Charging levels and structures in money-purchase pension schemes: Report of a quantitative survey

Andrew Croll, Ed Vargeson and Alex Lewis

A report of research carried out by Ipsos MORI on behalf of the Department for Work and Pensions
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The Authors

Dr. Andrew Croll (Director, Ipsos MORI Business to Business (B2B) team) specialises in all types of research into B2B services and issues for both the private and public sector. He read Zoology at Brasenose College, Oxford, and completed a D.Phil. in immunology at the University of Warwick. He has run many financial services-related surveys for major providers in the last ten years, including a recent study for the Institute of Chartered Accountants in England and Wales about the current access of Small and Medium Sized Enterprises (SMEs) to bank financing.

Ed Vargeson (Research Executive, Ipsos MORI Business to Business team) is a member of the executive team who helped conduct this project and prepared the charts used throughout this report. He has focused on B2B research projects for the last two years. He read politics at the University of East Anglia and was awarded an M.A. from Essex University.

Alex Lewis (Director, Ipsos MORI Financial Services) is head of financial services research at Ipsos MORI, and has specialised in researching the sector for 12 years. He has worked on behalf of clients spanning both private and public sectors across a broad range of issues, employing a very wide range of research methodologies. He has a B.A. in politics from Nottingham University, and an M.Sc. in international relations from the London School of Economics (LSE).
Abbreviations

- **ABI**: Association of British Insurers
- **AMC**: Annual management charge
- **DB**: Defined benefit
- **DC**: Defined contribution
- **DWP**: The Department for Work and Pensions
- **EBC**: Employee benefits consultant
- **FSA**: Financial Services Authority
- **GPP**: Group personal pension
- **IFA**: Independent Financial Adviser
- **PADA**: Personal Accounts Delivery Authority
- **TPAS**: The Pensions Advisory Service
- **SHP**: Stakeholder pension
- **SIPP**: Self-invested personal pension
- **WPP**: Workplace personal pension
Glossary

Active member

For defined contribution pension schemes this is a member who is currently making contributions into the scheme. For defined benefit pension schemes this is a member who is currently accruing benefits in the scheme.

Active member discount

A charging model that some providers may apply to members of a particular pension scheme. Under this model, active members of that scheme pay a lower annual management charge than deferred members.

Alternatively secured pension (ASP)

An alternative to buying an annuity, an ASP allows you to draw an income from a pension fund whilst it remains invested. The maximum income that can be withdrawn is about 90 per cent of a level single-life lifetime annuity and the minimum is 55 per cent. In the event of death any funds remaining in an ASP can be used to provide a pension or a lump sum for a spouse, civil partner or dependant.

Annual management charge (AMC)

A charge levied annually by a pension provider on a member’s pension fund to cover the costs associated with providing that pension scheme. The charge is usually levied as a percentage of the total fund value.
Automatic enrolment

A pension scheme enrolment technique whereby an employer automatically enrols eligible employees in the workplace pension scheme without the employees having to make a separate application for membership. Employees are able to opt out of the scheme if they prefer, whether to make alternative provision or otherwise.

Basic State Pension

A non-earnings-related pension paid by the State, based on the National Insurance contributions a person has paid, or been credited with, over the course of their working life.

Closed scheme

A pension scheme which does not admit new active members, but contributions may still be made by existing members and/or the employer. Members continue to accrue new pension rights.

Cross-subsidy

The use of profits from one activity to cover losses from another.

Commission-based

In the context of this study, an intermediary that charges the provider commission, based on the pensions products that are sold. The basis for the commission is individually negotiated between the provider and the intermediary. The provider usually attempts to recover the cost of this commission by increasing the value of the AMC applied to the member's fund.

Contract-based pension

A defined contribution pension scheme purchased by an individual, either through their employer or individually, from a pension provider such as a bank, life assurance company or building society. It is owned entirely by the individual, allowing them to continue to contribute to it if they move jobs. It is also known as a personal pension.
Contribution charge

Contribution charges are levied as a percentage of each contribution paid into an individual’s pension pot. Unlike an AMC, once the contribution, net of the charge, has reached the member’s pension pot, no further charges are levied on it.

Death in service

A life insurance policy attached to a workplace pension. Should the death of the employee occur while the employee is in the employment of the company, the dependants would receive an insured sum free of tax.

Default contribution

The set amount of contributions paid into a member’s workplace pension by the member, employer or both, if no decision is made by the individual regarding what to contribute.

Default fund

The pre-assigned fund or funds into which a member’s contributions are invested, if no decision is made by the individual regarding which funds they wish their contributions to be invested in.

Deferred member

For defined contribution pension schemes this is a member who no longer contributes to the scheme but has not yet begun to receive retirement benefits from that scheme. For defined benefit schemes this is a member who no longer accrues benefits in the scheme but has not yet begun to receive retirement benefits from that scheme.

Defined benefit (DB) scheme

An occupational pension scheme that provides benefits based on a formula involving how much a person is paid at retirement (or how much a person has been paid on average during their membership of the scheme) and the length of time they have been in the pension scheme.

