

## **SUBSCRIPTIONS REVIEW – REPORT ON CONSULTATION**

### **INTRODUCTION**

1. The PLSA recently completed a consultation on proposed changes to our subscriptions model. The changes are designed to keep the PLSA's funding base sustainable as the pensions industry consolidates.
2. We plan to increase the maximum subscription for Fund Members (with the fees change phased over three years) and to introduce a new Master Trust Member category.
3. This paper summarises the responses and input that we received from our members and discusses the issues that they raised.
4. We plan to go ahead with the proposals, taking full account of the questions raised by some members. This paper sets out how we will do that.

### **OUR CURRENT MEMBERSHIP MODEL**

5. At present we have two membership categories: Fund Members – i.e. pension schemes and local authority funds; and Business Members – i.e. service providers such as asset managers, consultancies, law firms and fintechs.
6. Fund Members' subscriptions are based on the number of individual members they have in their scheme (actives, deferreds and pensioners) at a rate of 23.12 pence per member, subject to a maximum of £9,998 (in 2021). This means all of our Fund Members with more than 43,243 members pay the same maximum rate of £9,998.
7. Business Members' subscriptions depend on what they do:
  - ▶ 'Type A' Business Members (asset managers) have subscriptions in 8 bands according to their assets under management (AUM), from £938 subs for those with up to £499 million AUM, to a maximum of £18,743 for those with more than £9.99 billion AUM.
  - ▶ 'Type B' Business Members (all other service providers) have the same 8 subscription bands, but the key metric is their pensions-related turnover. Those with less than £1 million turnover pay £938 and those over £25 million pay the maximum of £18,743.

### **THE PROPOSALS – A RECAP**

8. The [consultation paper](#) that we published on 11 May (closing date 10 June) set out three proposed changes to our subscriptions model:

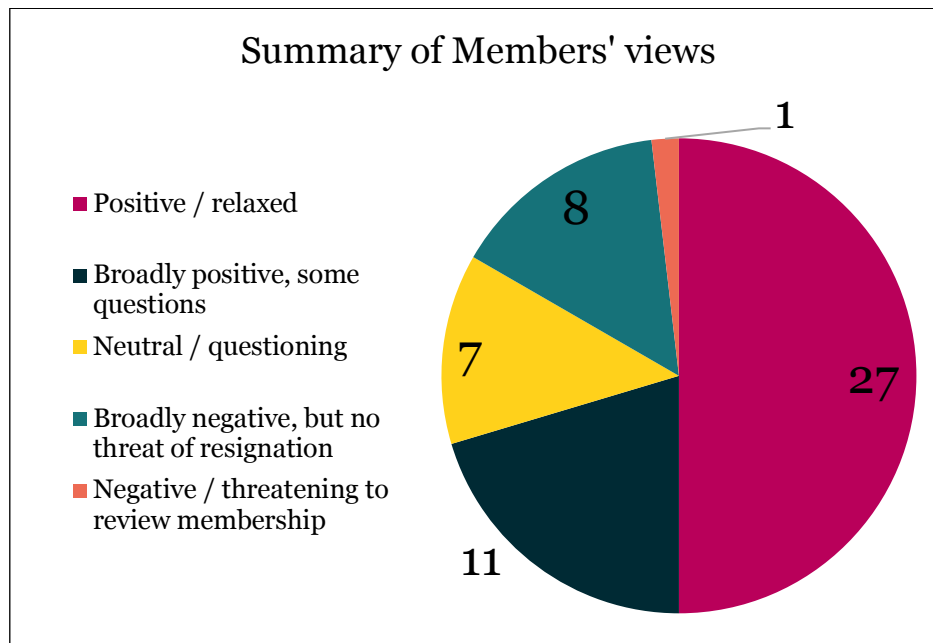
- i. an increase in the maximum subscription for Fund Members (pension schemes) from the current level of £9,998 to £18,743 at 2021 prices. This means the new maximum will 'kick in' at just over 81,000 members.
  - ii. a new membership category for Master Trusts, with the subscription based on assets under management. Master Trust Members will receive the same member benefits as Fund Members and will be added to the PLSA's Master Trust Reference Group.
  - iii. phasing the changes in fees over three years from 2022 to 2024.
9. These proposals respond to important developments in the pensions market, particularly consolidation (for example, through DB buyouts and single-company DC schemes being transferred into master trusts). They will help to ensure the PLSA's subscriptions model keeps pace with the shape of the industry.

