



HM Treasury

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Department
for Work &
Pensions

GUY OPPERMAN MP
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Inclusion



The
Pensions
Regulator

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12 March 2019

Andrew Tyrie
Chair
Competition and Markets Authority
Victoria House
Southampton Row
London
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Dear Andrew

Investment consultants market investigation

The Government welcomes publication of your final report setting out the decision of the market investigation into investment consultancy and fiduciary management services, which was commissioned in September 2017 by the Financial Conduct Authority (FCA) at the conclusion of its Asset Management Study.

The Government recognises the substantial influence that these services can have on pension scheme outcomes, affecting up to half of UK households. Ensuring value for money from these services is critical for scheme members, given the long term horizon over which pension scheme investments are made. There is ongoing activity across our Departments and the relevant regulators to improve governance and transparency and, where appropriate, consolidation of occupational pension schemes. Implementation of the findings of your report will build on this activity.

We therefore agree with the proposed remedies contained within the report. The decisions from DWP, TPR and HMT on each of the recommendations are detailed below.

The FCA has accepted the recommendations in the CMA's market investigation and has responded separately in line with its obligation under S140B of FSMA.

Recommendation to DWP to pass the necessary legislation to enable The Pensions Regulator to oversee duties on trustees

The CMA recommended that DWP pass the necessary legislation to enable the Pensions Regulator (TPR) to oversee the duties on trustees. This will allow integration of the CMA's order into pensions legislation and allow for effective enforcement.

DWP accepts the recommendation. We will introduce DWP regulations which put the CMA's remedies, insofar as they apply to trustees, into the main body of pensions law. As well as allowing TPR to more effectively monitor compliance, it will integrate the monitoring function with the production and maintenance of guidance, allowing TPR to update one in the light of insights from the other.

Overall the proposed remedies will encourage trustees to better engage and monitor the value for money of the services they use. Better oversight of these measures should also have a positive impact on DC members' pots and DB funding shortfalls.

We intend to produce draft regulations and consult on them this year. Subject to the outcome of that consultation and Parliamentary time we will bring regulations into force and replace the CMA order in 2020.

Recommendation to The Pensions Regulator to provide enhanced trustee guidance

The CMA recommended that TPR develops guidance to help trustees in running a competitive tender process for fiduciary managers and considers how this guidance could also be used to support trustees when tendering for investment consultancy services. The CMA also recommended that TPR should consider broader guidance on engaging with fiduciary managers and investment consultants to support trustees to gain the most benefit from the package of remedies.

TPR accepts the recommendation to produce guidance to help trustees comply with the remedies referred to above. Trustees play a vital role in helping to ensure the best possible outcomes for members. Driving up standards of scheme governance is a priority for TPR. TPR wants to see, and support, those running pension schemes being knowledgeable, empowered and an effective first line of defence for scheme members.

Investment consultants and fiduciary managers perform an important role in advising trustee boards and have a significant influence over investment outcomes. It is therefore important that trustees are able to access good quality services and advice, and can monitor performance.

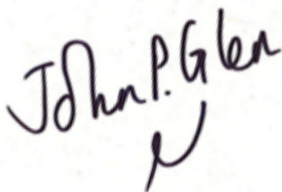
Over the coming months TPR will engage with industry stakeholders and the CMA on the development of guidance to support trustees to comply with the new governance requirements to be imposed by CMA order. TPR will look to consult on the guidance in Summer 2019 after the CMA order is made.

Recommendation to HM Treasury to extend the FCA's regulatory perimeter to cover activities of investment consultants

The CMA has recommended that HM Treasury extends the FCA's regulatory perimeter to cover services provided by investment consultants.

HM Treasury notes the CMA's recommendation and would like to thank them for their work on this important issue. In the context of competing priorities for both the government and the financial services sector, HM Treasury will consider this recommendation and consult in due course.

We would like to thank you again for the valuable work you have done as part of this market investigation. It forms the basis for further work that government and the regulators can take forward to make sure that the market is functioning as effectively as possible for users of investment consultancy and fiduciary managers, and ultimately for pension scheme members and sponsors.



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