Defined contribution (DC) scheme

An occupational or personal pension scheme that provides benefits based on how much has been paid into the scheme, the investment returns earned and how much pension this money will buy at retirement.
Dilution levy charges are a levy used by a small minority of schemes to cover any difference between the actual cost of buying and selling investments compared to the mid-market value on that day.

The Distance Marketing of Consumer Financial Services Directive is a European Directive that aims to provide customers with protection where financial services are sold to them at a distance. It came into force in the UK on 31 October 2004.

A charging model used by providers of some personal pensions. Rather than paying one single AMC over the lifetime of a pension, members pay a higher AMC for the first years in which they hold the pension, but after this, the long-term AMC is lower.

In the context of the workplace pension reforms this refers to those employees who will be automatically enrolled into a qualifying workplace pension scheme or NEST. This group includes employees aged between 22 and State Pension age, earning above approximately £5,000 a year.

An adviser, or firm of advisers, that advises employers on employment benefits packages that it might offer to its employees, including pensions and other benefits. EBCs are classified as independent financial advisers.

In the context of this study, an intermediary that charges the employer a fee for their services. The terms, basis, duration and frequency of the fee are individually negotiated.

A DB scheme where the benefit is calculated by reference to the final earnings of the member. The benefit is also based on the length of time they have been in the pension scheme.
<table>
<thead>
<tr>
<th>Glossary</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Fund manager</td>
<td>A person or organisation appointed to make and implement day-to-day investment decisions for some or all of a pension scheme's assets.</td>
</tr>
<tr>
<td>Group personal pension (GPP)</td>
<td>An arrangement made for the employees of a particular employer, or for a group of self-employed individuals, to participate in a personal pension scheme on a grouped basis. This is not a single scheme; merely a collecting agreement.</td>
</tr>
<tr>
<td>Group self-invested personal pension (group SIPP)</td>
<td>An arrangement made for the employees of a particular employer, or for a group of self-employed individuals, to participate in a self-invested personal pension scheme on a grouped basis.</td>
</tr>
<tr>
<td>Independent Financial Adviser (IFA)</td>
<td>An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. All IFAs are regulated directly by the Financial Services Authority (FSA). In the context of this report, intermediary is synonymous with IFA.</td>
</tr>
<tr>
<td>Individual personal pension</td>
<td>A personal pension scheme purchased by an individual, not as part of an arrangement made for the employees of a particular employer: in this respect it contrasts with a workplace personal pension.</td>
</tr>
<tr>
<td>Intermediary</td>
<td>An adviser, or firm of advisers, that is in a position to review all the available products and companies in the market as the basis for recommendations to clients. In the context of this report, intermediary is synonymous with IFA.</td>
</tr>
<tr>
<td>Lifestyle fund</td>
<td>A pension fund that automatically switches investments from more risky assets into less risky assets as the member approaches retirement.</td>
</tr>
<tr>
<td>Member</td>
<td>A person who has joined a pension scheme and who is entitled to benefits under it.</td>
</tr>
</tbody>
</table>
Minimum employer contribution
In the context of the workplace pension reforms this refers to the minimum amount of three per cent of qualifying earnings that all qualifying employers will be required to contribute to eligible employees’ workplace pension scheme from 2012.

NEST (National Employment Savings Trust)
As part of the workplace pension reforms the Government plans to introduce a new low cost, trust-based occupational pension scheme, NEST (National Employment Savings Trust), aimed at employees who do not have access to a good quality workplace pension. NEST was previously known as the Personal Accounts scheme.

Occupational pension scheme
A trust-based workplace pension arrangement that is set up by an employer to provide income in retirement for its employees. Although the employer is responsible for sponsoring the scheme, it is actually run by a board of trustees.

Open scheme
A pension scheme that admits new active members.

Pensions Act 2007
The act introduced to Parliament in November 2006 that put into law reforms to the state pensions system, covering the Basic State Pension and the State Second Pension, and changed some of the qualifying conditions for both. In the context of the workplace pension reforms it created the Personal Accounts Delivery Authority to advise on the reform proposals.

Pensions Act 2008
The act introduced to Parliament in December 2007 to take forward measures aimed at encouraging greater private saving: from 2012, it proposes that a system of automatic enrolment, together with minimum employer contributions will provide access to a pension to all eligible employees between 22 and State Pension age, who are not currently enrolled in a workplace pension scheme. The Act received Royal Assent in November 2008.
| **Pension fund** | The assets that form a pension scheme. |
| **Personal Accounts Delivery Authority** | A non-departmental public body created by the **Pensions Act 2007** to set up a national, trust-based pension scheme called **NEST** that will help millions of people on low and moderate incomes, who do not have access to a good-quality workplace pension, save for their retirement. It is accountable to Parliament and reports through a board to the Secretary of State for the Department for Work and Pensions (DWP). |
| **Personal pension** | A **DC** pension scheme purchased by an individual, from a pension **provider** such as a bank, life assurance company or building society. It is owned entirely by the individual, allowing them to continue to contribute to it if they move jobs. It is also known as a **contract-based pension**. A personal pension purchased through the employer is known as a **workplace personal pension**; one purchased individually is known as an **individual personal pension**. |
| **Provider** | An organisation, usually a bank, life assurance company or building society, that sets up and administers a pension scheme on behalf of an individual or trust. |
| **Qualifying earnings** | In the context of the **workplace pension reforms** this refers to the part of an individuals’ earnings on which contributions into a **qualifying workplace pension scheme** such as **NEST** will be made. Contributions will be made on a band of earnings between around £5,000 and £33,500 a year at 2006/07 earnings levels, and will be increased in line with earnings. |
| **Qualifying employer** | In the context of the **workplace pension reforms** this refers to UK employers that employ any **eligible employees**. |
Qualifying workplace pension

In the context of the workplace pension reforms all qualifying employers must offer their eligible employees a qualifying workplace pension. This must fulfil the core requirements of automatic enrolment and a minimum employer contribution. If these are fulfilled, qualifying schemes can include an occupational pension such as NEST, or a workplace personal pension.