## **THE CONSULTATION – WHAT WE DID**

10. We took initial soundings with some of the affected members in the first quarter of 2020, and those conversations informed the proposals that we put out for formal consultation.
11. We sent a consultation paper to all PLSA members on 11 May 2021, giving them until 10 June to respond. We also posted it on the PLSA website.
12. 21 members responded by email before the deadline. We also took account of the handful of responses that came in after 10 June.
13. We also invited almost all of the affected members to discuss the proposals directly with our CEO or another senior member of the PLSA staff. The only exceptions were those members who had already told us they supported the proposals or where the increase in their fees was very modest. In these cases, we simply sent an email confirming the details and ensuring they were aware of the consultation process.
14. This proactive campaign led to 38 meetings with members and email input from a further handful.

**RESPONSES TO THE CONSULTATION**

15. The table below summarises all the feedback gathered, whether by meeting or by email.



- ▶ Half of the members who made their views known supported the proposals straightforwardly or were relaxed about them.
- ▶ A further 11 were broadly positive, but had a few questions (e.g. about the balance of PLSA income from Fund Members / Business Members or about how we will deliver more and better services in return for higher fees).
- ▶ Seven were neutral (mostly recognising the case for higher fees but noting that any extra cost is unwelcome).
- ▶ A smaller but significant group of eight were clearly unhappy with the proposals; several of these asked why we were aligning Fund Members' maximum fees with those for Business Members.
- ▶ Only one member stated openly that they would review membership if we went ahead with the changes.

16. Considering we are increasing some of our members' fees significantly, it was encouraging to receive a generally positive response to the consultation. We do, however, need to be mindful of the concerns and questions that were raised – as set out in the next section.

## **ISSUES RAISED DURING THE CONSULTATION**

17. A number of issues cropped up several times and these are set out below, together with our response to them.

- ▶ **Fund Member maximum aligned with Business Member maximum.** Several Fund Members asked why we were aligning their maximum fees with those of Business Members (also £18,743). For example, some felt Business Members should naturally be expected to pay more, as they join the PLSA to get ‘access’ to Fund Members.

*PLSA response.* Our reason for alignment was simplicity – to have the same maximum fee for each membership category. Business Members, however, have to pay additional fees to attend events or to exhibit at or sponsor our conferences. We will make this clearer in future communications about the subscriptions changes.

- ▶ **Local authority funds.** The members raising concerns included a number of local authority funds. Several also pointed out that our consultation coincided with year-end for local authorities, and this might be why several did not respond – potentially including more members with concerns.

*PLSA response.* We recognise that local government budgets are under particularly severe pressure. We are making this group a top priority for our member engagement work over the next three months so we can address any concerns and ensure they get full value from PLSA membership.

- ▶ **DB master trusts.** Discussions with members showed that we need to be more precise about which master trusts will fall into our new Master Trust Member category, which is designed for ‘authorised master trusts’ only (i.e. DC vehicles). We had not made it clear that DB multi-employer schemes, some of which are commonly known as ‘master trusts’, would simply continue in our Fund Member category.

*PLSA response.* We will make it clear that the new Master Trust Member category is for authorised master trusts only (and, therefore, DC-only).

- ▶ **Business Members with master trusts.** There was some comment that our draft Rules were inconsistent on whether Business Members that run master trusts would be able to continue with Business Membership and add Master Trust Membership alongside it, or whether they would be required to shift across to the new Master Trust Member category and drop their Business Membership.

*PLSA response.* Business Members that also run Master Trusts should be able to have both memberships, should they so wish. We will explain this clearly.

- ▶ **More for more?** Several members asked what extra services we would provide in return for higher fees.

*PLSA response.* This is good challenge to us, and we feel we have a robust set of answers. New services include the ESG Conference that we ran for the first time this year, the new CIO Network that we will launch in September, our forthcoming member-only area of the website and (for our local authority members) a major state-of-the-nation piece of research work.

