by a *pathway investment* particularly, though not exclusively, through assessing the three factors in (a) to (c) below, taking into account the specific points in (d) to (g):
- ~~(a)~~ the level of charges and costs in particular:
 - ~~(i)~~ *administration charges* and any *transactions costs* borne by pathway investors; and
 - ~~(ii)~~ any other charges borne by pathway investors and any other costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the drawdown fund of pathway investors;

- (b) investment performance; and
- (c) the quality of services including whether:
 - (i) the communications are fit for purpose and properly take into account the characteristics, needs and objectives of the pathway investors; and
 - (ii) core financial transactions are processed promptly and accurately, such as processing contributions, transfers or death benefits;
- (d) as part of the ongoing value for money assessment in (2A), the IGC will need to consider whether to assess the *pathway investment* on an individual basis or on an aggregated basis using cohorts of sufficiently similar *pathway investments*, or a combination of both, to enable the IGC to produce a value for money assessment that is the most useful for the pathway investors, but which is also appropriate and proportionate in the circumstances;
- (e) as part of the ongoing value for money assessment in (2A)(a)(i), (b) and (c), the IGC will need to:
 - (i) consider whether individual *pathway investments* or cohorts of *pathway investments*, or a combination of both, would be most appropriate to be part of pathway investment comparators taking into account the proportionality and usefulness of each;
 - (ii) (where it selects cohorts of *pathway investments* as part of its pathway investment comparators) select sufficiently similar *pathway investments* that enable the IGC to produce an assessment that is the most useful for the pathway investors;
 - (iii) select a small number of reasonably comparable pathway investment comparators (including those which could potentially offer better value for money in respect of factors (2A)(a)(i), (b) and (c));
 - (iv) use reasonable endeavours to obtain and compare the relevant data that it needs to carry out useful assessments in respect of the factors set out in (2A)(a)(i), (b) and (c), in a manner which is proportionate to the likely pathway investor benefits that will result from the IGC assessing the data;
 - (v) assess the *pathway investment* by reference to the pathway investment comparators based on factors (2A)(a)(i), (b) and (c) (to the extent that there is

publicly, or readily, available information about the pathway investment comparators in respect of those factors); and

(vi) consider whether any of the pathway investment comparators offer better value for money for pathway investors based on factors (2A)(a)(i), (b) and (c) (to the extent that there is publicly, or readily, available information about the pathway investment comparators in respect of those factors);

(f) as part of the assessment of quality of services in (2A)(c), the IGC will need to assess whether the pathway investment offered by the firm:

~~(a)~~

(i) is designed and managed in the interests of pathway investors; and

(ii) has a clear statement of aims and objectives;

(g) as part of the assessment of quality of services in (2A)(c), the IGC will need to assess whether the characteristics and net performance of the pathway investment are regularly reviewed by the firm to ensure alignment with the interests of pathway investors and that the firm takes action to make any necessary changes;

~~(b)~~

~~(e) whether core financial transactions are processed promptly and accurately;~~

~~(d) the levels of charges borne by pathway investors;~~

~~(e) the direct and indirect costs incurred as a result of managing and investing, and activities in connection with the managing and investing of, the drawdown fund of pathway investors, including transaction costs; and~~

~~(f) whether the communications to pathway investors are fit for purpose and properly take into account the pathway investors' characteristics, needs and objectives;~~

...

(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:

(a) the IGC's opinion on:

(i) the value for money delivered by a *relevant scheme* or a *pathway investment*, particularly against the matters listed under (2) or (2A); and a statement setting out

their overall assessment of whether the *relevant scheme* or *pathway investment* provides value for money; and