Self-invested personal pension (SIPP)

A personal pension scheme under which the member has some freedom to control investments. The requirements governing self-invested personal pensions are set out in the Personal Pension Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001.

Stakeholder pension (SHP)

A personal pension that must meet certain legislative conditions including annual management charges of no more than 1.5 per cent of funds for the first ten years of an individuals membership (charging to a maximum of one per cent thereafter). Employers with five or more employees and who do not already offer a pension scheme must currently nominate a stakeholder pension scheme. These employers do not have to contribute to a stakeholder pension but they must allow employees access to the scheme. SHPs will cease to be mandatory after the workplace pension reforms are introduced.

State Pension age

The state retirement pension is currently paid to people who reach the State Pension age of 65 for men and 60 for women and who fulfil the conditions of the National Insurance contributions. Under section 126 of the Pensions Act 1995, State Pension age will increase to 65 for women from 2010 to 2020. It will then increase from 65 to 68 for men and women between 2024 and 2046.
<table>
<thead>
<tr>
<th>Glossary Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>State Second Pension (S2P)</td>
<td>The State Second Pension is paid by the state to some individuals in addition to the Basic State Pension. S2P gives a more generous additional State Pension to low and moderate earners, and certain carers and people with a long-term illness or disability.</td>
</tr>
<tr>
<td>Trust-based pension</td>
<td>A pension arrangement run by a board of trustees.</td>
</tr>
<tr>
<td>Trustee</td>
<td>An individual or company appointed to hold assets for the beneficiaries of a trust-based pension scheme, in accordance with the provisions of the trust instrument, the legal document that sets up, governs or amends the scheme, and general provisions of trust law.</td>
</tr>
<tr>
<td>Workplace pension</td>
<td>Any pension scheme provided as part of an arrangement made for the employees of a particular employer. All occupational pension schemes are workplace pensions, whereas personal pensions can be either workplace pensions or individual pensions.</td>
</tr>
<tr>
<td>Workplace pension reforms</td>
<td>The reforms introduced as part of the Pensions Act 2008: from 2012, it is proposed a system of automatic enrolment, together with minimum employer contributions will provide access to a pension to all eligible employees between 22 and State Pension age, who are not currently enrolled in a workplace pension scheme. The Pensions Act 2007 created the Personal Accounts Delivery Authority to advise on the reform proposals.</td>
</tr>
<tr>
<td>Workplace pensions industry</td>
<td>In the context of this report, this refers collectively to UK workplace pension providers and the intermediaries that advise employers and employees on these pension products.</td>
</tr>
</tbody>
</table>
Workplace pensions market

In the context of this report, this refers to the range of workplace pensions available in the UK, including occupational pension schemes and workplace personal pensions.

Workplace personal pension (WPP)

A personal pension scheme that is purchased as part of an arrangement made for the employees of a particular employer. In this respect it contrasts with an individual personal pension. Workplace personal pensions include GPPs, SHPs and group SIPPs.
Summary

Introduction

The Pensions Act 2008 sets out a series of measures aimed at encouraging wider participation in private pension saving. The aims of these reforms is to overcome the decision-making inertia that currently characterises individuals’ attitudes to pension saving and to make it easier for individuals to save for their retirement. The Act contains a number of measures aimed at encouraging greater private pension saving. From 2012 it is planned that all eligible workers, who are not already in a good quality workplace scheme, will be automatically enrolled into either their employers’ pension scheme or a new savings vehicle, which is currently known as NEST (the National Employment Savings Trust). To encourage participation, once the reforms are implemented, employees’ pension contributions (set at a level of four per cent) will be supplemented by contributions from employers (a minimum of three per cent) and tax relief. The new scheme will be simple and incur low charges.

Research aims

The research was undertaken to understand the current charging levels and structures in both trust-based occupational pension schemes and contract-based workplace personal pensions (WPPs). Final salary schemes, also known as defined benefit (DB) schemes, were excluded from this survey.

Research methodology

The research consisted of two separate methodologies – one explored charges in trust-based occupational schemes whilst the other explored WPPs.

For the trust-based side of the research telephone interviews were conducted among 800 pension scheme administrators of defined contribution (DC) occupational pension schemes (i.e. the trust-based DC schemes). Schemes with fewer than six members in total (active members who are still contributing plus

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1 Previously known as the ‘Personal Accounts’ Scheme.
deferred members) were also excluded on the grounds of being too small to be subject to standard charging structures.

