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**JLT Employee Benefits**

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Dear Peter

**Response to Working Paper: Gains from engagement**

We thank you for the opportunity to respond to this document.

We felt that you have undertaken a full and informed investigation of the issues, which has been captured in your report. We must however say that your conclusion that engaged parties pay less is unsurprising, although perhaps the degree of significance in some of your analysis is a little surprising.

However, the fact that some clients may be paying more than others who have negotiated a reduction does not mean that they are not receiving a good service, or receiving value for the fee that they are paying.

What is concerning is the unintended consequences of possible remedies. Forcing engagement from all parties, or ensuring that discounts given to one scheme are replicated across all schemes may merely drive out the potential for a client to negotiate. At best it would result in level pricing which would benefit the current less engaged schemes and whilst engaged schemes might be forced to pay more. Indeed forcing tenders, TPE evaluators or professional trustees is likely to result in overall costs rising to meet these requirements resulting in the average price increasing. Providers are unlikely to move to their current best pricing, or swallow the costs of tendering etc, and thereby damage overall profitability. Furthermore, with higher costs of TPE evaluators and professional trustees, plus the trustees' own management time, this would see an increase in the overall cost burden for pension schemes, and ultimately employers. Alternatively pricing matrices may become even more skewed towards the larger schemes, which are typically able to gain the bigger discounts and therefore result in much the same outcomes as at present.

We continue to support your preferred approach from the Trustee Engagement working paper; to provide support to trustees, access to information, and resources to reduce the cost of testing the market and would encourage a framework that drives transparency, provision of information and also proportionality of approach that would allow (especially smaller) clients to choose their preferred approach taking into consideration their own circumstances and preferences.

Other than the points above we do not have any further comments to make at this stage and now await the provisional decisions in July. However we are more than happy to engage in the interim if you so wish.

Yours sincerely

Phil Wadsworth

**Director**