- (ii) ...
- (aa) ...
- (ab) an explanation of how the *IGC* carried out their assessment of ongoing value for money. This must include demonstrating how the factors set out in (2)(a) to (c) or (2A)(a) to (c) have been fully and properly considered;
- (ac) the reasons:
 - (i) for the *IGC*'s overall assessment of whether the *relevant scheme* or *pathway investment* provides value for money as required under (6)(a)(i);
 - (ii) (in relation to a *relevant scheme* only), where the *IGC* assessed the *relevant scheme* using cohorts of employer pension arrangements for the purposes of its general assessment in (2)(d) or used cohorts as part of the scheme comparators in (2)(e), why the *IGC* considers it is appropriate and proportionate to use cohorts and the *IGC*'s reasons for using the characteristics that it used to select the cohorts;
 - (iii) (in relation to a *relevant scheme* only), why the *IGC* considers that the scheme comparators it selected for the purposes of its assessment under (2)(e) provided a reasonable comparison against the *relevant scheme*;
 - (iv) (in relation to a *pathway investment* only), where the *IGC* assessed the *pathway investment* using cohorts of *pathway investments* for the purposes of its general assessment in (2A)(d) or used cohorts as part of the pathway investment comparators in (2A)(e), why the *IGC* considers it is appropriate and proportionate to use cohorts of *pathway investments* and the *IGC*'s reasons for using the characteristics that it used to select the cohorts; and
 - (v) (in relation to a *pathway investment* only) why the *IGC* considers that the pathway investment comparators it selected for the purposes of its assessment under (2A)(e) provided a reasonable comparison against the *pathway investment*;
- (b) ...

- ...
- (7) the Chair of the *IGC* will ensure the annual report is produced by ~~31 July~~ 30 September each year, in respect of the previous calendar year;
- ...
- (10) ...
- (a) ...
- (b) persons within the application of the *relevant scheme* and qualifying or prospectively qualifying for benefits under the *relevant scheme*; ~~and~~
- (11) the *IGC* will ensure that information is communicated under this *rule* in a manner that pays due regard to the purposes for which *relevant policyholders* might reasonably use the information-; and
- (12) the *IGC* will retain copies of any evidence used in their assessment of ongoing value for money for a minimum of six years.

Value for money assessment

- 19.5.5A G (1) In the context of the *IGC*'s assessment of ongoing value for money for *relevant policyholders* or pathway investors under *COBS* 19.5.5R(2) or *COBS* 19.5.5R(2A):
- (a) the *administration charges* and *transaction costs* borne by *relevant policyholders* or pathway investors are likely to represent value for money when the combination of the charges and costs, and the investment performance and services are appropriate:
- (i) for the *relevant policyholders* or pathway investors, and
- (ii) when compared to other reasonably comparable options on the market.
- (b) As part of the *IGC*'s assessment under (1)(a)(i) regarding what is appropriate for *relevant policyholders*, the *IGC* should consider the size of the employer and the size and demographic of the membership of the *relevant scheme*.
- (c) The *IGC* should not use a *firm*'s compliance with the limits on *administration charges* (*COBS* 19.6.6R), of itself, as evidence of value for money.
- (d) Where the limits on *administration charges* in *COBS* 19.6.6R do not apply, the *IGC* should not use the fact that a *firm* keeps

its administration charges at or below 1%, of itself, as evidence of value for money.

(2) The IGC should take into account the considerations in (3), as part of the IGC's:

- (a) decision referred to in COBS 19.5.5R(2)(d) about whether to carry out its ongoing value for money assessment of the relevant scheme by assessing the employer pension arrangements on an individual or cohort basis; or
- (b) selection of scheme comparators under COBS 19.5.5R(2)(e)(i) to (iii).

(3) The considerations referred to in (2) are:

- (a) the size and demographic of the membership of the individual employer pension arrangements and/or any proposed cohorts;
- (b) (where cohorts are proposed), any other characteristics that it would be appropriate and proportionate for the IGC to use, in the particular circumstances of the relevant scheme, as part of its cohort selection criteria; and
- (c) (if the IGC has used cohorts of employer pension arrangements in any part of its ongoing value for money assessment under COBS 19.5.5R(2)) whether it would be appropriate and proportionate also to assess any particular employer pension arrangements within the cohorts on an individual basis in order to be able to carry out the most useful assessment under COBS 19.5.5R(2).

(4) The IGC should take into account the considerations in (5), as part of the IGC's:

- (a) decision referred to in COBS 19.5.5R(2A)(d) about whether to carry out its ongoing value for money assessment of the pathway investment by assessing the pathway investment on an individual or cohort basis; or
- (b) selection of pathway investment comparators under COBS 19.5.5R(2A)(e)(i) to (iii).

