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THE TRANSPARENCY TASK FORCE

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Founding Chair
The Transparency Task Force

9th November 2016
CIPFA Conference, One George Street, London

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Agenda

1. Creating change through collaborative communities
2. About the Transparency Task Force
3. Cost is key
4. A golden opportunity for action
5. Transparency and Technology are “Mega-Drivers”

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About the Transparency Task Force

- We are a campaigning community, dedicated to driving up the levels of transparency in financial services, right around the world
- We believe that higher levels of transparency are a pre-requisite for fairer, safer and more efficient markets that deliver better value for money and better outcomes
- Furthermore, because of the correlation between transparency and trustworthiness, we expect our work will help to improve the self-inflicted reputation that the financial services sector has suffered, for decade
- Our primary focus is the UK's workplace pensions market

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In my opinion, the true pioneers for pensions cost transparency in the UK include:

- Dr. Chris Sier
  - Director, FiNexus
- Colin Meech
  - National Officer, UNISON, Capital Stewardship programme
- Jeff Houston
  - Head of Pensions at the LGPS
- David Pitt-Watson,
  - Executive Fellow, London Business School
- Gina Miller,
  - Co-Founder, the True & Fair Campaign

…and others

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The TTF's approach is to bring together:

- Those with the 'passion & purpose'
- With those who have the 'power & position'

- ➢ Our next Transparency Symposium is on 16th November; get in touch if you'd like the details
  Normally £150 but free to this audience
- ➢ We publish the free online magazine, the Transparency Times; get in touch if you'd like to receive it

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The TTF is organised into 3 Teams:

- The Costs & Charges Team
- The Stewardship & Decision-Making Team
- The International Best Practice Team
- (+ Foreign Exchange soon)
- (+ Banking in Q2 2017)

- ➢ All teams are run and led by volunteers
- ➢ We have monthly conference calls
- ➢ More volunteers wanted!

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The key drivers for better pensions cost disclosure

- Our low inflation and low yield era highlights costs
- Major concerns about satisfactory outcomes for DC schemes
- Major concerns about costs jeopardising Auto Enrolment
- Major concerns about deficits and costs to sponsors for DB
- Litigation risks for those responsible for other people's money
- Regulators are raising standards; FCA & TPR
- The whole value for money agenda
- Increasing media scrutiny
- The pensions market needs to re-gain trust and confidence

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In my opinion, the work being done in LGPS on pensions cost disclosure is absolutely fantastic!

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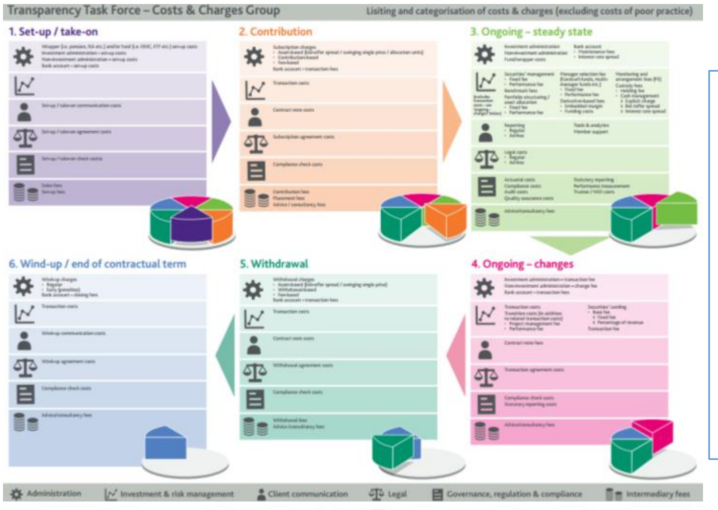
Comprehensive cost disclosure



Our Objective:

All aspects,
all stages,
all product types,
all costs,
non-gameable,
comprehensive,
costs disclosure.

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Cost is key:
We need to pro-actively and constructively disrupt the entire cost base of the sector

- *"The most powerful force in the Universe is compound interest"* - Albert Einstein
- That point is often used in the context of investment growth; and in that context compounding is very good news
- But it is bad news to an equal degree in the context of charges
- Unnecessary costs are highly damaging to consumer outcomes – far more than most people realise…

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THE TECHNOLOGY TASK FORCE

An example to show the impact of costs

- Assumptions:
  - A pension saver begins saving £400 per month gross into a pension scheme from age 20 until age 65
  - The Gross Market Return (i.e. the annual increase in value in the market into which the person is investing before any costs) is 5% p.a.
  - All costs (i.e. all explicit costs, all implicit costs – including any and all transaction costs, 'hidden costs' and so on) is 2% per annum
- Total fund at age 65 if there were no charges at all £787,167
- Total fund at age 65 after charges £452,255
- Amount of fund lost to charges £334,912
- Percentage of fund lost to charges 42.55%

Some will experience lower charges than this; some higher

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A golden opportunity for action

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12th September 2016: The first Transparency Strategy Summit in the World

'The primary purpose of the first Transparency Strategy Summit in the world is to begin to build consensus on the best way to protect the interests of the UK's pensions-saving public through full disclosure on all the costs and charges they are paying but not being told about'.