For workplace personal pensions a questionnaire was sent to 22 pensions providers (the top providers in terms of market share and a further two which provide group self-invested personal pensions (Group SIPPs)), of which eight returned completed questionnaires. The questionnaire gathered information about charges in both group personal pensions (GPPs) and stakeholder pensions (SHPs).

Trust-based occupational schemes

Schemes with overall charges

Seventy-three per cent of trust-based schemes have an overall charge. While this is usually charged as a percentage of fund (50 per cent), a significant minority of occupational schemes use other approaches, including contribution charges. Fixed or flat fee overall charges are rare. Overall charges are usually levied annually or monthly for 78 per cent of schemes. Annual charges are most common, except for the largest schemes when monthly charges are preferred.

Overall charges also cover commission payments to intermediaries for 50 per cent of those schemes with fund or contribution-based percentage charges. However, this is less likely for larger schemes (30 per cent of schemes with 100+ members compared with 54 per cent for six to 99 member schemes) and also less common among multi-employer schemes (only 35 per cent).

The median charge level as a percentage of fund in trust-based schemes is one per cent with larger schemes more likely to charge less.

For occupational schemes, the likelihood of just having an overall charge decreases for bigger schemes – to just over half of the biggest with 1,000+ members (54 per cent) and for funds exceeding £5m (52 per cent). It is also more likely among single employer schemes (74 per cent overall) than multi-employer schemes (66 per cent).

Schemes without overall charges

Twenty-one per cent of trust-based schemes have their charges broken down into specific elements with specified charges for fund management, administration charges, account set-up, intermediary commission, etc. The biggest schemes (1,000+ employees) are much more likely (44 per cent) to have their charges broken down into specified levels for at least some of these elements.

When charges are broken down, there are usually (75 per cent of cases) specified charges for core fund management/investment and for core administration (74 per cent of cases), the former usually levied as a percentage of the fund (typically no more than one per cent) and the latter as a flat fee. However, the size of this fee is very dependent on the scheme size. Separate charges for account set-up
are less common, as are specific intermediary charges, and joining fees for new members are even rarer.

Additional charges
There are a variety of other additional charges that can arise in trust-based schemes, the most common of which (seen in 25 per cent of schemes) are for members transferring funds to other schemes. Thirteen per cent of schemes have additional charges for members choosing funds. Thirteen per cent charge for fund switching (i.e. a scheme member switching some or all of their accumulated pension savings from one fund to another, such as from UK equities to an emerging markets fund), but the number of free switches allowed varies.

Most trust-based schemes (77 per cent) do not charge for refunds of contributions (e.g. when a member leaves after a short time), but six per cent charge and 12 per cent allow no refunds. Five per cent charge a dilution levy (to cover any difference between the actual cost of buying and selling investments compared to the mid-market value on that day). A minority of schemes also charge for dealing with pensions on divorce (21 per cent) and fund transfers prior to buying an annuity (16 per cent). Fourteen per cent of schemes have a range of other charges (e.g. consultancy fees, property transaction costs, for account preparation, etc). The type of charging method used – percentage, flat fee or some other method – varies depending on what the charge is for.

Very few trust-based schemes (five per cent or less) have charge variations based on how long a member has belonged to the scheme. Even fewer schemes (four per cent) also have charge discounts for members with large funds or for active members (two per cent).

Who pays the charges in trust-based schemes?
In around three out of four trust-based schemes with an overall charge, the employer pays for some or all of the charges (77 per cent). Schemes where only the employee contributes are in a minority but are not that uncommon (19 per cent). Employee-only payment is least likely for the smallest schemes, for schemes where the charges are broken down and for more affluent employees (17 per cent in schemes where the average estimated gross pay of active members is over £50,000 per annum). Employer-only payment is significantly more likely to occur in the smallest schemes (51 percent of 6 to 11 member schemes), falling to 34-36 per cent among medium to large schemes (12+ members).

In schemes with separate specified charges the employer is most likely to pay some (46 per cent) or all of the charges (36 per cent). In only 14 per cent of cases does the employee alone shoulder these charges.
Contribution levels in trust-based schemes
The size of employer contributions (as a percentage of gross pay) varies greatly, but the mean level is 6.6 per cent. This is over twice as high as employee contribution levels, as estimated by the employers’ scheme managers, where the mean is only three per cent. This is partly due to 25 per cent of trust-based schemes estimating that their employees are (mainly) making no contributions of their own at all.

Contract-based workplace personal pensions

Schemes with overall charges
The largest proportion (36 per cent) of contract-based schemes (excluding group self-invested personal pensions (group SIPPs) which were not covered in this survey) charge a standard basic annual management charge (AMC), excluding intermediary commission, in the range of 0.4-0.59 per cent. With commission, the largest proportion of schemes (45 per cent) can be found in the one per cent plus bracket.

Additional charges
All of the GPP/SHP scheme providers participating in this study levied additional charges for specific fund choices on at least some of the schemes they provide, the lowest additional charge cited for specific fund choices is six basis points (bps\(^2\)), with the highest cited being a one per cent charge. The most frequently given scenario where this type of additional charge has applied is for externally managed funds, with several mentions also given for active funds.