The discussions about increased fees have prompted some members to focus more closely on getting full value from their PLSA membership and we are pleased to work with any member on this.

## **NEXT STEPS**

18. The PLSA Board has decided – after reviewing the consultation feedback – to go ahead with the proposals, subject to the clarifications and enhanced communications outlined above.

19. This means the next steps are as follows:

- ▶ We will write to all the affected members, confirming the finalised changes to the subscriptions model and including a link to this consultation report.
- ▶ We will invite approval of the revised PLSA rules (see Annex) at the AGM, which will take place as part of our Annual Conference in October.
- ▶ We will implement the first phase of the increase (i.e. one-third of the increase) when we write to members in November with an invitation to renew membership for 2022.
- ▶ We will convert master trusts that currently have Fund Member status to Master Trust Members from 1 January 2022.
- ▶ We will hold conversations between July and October with Business Members that run master trusts to invite them to take up Master Trust Membership from 1 January 2022.

## **FURTHER INFORMATION**

20. We remain very open to explaining these changes and how we will implement them to any member who has questions or concerns. Please contact our Head of Membership Engagement, James Walsh, on [james.walsh@plsa.co.uk](mailto:james.walsh@plsa.co.uk), to arrange a call.

PLSA

July 2021

## **ANNEX – THE NEW RULES**

### **RULES – MEMBERSHIP AND SUBSCRIPTIONS**

#### **Existing members**

1. Members of the PLSA at the date of adoption of these Rules shall continue to be members until their membership is terminated in accordance with them.

#### **Eligibility for membership of PLSA**

2. Any organisation which supports the objects of PLSA may be admitted as a member.
3. ‘Organisation’ includes a company or other body corporate, an unincorporated body of trustees or a partnership.
4. An individual may only be admitted as a member if they are a sole trader with employees for whom they are making pension arrangements.

#### **Classes of members**

5. There shall be three classes of members: -
  - a. Fund Members;
  - b. Master Trust Members; and,
  - c. Business Members
6. A member shall be admitted as a Master Trust Member if their principal activity comprises one or more authorised master trusts. A master trust associated with a business member may be a member independently of the business member if its governing body wishes.
7. A member other than a Master Trust Member shall be admitted as a Business Member if their business includes the provision of services to other members of PLSA and they intend to promote that business to other members during the course of their membership.
8. Subject to Rules 6 and 7 the following members shall be admitted as Fund Members:
  - a. The trustees and sponsoring employers of trust-based pension arrangements
  - b. The participating employers in multi-employer pension arrangements
  - c. Employers who participate in GPP arrangements for their employees
  - d. Participants and funds within the Local Government Pension Scheme
  - e. Any other member the Board, in its absolute discretion, considers should be admitted as a Fund Member.
9. All other members shall be admitted as Business Members.

#### **Admission to membership**

10. The Chief Executive shall have delegated authority to admit members if they:
  - a. Are eligible for membership
  - b. Complete the application form required
  - c. Pay their initial subscription
11. The Chief Executive may
  - a. Require any applicant for membership to supply such additional information as they may reasonably require

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- b. Refuse any application for membership, notifying the applicant that they may apply to the Membership Panel for it to be reconsidered
- c. Refer any application for membership to the Membership Panel on their own initiative.

## **Exclusion from membership**

- 12. Applications for membership may be refused on any of the following grounds:
  - a. That the conduct of the applicant, at any time before the application, has been such that the reputation of PLSA might be adversely affected by their membership;
  - b. That the PLSA believes that the applicant intends to use PLSA membership to promote their business to retail customers or to other persons who are not members of PLSA

## **Termination of membership**

- 13. A member shall cease to be a member:
  - a. If they have not paid their subscription three months after it has fallen due, and the Chief Executive so determines
  - b. If they resign in writing to the Chief Executive
  - c. Under Rules 14 to 16
- 14. If it appears to the Chief Executive that the conduct of a member, whether before or during membership, has been such that the reputation of PLSA might be adversely affected by their continued membership, they may notify the member that they are minded to terminate their membership giving their reasons, inviting the member to make representations within 28 days and notifying the member that they may request that the matter be referred to the Membership Panel.
- 15. If the member fails to respond within 28 days, the Chief Executive may terminate their membership.
- 16. If the member responds, the Chief Executive shall consider any representations made and shall either accept them or refer the matter to the Membership Panel for determination.