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Question:

How could the Work & Pensions Committee turbocharge the quest for greater transparency in our pensions system?

Work & Pensions Committee

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Answer:

By conducting an inquiry into costs & charges in pensions

Work & Pensions Committee

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The W&PC are, in my personal opinion:

Determined, thorough, balanced, tenacious, forensic, transparent, non-partisan;

All the qualities you’d want in a group conducting such an enquiry

Work & Pensions Committee

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Open Letter to the Chair of the Work & Pensions Committee:

The Rt. Hon Frank Field MP
Chair, Work and Pensions Committee
House of Commons
London SW1 OAA

Dear Mr. Field

We are writing to you as a group of independent individuals and organisations, motivated and united by the desire to help protect the interests of the UK's saving public, through the better provision of transparent, consistent and straightforward disclosure of all the costs and charges they pay.

The issues raised in this letter affect Defined Benefit and Defined Contribution pension schemes and cannot be dealt with fully under the scope of your existing Defined Benefit pensions inquiry.

It is vital that we have transparent, consistent and straightforward costs disclosure because opacity and obfuscation on pension and investment costs leads to:

#1. Decision-makers, including consumers, being unable to exercise 'informed choice' properly: They find the market opaque, complex and confusing: It is difficult to identify value for money.

#2. The risk of future litigation: Consumers may argue they are not being treated fairly. Such action would severely damage confidence in the sector and its intermediaries.

#3. Seemingly impotent market forces: In this sector, the 'invisible hand' seems unable to work its 'magic' to create a healthy, competitive and efficient market.

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Continued:

#4. Poor consumer outcomes: If costs are 2% p.a. and gross market returns 5% p.a., a 20-year-old saving £100 per month until 65 will lose 42.55 % of his/her pension fund to costs.

#5. A marketplace where progressive, innovative and highly cost-effective offerings that do represent good value for money inexplicably struggle to get the market share they should.

#6. The risk that the success of the Government's pensions policy is jeopardised: Those automatically enrolled might opt out if they are later disappointed by their net of costs returns.

#7. The risk that should the 'high costs/low returns' reality continue to prevail, belief in the wisdom of deferred gratification and confidence in long term savings will be undermined.

#8. Investment Governance Committees and Trustee Boards struggle with their duty to manage scheme's costs properly: 'You can't measure, monitor or manage what you cannot see.'

#9. Bad publicity, falling trust and apathy: The public's confidence in pensions is falling sharply and we want to stop it falling 'below the point of no return': This is a serious and systemic risk.

#10. The UK's savings market, including pensions, not being seen to be well-governed, transparent and trustworthy: That's a particularly important point in our post-Brexit world.

Furthermore, we believe that savers should not only know what their savings cost; they should also know where and how their money is invested. Greater transparency in investment holdings and the stewardship around those holdings is needed. On the basis that it is hard even for MPs to establish where and how their own Parliamentary Contribution Pension Fund is being invested, it follows that the public as a whole may be similarly challenged.

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Continued:

In general terms, we believe that:

- *This is an important and widespread public interest issue; it has parallels with the known shortcomings that are affecting the energy sector's opaque and complex regime of tariffs.*
- *Greater transparency on costs and investment holdings will help create the better-served, better-engaged and better-performing savings market we all want.*
- *There is merit in doing all we collectively can to help sustain the success of the Government's automatic enrolment pensions policy.*
- *In a post-Brexit world, we shouldn't underestimate the value to our economy of the potential for the UK becoming the world-leader in pensions and investing transparency.*
- *Your Committee is uniquely placed to lead an open enquiry that we are confident would be run in a constructive, forensic, inclusive, robust and non-partisan way, for the long-term benefit of all.*
- *There is excellent regulatory activity underway by DWP, FCA and TPR; your enquiry would support that work by 'pulling it all together', creating an even more cohesive approach.*

To conclude: For reasons of social justice, market efficiency, good governance, national reputation and to help protect the ongoing success of the Government's pensions policy, we would like your Committee to open an inquiry into the matters set out in this open letter.

We look forward to hearing from you.