Nearly all providers also provide an active member discount for at least some of their contract-based schemes – i.e. reduced AMC levels for members who are actively contributing to a scheme. Across the seven providers who say they have sold schemes where an active member discount has applied, the lowest proportion seen is one provider saying that one per cent of schemes they have sold have seen an active member discount applied. In contrast, one provider states that 69 per cent of their schemes sold carried an active member discount. The average figure across the seven providers is 21 per cent.

Providers were also asked to give an indication of the typical charge levels for active versus deferred members where an active member discount has applied. The lowest charge level seen for active members across the seven providers is 0.15 per cent, with the highest seen being one per cent. For deferred members, the lowest charge seen is 0.5 per cent, with the highest at 1.5 per cent.

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\(^2\) One basis point is equivalent to 0.01 per cent.
1 Introduction

This report provides the findings from a study conducted on behalf of the Department for Work and Pensions (DWP) to investigate and understand the charging levels experienced in two types of defined contribution (DC) schemes: trust-based occupational DC schemes and contract-based workplace personal pensions (WPPs).

This information about the existing spread of charging practices from the various pension schemes will help government to understand the types and level of charges in the current market prior to reform, providing a baseline for any changes following workplace pension reforms in 2012. These reforms, introduced in the Pensions Act 2008, should ensure that from 2012 all eligible employees will be enrolled in an employer-sponsored pension scheme.

The Pensions Act 2008 contains a number of measures aimed at encouraging greater private pension saving. From 2012 it is planned that all eligible workers, who are not already in a good quality workplace scheme, will be automatically enrolled into either their employers’ pension scheme or a new savings vehicle, such as National Employment Savings Trust (NEST). To encourage participation, employees’ pension contributions (set at a level of four per cent) will be supplemented by contributions from employers (a minimum of three per cent) and tax relief.

Due to the complex nature of the different types of pension schemes available, two separate methodologies were used to gather the information in this research. As a result this report is split into two parts: Part A looks at charging in occupational pension schemes and Part B looks at contract-based WPPs.

Occupational pension schemes are set up by employers to provide income in retirement for their employees. The employer is responsible for sponsoring the scheme which is trust-based, i.e. it is run by a board of trustees nominated by the employer and/or members. The trustee may be an employee of the employer whose scheme they are helping to administer, but alternatively they may be employed by a financial services company who are managing the pension scheme for that company. These types of professional trustees often manage 5-15 schemes for different employers.
The charging information collected for this part of the survey was obtained by interviewing trustees and pension scheme managers in a quantitative survey covering about 800 schemes, each respondent being asked about a single scheme that they help to administer in those cases where they are involved in the administration of more than one scheme. The methodology is explained in more detail in Section 2.1. Findings from this part of the survey are covered in Part A of this report.

Workplace Personal Pension schemes are defined as contribution pension schemes purchased by an individual through their employer (i.e. as part of an arrangement made for the employees of a particular employer). WPPs are contract-based and include group personal pensions (GPPs), stakeholder pensions (SHPs) and group self-invested personal pensions (group SIPPs).

This part of the survey consisted of a self-completion questionnaire being sent in July 2009 to the largest 20 pensions providers in the market, plus a further two which provide group SIPPs, for contract-based WPPs – of which eight providers agreed to participate, therefore giving us charging information on a total of 3513 schemes sold. The methodology is explained in more detail in Section 9.2.

Results from this part of the survey are covered in Part B of this report.

1.1 Research objectives

The DWP commissioned, from Ipsos MORI, a full-scale quantitative survey of charging in DC pensions schemes (otherwise known as money purchase schemes) across the UK pensions market. The survey was primarily intended to provide robust quantitative measures of the prevalence and size of different charge structures and levels in both trust- and contract-based DC schemes. Final salary schemes, also known as defined benefit (DB) schemes, were not included in this survey.

Specific objectives include determining:

- for occupational pension schemes:
  - which charges are met by the employer and which by the scheme member;
  - how the charges paid by the member are structured and levied, what they cover, and how much they are on average;
  - how the charge levels vary (if at all) between members (e.g. between different scheme sizes or for active versus deferred members) or over time or by other factors;
  - details of any additional ad hoc charges;

- For WPPs:
  - details of charge distribution on GPPs/SHPs/group SIPPs;
  - presence/levels of ad hoc charges and charge variations.
Results from this survey will provide baseline data on charge levels during 2009, allowing the DWP to measure the impact of the workplace pension reforms on the whole market. It will also provide us with evidence to inform policy decision-making for NEST.
Part A
Trust-based schemes
2 Trust-based occupational pension scheme survey introduction

2.1 Project methodology – trust-based occupational schemes

A quantitative survey was conducted among pension scheme administrators of defined contribution (DC) occupational pension schemes (i.e. trust-based DC schemes). Group personal pensions (GPPs) and stakeholder schemes (SHPs) were excluded. Schemes with fewer than six members (active members plus deferred members) were also excluded on the grounds of being too small to be subject to standard charging structures.

A pre-survey letter was sent to all companies that we proposed to contact to encourage participation (Appendix C). This letter was from the Department for Work and Pensions (DWP) and explained the purpose of the survey, as well as describing the main charge levels that we would be asking about in the interview.

