1. The PLSA explained that its role was to influence regulatory policy on behalf of its members including at The Pensions Regulator. The PLSA’s purpose is to help everyone to achieve a better income in retirement.

Demand side

2. The PLSA noted that there was academic research which pointed to a link between pension scheme size (in terms of assets under management) and strength of governance. They would send the CMA this research.

3. They noted that, the PLSA has a large membership, but many small pension schemes are not PLSA members. So their views on size of scheme and use of investment consultants are only based on the experience and views of their members, not the whole pension scheme universe. They noted that research indicates that the majority of schemes use investment consultants rather than having in-house advice capacity.

4. They support The Pensions Regulator’s (TPR) initiatives to improve scheme governance— and have published a paper *Good Governance – How to get there¹* on how pension scheme governance could potentially learn a lot from the way in which corporate governance is undertaken.

5. They noted that pension trustees already have heavy compliance duties and that these might make them risk-averse or less open to innovation. Trustees’ fiduciary duties in times of economic uncertainty may also lead to greater prudence or mean that trustees are less open to innovation.

6. They noted that, if investment consultancy is being offered on an ad valorem basis, then smaller schemes – in terms of assets under management - may not be getting much bespoke advice as their fees would be lower.

¹ Good Governance – How to Get There, a PLSA Discussion Paper, August 2017
7. Regarding “unnecessary complexity” of investment strategies, PLSA noted that some pension trustees felt that there were too many investment funds and too many derivatives, but agreed with Panel Members that they may not appreciate the value of diversification and hedging.

Conflicts

8. PLSA spoke to some scheme members which felt that they were being pushed into fiduciary management services and that this was particularly the case two or three years ago.

Remedies

9. PLSA noted that the CMA should be aware that there is potential for unintended consequences with any mandated remedies. They noted that many of their members were not supportive of the introduction of mandatory tendering for investment consultants as it might incur costs of tendering (for both sides) but not lead to any switch.

10. PLSA suggested that FCA regulation of investment consultants could “clear the air”. They would support regulation of asset allocation advice as it does have an impact on outcomes.

Master Trusts

11. PLSA noted that it had a master trust committee which CMA could discuss some of the specific master trust-related issues with.