Law Deb notes your latest working paper on trustee engagement (published 12 April 2018) with interest. We further note the questions posed by the CMA under the three headings below:

**ACCESS** - Do trustees receive the information they need?

**ASSESS** - Are trustees able to use the information they receive?

**ACT** – Are trustees able to act to get the best service?

Please find our comments below. As always we would be very happy to provide further information or clarify any of the points we have raised if required.

**In reference to your section 120** - We appreciate and welcome the CMA’s recognition and support of industry led initiatives such as the APPT industry standards for professional trustees and TPR’s 21st Century Trustee both of which are initiatives we support (APPT directly through participation on the Working Group). Similarly we have been involved on the steering group for the IC Select Fiduciary Management Standard which has now been published. To quote from the press release - “It has been backed by 14 providers including the world’s largest consulting firms Aon Hewitt, Mercer and Willis Towers Watson. The others comprise BlackRock, Cardano, Charles Stanley, Goldman Sachs Asset Management, JLT Investment Solutions, Kempen Capital Management, Legal & General, P-Solve, Russell Investments, Schroders and SEI.” Continued support for this initiative as it looks to expand the coverage of FM providers and also the breadth and depth of standardised data we see as important to ensure readily comparable data is available to trustees to facilitate effective engagement. As we have stated previously we would be supportive of broadened scope for the FCA in respect of the regulation of ICs.

**In reference to your section 127(a)**
As stated in your working paper more clarity on fees and costs was the subject of an earlier working paper, but we agree with the CMA that greater clarity will improve trustee engagement. It is often a lack of clarity of data (or the costs required to achieve the required clarity) that obstruct trustee engagement.

**In reference to your section 129(a)**
We agree with the CMA and would be supportive of further (and enhancements to existing) codes of conduct from TPR to provide guidance in respect of trustee engagement with ICs and FMIs. We believe this is a natural complement to existing TPR codes of conduct and seems a sensible route to improving and enhancing the guidance available to trustees from what we firmly believe is the appropriate source.

**In reference to your section 129(b)**
We would not be in favour of mandating schemes to have a professional trustee on the trustee board as there is currently only a limited supply of trustees who will meet APPT and TPR standards and requirements. We would not want there to be an excess of demand over supply as this would have an adverse effect on cost, perhaps prohibitively so for smaller schemes. As previously stated, we believe APPT industry standards for professional trustees and TPR’s 21st Century Trustee initiative will raise standards among the broader trustee community and also improve pension scheme governance. We would not be in favour of placing a formal requirement on the sponsor to challenge the trustees on engagement.
In reference to your section 129(c)
We would be supportive of enhanced obligations on trustees to obtain value-for-money, but would hope to see improved governance and guidance also so as to avoid pressure being created to take the “opt for the cheapest, it can never be challenged” route which may not always be in the long term best interests of (DB or DC) scheme members.

In reference to your section 129(d)
We would urge caution over mandatory tendering or switching as the associated costs may prove challenging for smaller schemes; perhaps a comply or explain policy could be adopted as an alternative and as a requirement to be included in the Chair’s annual statement.

In reference to your section 129(e)
We would support the requirement for trustees to report to scheme members or TPR on their approach to appointing an IC or FM and their approach to testing the market, again perhaps as a requirement to be included in the Chair’s annual statement.

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