In total 800 interviews were conducted by telephone between 26 May and 5 August 2009. All interviews were conducted using a questionnaire administered by Ipsos MORI’s Computer Assisted Telephone Interviewing (CATI) system.

Due to the considerable amount of detailed information being asked for, respondents were re-contacted when necessary to allow them time to review the details of their schemes charges and thus to keep the level of ‘don’t know’ responses as low as possible.

A web and paper questionnaire option were also prepared and provided when requested, but the level of uptake and return of information by these routes was so low that the whole survey was ultimately completed by telephone. This also ensured that the information was gathered by a single consistent method.

The questionnaire was developed in consultation with the DWP and the first 12 interviews were treated as a pilot exercise to ensure that the questions worked as...
expected. No major changes were required to the questionnaire design in light of this pilot exercise but some minor improvements were made. The final version is shown in Appendix D.

2.2 Sample source and design – trust-based occupational schemes

A sample of named leads and relevant scheme and contact details were provided by the Pensions Regulator from their complete database, in a manner compliant with data protection procedures.

Various leads were removed from the sample before use, including hybrid schemes and schemes with fewer than six members. Also we removed duplicate leads (with the same telephone number, contact name or company name) so that a named scheme contact and each company were only contacted about one of the schemes that they managed. Thus, if a company had more than one scheme we only asked about one scheme in particular, and if a named contact managed several schemes (e.g. where the individual worked for an external financial services provider that managed many different company schemes) we randomly chose a single named scheme to ask them about.

Information provided by the Pensions Regulator confirmed that the majority of occupational schemes have fewer than 100 members and that only 5.6 per cent are large schemes with 1,000+ members. In order to provide statistically robust sub-samples of the larger schemes we deliberately interviewed more larger schemes than would have been expected for a representative sample. The overall results from all scheme sizes were then weighted by scheme size to the actual profile of schemes by size (see Table 2.1). Due to sample ‘design effect’ the weighting reduced the effective sample size (in terms of statistical reliability) to 697, which is an acceptable level of weighting effect. A detailed explanation of the weighting methodology is given in Appendix B.

Table 2.1 Occupational scheme sample sizes by scheme size

<table>
<thead>
<tr>
<th>Scheme size bands</th>
<th>Target</th>
<th>Achieved</th>
<th>Weighted to</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 to 11</td>
<td>400</td>
<td>220</td>
<td>337</td>
</tr>
<tr>
<td>12 to 99</td>
<td>200</td>
<td>283</td>
<td>289</td>
</tr>
<tr>
<td>100 to 999</td>
<td>100</td>
<td>188</td>
<td>129</td>
</tr>
<tr>
<td>1,000+</td>
<td>100</td>
<td>109</td>
<td>45</td>
</tr>
</tbody>
</table>

2.3 Interviewing and response rate – trust-based occupational schemes

For the trust-based occupational scheme survey all interviewing was conducted by Ipsos MORI-trained business interviewers based in the Edinburgh telephone centre.
Interviewers were personally briefed by the executive in charge of the project (Andrew Croll) on 27 May 2009. A written set of detailed interviewer instructions was issued to all interviewers explaining the background to the research and giving detailed notes on how the questionnaire was to be administered.

In total we initially sent a letter (Appendix C) to 2,198 schemes for the main stage of the survey. Of these, we contacted (or in a few cases attempted but were unable to contact them due to the number being disconnected, etc) 1,408 companies by telephone. Details of the sample outcome breakdown are shown in Appendix A.

In order to minimise any effect of a possible non-response bias (i.e. that certain types of company or scheme were less likely than others to agree to take part in the survey) we aimed to achieve at least a 50 per cent response rate (RR). In order to do this we deliberately restricted the number of companies we telephoned to as few as possible to achieve the objective of 800 interviews (i.e. contact no more than 1,600 for a 50 per cent RR). In the end we achieved 62 per cent (Appendix A).

Screening questions were asked at the start of the interview to confirm that we interviewed only the ‘best person to speak to regarding the details of your occupational pension schemes costs and charges.’ It was also confirmed that the scheme asked about is an occupational scheme and not a GPP or SHP scheme, and that the scheme had at least six members (active plus deferred).

2.4 Varying charge structures in trust-based occupational pension schemes

The majority of trust-based schemes have a single overall charge to cover the various cost elements, i.e:

- setting up the scheme;
- core fund management and investment charges covering the costs for the fund managers to manage different funds that the scheme has invested in;
- core administration charges to cover costs for processing leavers and joiners (as employees join and leave a company scheme), changes in the level of contributions they decide to make, and changes to the fund(s) they wish these contributions to be paid into (e.g. a fund investing in the UK stock market, rather than one concentrating on emerging markets);
- any commission charges paid to an intermediary who introduced the company to the pension scheme provider and advised on the choice.

In smaller schemes (i.e. most of those with less than 100 members) an overall charge is most likely. However, for bigger schemes (1,000+), where the sums of money involved can be considerable, it is as common to have the charge broken down into specific elements so that the various types of contribution to the costs can be separately identified.
Other types of charge are also more common in larger schemes, such as charges for unusual fund choices, members switching the funds their pension is invested in, dealing with division of pension funds if a member gets divorced, etc. Larger schemes are more likely to offer their members greater flexibility in choice of funds but will also levy a charge for those members who make use of this flexibility.

