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Wednesday 22nd August 2018

Dear Sirs,

Thank you for affording us with the opportunity to comment on the Provisional Decision Report published on 18 July 2018 by the Competition and Markets Authority ("CMA").

We are writing from the perspective of an auto-enrolment platform which has all its pension contributions pooled into AutoEnrolement.co.uk Master Trust (the "Scheme"). The Scheme is overseen by professional, experienced trustees, chaired by Capital Cranfield Trustees. The Corporate Trustee is EC2 Master Limited. The feedback provided in this letter is from Smart Pension Limited, the provider of the Scheme and EC2 Master Limited.

In response to the CMA's findings:

1. When Defined Contribution ("DC") schemes are professionally run, as ours is, we do not find that they are less engaged in the investment consulting market. Robust DC schemes do review their relationship with investment consultants and switch when necessary. The same may well not apply where a scheme is not professionally run or is run by inexperienced trustees.
2. We agree that where schemes have an investment sub-committee they may well be more engaged than a board of trustees without one for two reasons. First of all, it shows that investment is a priority for the scheme and secondly, that time is properly allocated to investment considerations. EC2 Master Limited has several sub-committees including an investment sub-committee that meets quarterly and reviews the advice and engagement with its appointed investment consultant.
3. We acknowledge that some trustee boards may lack sufficient capabilities to be able to effectively monitor and scrutinise the investment advice that they have received. However, we believe that this is due to the composition of the trustee board itself and the amount and variety of experience that these trustees collectively hold. Whilst there are no specific qualifications required before one can be a trustee, we believe that there should be greater governance on the appointment of them. We are of the view that it should be a requirement for the sponsor or provider and the existing trustee board to create a skills matrix and conduct a gap analysis with investment as a particular focus.

4. We understand that for DC schemes, the frequency of meetings and time spent by trustees on their duties can be lower than expected or desired. However, we believe that this is dependent on the experience and quality of the trustees of the scheme rather than whether the scheme is a DC scheme or not. We are aware that where an organisation offers a Defined Benefits ("DB") scheme, in many cases the running of the DC section of it can be considered secondary and is therefore, reflective of the time spent on DC investments. Again, in respect of a DC scheme that is a stand alone scheme and professionally run, it is likely that this criticism does not apply.

In response to the CMA's proposed remedies:

1. We are supportive of mandatory tendering when a pension scheme first purchases fiduciary management. EC2 Master Limited considers that good governance is pivotal and that mandatory tendering should be made a requirement. We note that in the CMA's proposal that it refers to the invitation to tender to be "open" and we welcome greater clarity as to what this would look like and be in practice. We think that this is only part of the solution, the other aspect is that selection must be free from conflict. In other words that selection is conflict free and seen to be so. We believe that it would be helpful for TPR or other such organisations to provide guidance on the selection process that would be involved as we think that it would be helpful to smaller schemes to have a point of reference on the process.

2. We are of the view that it would be helpful for TPR to provide new and improved guidance for schemes on how to purchase and scrutinise investment management and fiduciary management services. This is because it would ensure that a consistent approach is being taken and that there is a benchmark that has to be met in respect of the quality of such a review. This would in turn also give trustees a level of comfort that they are complying with the relevant requirements as they are following specific guidance from the regulator.

3. We believe that fee and service transparency is essential when trustees are comparing, contrasting and assessing fiduciary management firms. We are supportive of fees being clearer in relation to the costs of transition or exit.

4. We note that the proposal requires trustees to set clear objectives for their investment consultants and requires their consultants to report at regular intervals as to meeting these objectives. We believe that it will be especially helpful to smaller schemes. We consider that in order for such a proposal to be implemented successfully, it would be helpful for TPR to refer to this in its potential guidance (as per point 2. above).

Overall, we are supportive of the remedies proposed by the CMA and believe that they are a sensible step in the right direction to ensure transparency and good governance. We note that the CMA's report recognised that DC schemes represent the future shape of pensions in the UK. We would welcome more information on the CMA's findings and proposed remedies in relation to DC schemes as the existing Provisional Decision Report focused significantly on DB schemes.

We do hope you find our comments useful. If you have any queries in respect of our response or more generally please get in touch with us.

Yours sincerely,

Ian Digby / Puja Modha

Smart Pension Limited