Supervising DC schemes in the UK

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Overview

• DC Landscape

• Regulatory Approach

• DC Issues
The existing pensions landscape is changing

Employee membership of an employer sponsored pension scheme by pension type (Source - ONS pension trends April 08)
Pensions Universe - schemes

Workplace pension schemes shown by type of scheme

- Defined benefit and Hybrid: 9471
- Trust based defined contribution: 57,614
- Contract based defined contribution: 120,000
Pensions landscape

Source: Pensions Commission
Regulatory Interventions

- Advertising campaigns
- Collective engagement, conferences, speeches etc
- Media management
- Trustee toolkit
- TKU standards
- Highlighting exemplars
- Direct relationship marketing
- Outbound telephone campaigns
- Best practice guidance
- Harder edged standards
- Explicit triggers
- Case-based engagement
- Require information
- Naming and shaming
- Section 89 Reports
- ITs and other powers
- Financial Support Directions
- Contribution Notices

Educate Enforce

Enable
KEY DC PRIORITIES

- Charges
- Member Communication
- Investment
- Administration
- Decumulation
Member communications

- Number one DC risk?
  - .....Join
  - .....Contribution level
  - .....Fund
  - .....Taking benefits

- Trustee guidance on member communications

- Member guide on investment
Investment

- Member’s choice of funds
- The default option
- The Investment Governance Group
  - Effective decision-making
  - Clear objectives
  - Risk and liabilities
  - Performance and assessment
  - Responsible ownership
  - Transparency and reporting
Administration

• Specific statutory objective
• The glue that holds a scheme together
• Not delivering accurate or timely benefits
• Transfers
• Record-keeping guidance
• Wind-up focus
Retirement – life’s longest holiday!
Decumulation

- Retirement options guidance published
- Critical stage in members’ retirement planning process
- Trustees have a key role to play
- Open market option
- Importance of good advice
Charges

• Focus on charges borne by members

• Many schemes under 1% pa

• Transparency
Summary

• DC is one of our 4 strategic themes
• Key aims are to educate and enable
• Enforce as a last resort
• Key performance indicators to track progress
• 2012 changes

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