The size of the single overall charge providers propose to make when being considered by an employer usually varies depending on a variety of factors. These factors usually reflect the size of funds and contributions likely to be made by scheme members, and hence the value of the business to a provider. A large scheme and/or one with members making large contributions should be able to negotiate a lower charge than a small value/size scheme.

The ways in which scheme charges are levied also vary. Charges are most frequently made as a percentage charge, usually a percentage of a member’s total fund value or of an individual member’s contribution. However, flat fees are also charged in some circumstances, typically where a single administrative process is involved.

This report describes the variation in size and type of charges levied.

2.5 Analysis and reporting

This report only shows results for trust-based schemes for questions asked of at least 50 respondents. Where, due to the comparatively small number of schemes applying certain types of charges, fewer than 50 respondents answered a question, these results have been omitted as they are of lower statistical reliability and therefore should be treated as indicative only.

All the tables in this report show the unweighted base size, rather than the weighted value, since this is the actual number of interviews on which the results are based and the determinant of their statistical reliability. This number is shown in brackets. In the few cases where a result is based on fewer than 50 interviews (e.g. a sub-set of all the respondents answering a question) the result size is shown in square brackets, e.g. see Figure 4.4.

2.6 Table conventions

* less than 0.5 per cent
0 no observations
- category not applicable
.. data not available
[ ] numbers in square brackets are percentages based on fewer than 50 observations
3 Trust-based occupational scheme profile

This chapter looks at the schemes’ profile (by size, age and membership type) and how much or little is being paid in, comparing employer and employee contribution levels.

Key findings

- Thirty-eight per cent of scheme managers interviewed (as confirmed by the interviewee themselves before we commenced the interview as ‘the best person to speak to in the company about the scheme’s costs and charges’) are also trustees.
- Most schemes are contracted in to State Second Pension (S2P) (73 per cent).
- Most schemes are for a single employer (79 per cent) rather than multiple employers.
- Most schemes (90 per cent plus) have more active than deferred members but not by a large margin (an average across all the schemes covered by the survey of 176 active members per scheme compared to 146 deferred members).
- The mean size of employer contribution is 6.6 per cent of gross pay but there is considerable variation in the size of employer contributions between schemes.
- The mean size of employee contributions is only 3.0 per cent, partly because 25 per cent of schemes estimate that their employees are typically making no contribution at all.

3.1 Profile of occupational pension scheme managers

The majority (62 per cent) of scheme managers interviewed (i.e. defined by the respondents agreeing that they are ‘the best person to speak to regarding the details of your occupational pension schemes costs and charges’) are not trustees of their scheme.
Overall, only 38 per cent are trustees and the likelihood of the scheme manager also being a trustee decreases as the schemes get bigger, from 45 per cent in small schemes of six to 11 members, down to ten per cent in the biggest schemes (1,000+).

The job function of the scheme manager also vary considerably (Figure 3.1). It is most likely to be the owner/MD in the smallest schemes whereas the Finance Director is as likely to fulfil this function in both small and large schemes. Consultants/advisers are most likely to act as manager for schemes with at least 100+ members (eight per cent compared to one per cent for schemes of fewer than 12). However, scheme managers are drawn from a wide range of other job titles and functions within companies, 30 per cent falling outside the leading job title groups shown below. Mentions of one per cent or less each include bursar, chairman, customer service representative, human resources manager, office manager, and secretary of trustees.

The clear majority of scheme managers who are also trustees are employees of the company whose scheme they are managing, rather than being professional trustees from an external provider (Table 3.1). External trustees are least likely to be used for medium-sized schemes and are most common for the smallest schemes.

**Figure 3.1 Occupational scheme manager job functions**

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance director</td>
<td>11</td>
</tr>
<tr>
<td>Owner/Managing director</td>
<td>9</td>
</tr>
<tr>
<td>Independent financial adviser/consultant</td>
<td>9</td>
</tr>
<tr>
<td>Company secretary</td>
<td>6</td>
</tr>
<tr>
<td>Director</td>
<td>6</td>
</tr>
<tr>
<td>Administrator</td>
<td>6</td>
</tr>
<tr>
<td>Accountant/book-keeper</td>
<td>4</td>
</tr>
<tr>
<td>Pension consultant/Adviser</td>
<td>4</td>
</tr>
<tr>
<td>Pension administrator</td>
<td>4</td>
</tr>
<tr>
<td>Financial adviser</td>
<td>3</td>
</tr>
<tr>
<td>Account manager</td>
<td>2</td>
</tr>
<tr>
<td>Financial controller</td>
<td>2</td>
</tr>
<tr>
<td>Pensions manager</td>
<td>2</td>
</tr>
<tr>
<td>Scheme administrator</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>30</td>
</tr>
</tbody>
</table>