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We have many co-signatories so far including:

- ✓ ***Association of Member-Nominated Trustees***
- ✓ ***Association of Consulting Actuaries***
- ✓ ***Association of Professional Fund Investors***
- ✓ ***Buckinghamshire County Council***
- ✓ ***Cass Business School***
- ✓ ***Campaign for Freedom of Information***
- ✓ ***Capital Cranfield Holdings Ltd***
- ✓ ***Consumer Insights Ltd***
- ✓ ***Finance Innovation Lab***
- ✓ ***Local Government Association***
- ✓ ***London Business School***
- ✓ ***LV=***
- ✓ ***Morningstar***
- ✓ ***National Federation of Occupational Pensioners***
- ✓ ***New Fund Order Consulting***
- ✓ ***Pension PlayPen***
- ✓ ***Pensions Management Institute***
- ✓ ***The People's Trust***
- ✓ ***Railpen Investment***
- ✓ ***Retirement Income Alliance Ltd***
- ✓ ***The Royal Borough of Windsor & Maidenhead***
- ✓ ***The RSA's Tomorrow's Investor Project***
- ✓ ***ShareAction***
- ✓ ***Sustainable Value Investors***
- ✓ ***TCF Investment***
- ✓ ***Tomorrow's Company***
- ✓ ***Transparency Task Force***
- ✓ ***TUC***
- ✓ ***University College London***
- ✓ ***Member of the United Nations Economic Commission for Europe Group of Risk Management Experts***
- ✓ ***United Nations Global Compact UK***
- ✓ ***University of Warwick***
- ✓ ***West Midlands Pension Fund***

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➢ A CALL TO ACTION, PLEASE!

- Please review the letter
- Please decide if you agree with what we are asking for
- If so, please consider becoming a co-signatory

➢ andy.agathangelou@transparencytaskforce.org

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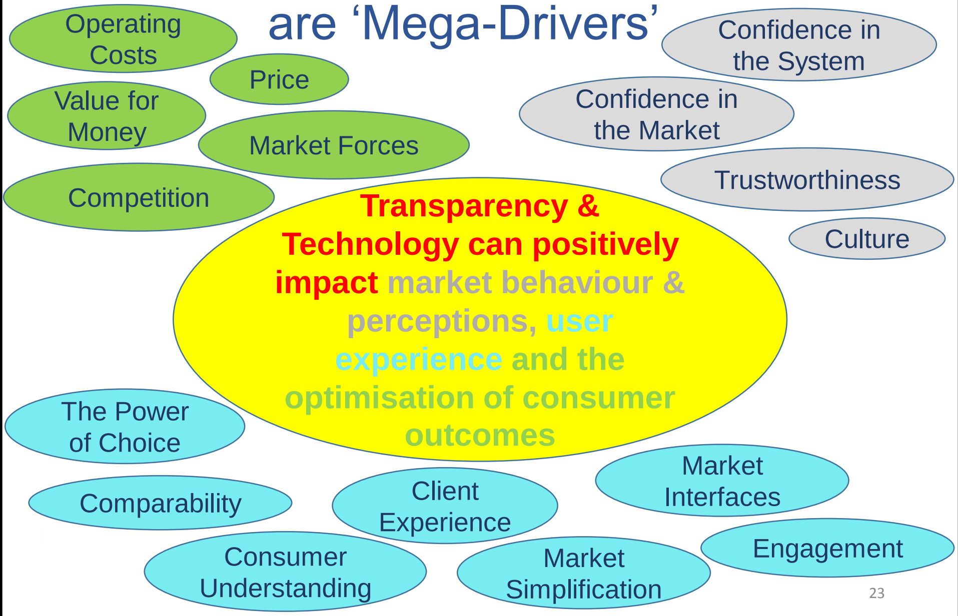
Transparency & Technology are 'Mega-Drivers'



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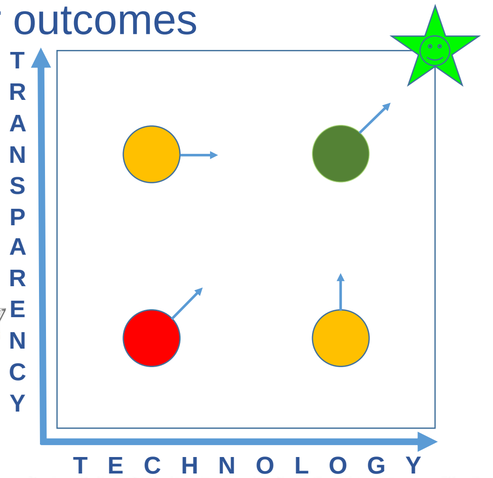
Positively impacting market behaviour & perceptions, user experience and the optimisation of consumer outcomes

'Collaborative campaigning' can help to drive up the levels of transparency in the market and that's what THE TRANSPARENCY TASK FORCE is all about.



'Collaborative promotion' can help to drive up the use of Fintech and that's what THE TECHNOLOGY TASK FORCE is all about

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➢ THANK YOU!

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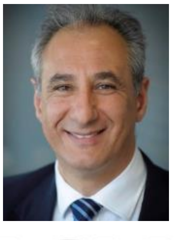

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