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Mike Moore
Department for Work and Pensions
Private Pensions
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Dear Mike,

CAPPING EARLY EXIT CHARGES FOR MEMBERS OF OCCUPATIONAL PENSION SCHEMES

The Association welcomes the Government's efforts to tackle exit fees in both the occupational and contract-based space. It is right that savers should not face artificial barriers to unlocking the full benefits of freedom and choice. As an Association one of our driving ambitions is to help individuals get more out of their retirement savings; guaranteeing appropriate and sustainable charging structures in decumulation products is an important part of achieving this.

In our response to HM Treasury's consultation *Pension Transfers and Early Exit Charges* in July 2015 we argued that fairness and sustainability should be at the heart of the discussion on exit fees. Measured against these criteria we believe the level and scope of the cap set out in this second consultation is welcome. However, while individual savers should not face prohibitive charges for accessing their benefits early, we have highlighted the need for this to be balanced in certain circumstances against considerations of proportionality and fairness for the membership as a whole. We also recognise that in some instances in the contract-based space exit charges are not being applied as a penalty for leaving early, but rather to recoup the costs of setting up the pension in a pre-agreed charging structure.

Surveys of our membership have revealed that only a very small minority of our members (5%) operate some form of exit charge, with the majority of these applying a charge for multiple UFPLS withdrawals. In our response to the initial consultation we set out our concerns around capping charging for these multiple UFPLS transactions which might not meet these key tests of fairness or sustainability. We argued that it might be preferable for trustees to impose a charge for multiple UFPLS transactions per year rather than forcing all members to pay for the additional costs generated by a small group of members with particularly complex requirements.



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As such, the Association is pleased that the proposals to cap early exit fees in the DWP and FCA consultations have been designed to capture those fees which explicitly penalise those looking to access their benefits before the scheme's normal retirement age and do not prohibit schemes from recouping administrative costs in a way that is fair for the membership as a whole. Provided the Government achieves the aims it has set for itself in legislation we believe this approach will be successful in enabling savers to take advantage of the freedoms while ensuring cost recovery remains fair and sustainable for all scheme members.

The Association would like to thank officials at the DWP who have engaged so constructively with us throughout this consultation process. A cap on exit fees is an important step forward but will not tackle all of the issues involved in making the pension freedoms work, including those around transfers and scams. We will continue to work with government and regulators to realise this ambition.

Yours sincerely,

Tim Gosling
DC Policy Lead

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