Pensions Workshop:

DC Plans in the UK and the Netherlands: exchanging experiences Pensions Institute, Cass Business School 9 April 2018

# Regulatory issues

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### Introduction

- Background
- Regulatory permission
- Regulatory control
- Principles based regulation
- Outstanding issues



# Background

- Demand for CDC
  - DB issues
  - DC issues
- Lawmakers response

  - CDC
  - Overseas experience
  - Demand
  - Regulation!



# By Surah O'Grady

Millions hit with massive bills

MILLIONS face poverty in retirement because they fall to take tax advice before plundering their

pension pot.
The Treasury is pocketing a 25billion windfall from unsuspecting savers in emra taxes following ment cash taunched

Many people have chosen to drawdown their savings as they are no longer obliged to buy an annuity with their money.

But experts are warning that savers do not understand M5 per cent of any cash token out of a

#### Pension savers hit by £5bn bill



### Lawmakers' concerns

- Daily Mail
  - ► Future complaints
  - ▶ Hidden traps
  - ► Precautionary principle
- Obvious concerns
  - No demand
  - Misrepresentation
  - Misunderstandings
  - Failures
  - Frank Field



## Other concerns

- Expectations
- Benefit reductions
- Litigation / class actions ex post facto
- ▶ [EU]
- Insolvency
- ▶ Theft / scandal



# Legal issues

- Primary legislation
- Secondary legislation
- Taxation
- Regulation



# Regulation

- ▶ Workplace or something else?
- Penalties
- Control
- ► Trustees, employers and members
- Communications



#### Member information

- Framing of offering: Is it better to have
  - ► £20 100% guaranteed (ie DC subject to investment regulation) or
  - ► £100 expectation which might turn out to be £80 unguaranteed, trustee regulation



# Dangers in drafting

- Over-zealous regulation
  - Anti-competitive
  - Restrictions on design
  - Regulatory compliance costs
- Political pressures
- Industry pressures
- Demand led
- ▶ The making of guarantees

#### THRING'S PRACTICAL LEGISLATION THE COMPOSITION AND LANGUAGE OF ACTS OF PARLIAMENT AND BUSINESS DOCUMENTS BY LORD THRING KCB LATE PARLIAMENTARY COUNSEL THIRD EDITION EDITORS Madeleine MacKenzie, LLB (Hons), Dip LP, Parliamentary Counsel Prof. David Purdie, MD, FRCF, Institute for Advanced Studies in the Humanities, University of Edinburgh PUBLISHED BY THE LUATH PRESS.

## Conclusions

- There is a demand
- Regulatory zeal needs to be managed
- Legislation needs to avoid plan drafting – allowing a thousand flowers to bloom
- Speed and simplicity complies with government's regulatory objectives
- ▶ 1 in 3 out