(5) The considerations referred to in (4) are:

- (a) (where cohorts are proposed), any characteristics that it would be appropriate and proportionate for the IGC to use, in the particular circumstances of the *pathway investment*, as part of its cohort selection criteria; and
 - (b) (if the IGC has used cohorts of *pathway investments* in any part of its ongoing value for money assessment under COBS 19.5.5R(2A)) whether it would be appropriate and proportionate to also assess any particular *pathway investments* within the cohorts on an individual basis in order to be able to carry out the most useful assessment under COBS 19.5.5R(2A).
- (6) As part of the IGC's selection of scheme comparators or investment pathways comparators under COBS 19.5.5R(2)(e)(i) to (iii) or COBS 19.5.5R(2A) (e)(i) to (iii), the IGC will need to include scheme comparators or pathway investment comparators that potentially offer better value for money in respect of the factors set out in COBS 19.5.5R(2)(a)(i), (b) and (c) or COBS 19.5.5R(2A)(a)(i), (b) and (c) (based on whatever information is publicly, or readily, available and is relevant to those factors).
- (7) There is no expectation by the FCA that the IGC would carry out a comparison of all the comparable employer pension arrangements or all of the comparable *pathway investments* for the purposes of COBS 19.5.5R(2)(e) or COBS 19.5.5R(2A)(e).

Interests of relevant policyholders or pathway investors and consideration of adequacy and quality of a policy

19.5.6 G ...

- (5A) In addition to the ability of the IGC to escalate a concern about value for money under (5), if the IGC finds that:
- (a) any of the scheme comparators offer better value for money for *relevant policyholders* than the *relevant scheme* based on the factors set out in COBS 19.5.5R(2)(a)(i), (b) and (c); or
 - (b) any of the investment pathway comparators offer value for money for pathway investors than the *pathway investment* based on the factors set out in COBS 19.5.5R(2A) (a)(i), (b) and (c),
- the IGC should bring this matter, together with an explanation and relevant evidence, to the attention of the *firm's governing body*.
- (5A) If the IGC is not satisfied with the response of the *firm's governing body* to the concerns it has raised under (5A) and the IGC considers that informing the relevant employer or employers could be of material utility to the employers or the members regarding the IGC's concern about value for money under (5), the IGC should inform the relevant employer or employers directly.

(5A AA) In (5AA), an example of circumstances where an IGC may consider that informing the employer would be unlikely to be of material utility is where there are solely deferred members in any affected employer pension arrangement and the employer does not have the ability to effect a transfer of the deferred benefits from the employer pension arrangement to a new arrangement.

...

Publication and disclosure of costs and charges by IGCs

19.5.13 R ...

(1) be published by ~~31 July~~ 30 September each year, in respect of the previous calendar year;

...

19.8 Disclosure of transaction costs and administration charges in connection with workplace pension schemes

Interpretation

19.8.1 R In this section:

(1) ~~‘administration charges’, in relation to a member of a pension scheme, means any of the following to the extent that they may be used to meet the administrative expenses of the scheme, to pay commission or in any other way that does not result in the provision of pension benefits for or in respect of members:~~

- ~~(a) any payments made to the scheme by, or on behalf or in respect of, the member; or~~
- ~~(b) any income or capital gain arising from the investment of such payments; or~~
- ~~(c) the value of the member’s rights under the scheme;~~

~~but an administration charge does not include any charge made for costs:~~

- ~~(d) incurred directly as a result of buying, selling, lending or borrowing *investments*; or~~
- ~~(e) incurred solely in providing benefits in respect of the death of such a member; or~~
- ~~(f) incurred in complying with a court order, where that order has provided that the *operator*, trustee or manager of the scheme may recover those costs; or~~

- (g) ~~arising from earmarking orders or pension sharing arrangements pursuant to regulations made under section 24 or section 41 of the Welfare Reform and Pensions Act 1999.~~

[deleted]

...

- (4) ~~'transaction costs' are costs incurred as a result of the buying, selling, lending or borrowing of investments.~~

[deleted]

