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Six principles for good workplace DC

The Pensions Regulator (TPR) has published six high-level principles that it sees as the next steps to improve standards in defined contribution (DC) pension provision. TPR intends for these principles, which focus on the design and governance of workplace pension schemes, to form the basis of its regulatory approach going forward.

TPR's intention is that, by following these principles, schemes will be able to deliver good outcomes for members through each of its six key areas of focus:

1

appropriate contribution decisions

2

appropriate investment decisions

3

efficient and effective administration

4

protection of assets

5

value for money

6

appropriate decumulation decisions

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The six principles

The principles have been developed to encompass the whole lifecycle of a DC scheme, from design and implementation through to communication, ongoing administration and governance. The TPR principles are:

1. Schemes are designed to be durable, fair and deliver good outcomes for members.

This principle focuses on features that help deliver good outcomes for members, such as the provision of a suitable default fund, transparent costs and charges, and protection.

2. A comprehensive scheme governance framework is established at set-up, with clear accountabilities and responsibilities agreed and made transparent.

This includes the need to identify key governance activities to be carried out, ensuring each has an 'owner' with the necessary resources available to carry out the activity.

3. Those who are accountable for scheme decisions and activity understand their duties and are fit and proper to carry them out.

It is important that individuals who are given responsibility for a key governance task are able to carry it out effectively. This principle will therefore include definitions of fitness and propriety for accountable parties and conflicts of interest.

4. Schemes benefit from effective governance and monitoring through their full lifecycle.

This principle concerns how the scheme is managed and reviewed, including the internal controls and monitoring needed to ensure it continues to meet its objectives and is run in the best interests of the members.

5. Schemes are well-administered with timely, accurate and comprehensive processes and records.

This builds on TPR's previous work on record keeping, and looks specifically at the administration processes required in a DC scheme.

6. Communication to members is designed and delivered to ensure members are able to make informed decisions about their retirement savings.

This principle covers all communications throughout an individual's membership in the scheme – from joining through to making decisions about taking a retirement income, including promotion of the open market option.

What's next?

The details behind these principles will be developed further, with TPR inviting the pensions industry to work with them to develop 'a shared understanding of what a good DC scheme looks like'. TPR intends to then publish further tools and guidance on the features of a good DC scheme in 2012.



Finding out more

If you would like to find out more about any of the issues raised in this edition of i+e...in 5, please contact your Johnson Fleming consultant or call us on:

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