## **Membership Panel**

- 17. A Membership Panel of the Board shall comprise any three non-executive directors selected by the Chair.
- 18. A Membership Panel shall be convened whenever necessary, and shall have delegated authority from the Board, to determine:
  - a. Whether an applicant should be admitted to membership under Rules 12 b) or c)
  - b. Whether a member's membership should be terminated under Rule 15.

## **Representatives of Members**

- 19. A member may be represented within PLSA by any person connected with them who the Chief Executive considers appropriate.

## **Membership Benefits of Members in Subscription Arrears**



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20. Notwithstanding that their membership may not have been terminated under Rule 13a, the Chief Executive may withhold any or all of the benefits of membership from a member at any time when their membership subscription has not been paid after the due date.

## **Provision of information**

21. Members shall provide on request any information reasonably required by PLSA to determine their membership category and subscription rate.
22. If a member fails to provide information when requested, PLSA may make such assumptions as it considers appropriate in determining a member's subscription rate.

## **Subscriptions**

23. Membership subscriptions are set for a calendar year and are due on 1 January of that year.
24. Members who are admitted after 1 January in a year shall pay a subscription for that year pro-rata to their period of membership. Members who are admitted on or after 25 August in a year shall pay a pro-rata subscription for the remainder of that year and for the whole of the following year at the time of admission.
25. No refund shall be due to a member if their membership is terminated for any reason during a year.
26. All subscriptions in these rules are exclusive of VAT, which will be charged in addition where required.

## ***Fund Member Subscriptions***

27. Subject to rule 28, the subscription of a Fund Member for 2021 shall be 23.12p for each of the total number of members of all the pension arrangements relating to the Member, including active, deferred and pensioner members.
28. The minimum and maximum subscriptions payable by a Fund Member for 2021 shall be £305 and £9,998 respectively.
29. From 1 January 2022 the maximum subscription payable by a Fund Member shall be £18,743, subject to the transitional arrangement in rule 30.
30. A Fund Member at 31 December 2021, whose subscription is increased as a result of rule 29 shall have their subscription for 2022 increased by one third and for 2023 by two thirds of the additional increase due under that rule. The full amount payable under Rule 29 shall become payable in 2024

## ***Master Trust Member Subscriptions***

31. Until 31 December 2021, a Master Trust Member's subscription shall be determined as if they were a Fund Member.
32. From 1 January 2022, a Master Trust Member's subscription shall be determined by the band into which they fall in the table set out below, by reference to the value of UK pension assets under their management at 31 December of the preceding year.

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33. A Master Trust Member at 31 December 2021, whose subscription is increased or reduced as a result of rule 32 shall have their subscription for 2022 increased or reduced by one third and for 2023 by two thirds of the additional increase or decrease due under that rule. The amount payable under Rule 32 shall become payable in 2024

### ***Business Member Subscriptions***

34. The subscription of a Business Member for 2021 shall be determined by the band into which they fall in the table set out below.
35. Business Members whose business is principally the management of assets for UK pension funds shall have their band determined by the value of UK pension assets under management at 31 December of the preceding year.
36. All other Business Members shall have their band determined by their turnover derived from business in any way relating to pensions in the UK in the preceding year.
37. International Business Members, i.e. those having no establishment of any kind in the United Kingdom, and not being companies registered in the United Kingdom shall fall into the International Band.

Band	UK Pension Assets Under Management (£m)	UK Pension Turnover (£m)	Subscription (£)
A	0 – 499	Less than £1m	938
B	500 – 999	£1m-£2m	2,499
C	1000 – 1999	£2.1 - £5m	4,999
D	2000 – 2999	£5.1-£10m	7,497
E	3000 – 3999	£10.1 - £15m	9,374
F	4000 – 4999	£15.1 - £20m	12,496
G	5000 – 9999	£20.1-£25m	15,620
H	>9999	More than £25m	18,743
International			2,499

### **Subscriptions for later years**

38. The amounts set out in Rules 27 to 37 may be increased by the Board for 2022 and subsequent years by an amount not exceeding general price inflation in the preceding year, without this Rule being formally amended.