Base: All (800).
Table 3.1  Employer of pension scheme trustees, by scheme size

<table>
<thead>
<tr>
<th></th>
<th>All schemes with managers who are trustees</th>
<th>Scheme size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>6 to 11 members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12 to 99 members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100+ members</td>
</tr>
<tr>
<td>Trustee who is also an employee</td>
<td>79</td>
<td>70</td>
</tr>
<tr>
<td>Professional trustee from external provider</td>
<td>17</td>
<td>26</td>
</tr>
<tr>
<td>Partner trustee</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Trustee and owner of business</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Base: All scheme managers who are also trustees

<table>
<thead>
<tr>
<th></th>
<th>274</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>107</td>
</tr>
<tr>
<td></td>
<td></td>
<td>68</td>
</tr>
</tbody>
</table>

3.2 Scheme sizes and scheme age

Figure 3.2 shows the size distribution of schemes for both the number of active and the number of deferred members (i.e. members who are no longer actively contributing to the scheme, usually because they have moved on to another employer). Just over half (54 per cent) of the schemes covered by this survey had fewer than 12 active members and 62 per cent had fewer than 12 deferred members.

Comparisons of the estimates of the numbers of active compared to deferred members in each scheme (Figure 3.2) show that, for the most part, schemes usually have more active than deferred members, although not by a big margin judging from the ratio of the mean numbers of active compared to deferred members – a mean scheme size of 176 active members compared to 146 deferred members. This is equivalent to 1.2 active members for one deferred member.
Further information about numbers of active members of defined contribution (DC) pension schemes can be found in Chapter 2 pages 10-11 of the *Occupational Pension Schemes Survey Annual Report 2008*, produced by the Office for National Statistics.³

Less than ten per cent of schemes of all sizes (small, medium and large) have more deferred than active members (Table 3.2).

### Table 3.2 Number of deferred compared to active members

<table>
<thead>
<tr>
<th>Number of active members</th>
<th>6 to 11</th>
<th>12 to 99</th>
<th>100 to 999</th>
<th>1,000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 5 deferred members</td>
<td>79</td>
<td>27</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>6 to 11 deferred members</td>
<td>10</td>
<td>18</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>12 to 99 deferred members</td>
<td>9</td>
<td>47</td>
<td>26</td>
<td>2</td>
</tr>
<tr>
<td>100 to 999 deferred members</td>
<td>–</td>
<td>6</td>
<td>61</td>
<td>36</td>
</tr>
<tr>
<td>1,000+ deferred members</td>
<td>–</td>
<td>1</td>
<td>7</td>
<td>58</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Base: All schemes

Over half of existing trust-based occupational schemes were established in the 1980s and 1990s (Figure 3.3). Small to medium-sized schemes (under 100 members) tend to be older than larger schemes.

**Figure 3.3 Age of schemes**

<table>
<thead>
<tr>
<th>What year was the scheme established?</th>
<th>Scheme size - all members</th>
<th>Scheme size - Multi-employer</th>
<th>Scheme size - Single employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-1969</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1970-1979</td>
<td>5</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>1980-1989</td>
<td>32</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>1990-1999</td>
<td>28</td>
<td>23</td>
<td>40</td>
</tr>
<tr>
<td>2000+</td>
<td>25</td>
<td>23</td>
<td>33</td>
</tr>
<tr>
<td>Don’t know</td>
<td>8</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

Mean = 1992

Research conducted by the Pensions Regulator also notes a particular spike in new registrations of DC schemes in 1988 at the time of the Income and Corporation Taxes Act (ICTA), which allowed occupational DC trust-based schemes to contract out of S2P (then State Earnings Related Pension Scheme (SERPS)). Thereafter new registrations declined significantly.4

3.3 State Second Pension and multi compared to single employer schemes

The majority of schemes are contracted in (73 per cent) rather than out (20 per cent) of S2P, although seven per cent of scheme managers are uncertain about the schemes S2P status. If you contract out of S2P the government will pay some of your National Insurance contributions (as a rebate) and income tax relief into a personal or stakeholder pension (SHP) of your choice. This should provide benefits

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at retirement instead of the benefits you would have received from S2P if you had remained in the state scheme.

The smallest schemes are the most likely to be contracted out (27 per cent of those with six to 11 members, 26 per cent of schemes with no more than £0.25m under management).

The clear majority of schemes are single employer schemes (79 per cent) rather than multi-employer (19 per cent). However, multi-employer schemes are significantly more likely among schemes of 100+ (40 per cent) and those with large funds (42 per cent with funds over £5m) than smaller schemes (14 per cent of schemes with less than 100 members).

3.4 Size of employer and employee contributions

There is a big variation in the estimates of the size of employer contributions (Figure 3.4). About half (54 per cent) of employers contribute less than five per cent, but the mean level is 6.6 per cent due to the rather larger contribution levels from some companies, eight per cent contributing ten per cent plus.

Figure 3.4 Employer contribution levels

<table>
<thead>
<tr>
<th>Percentage of gross pay</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>0.1-0.9</td>
<td>2</td>
</tr>
<tr>
<td>1-1.9</td>
<td>5</td>
</tr>
<tr>
<td>2-2.9</td>
<td>11</td>
</tr>
<tr>
<td>3-3.9</td>
<td>8</td>
</tr>
<tr>
<td>4-4.9</td>
<td>19</td>
</tr>
<tr>
<td>5-5.9</td>
<td>7</td>
</tr>
<tr>
<td>6-6.9</td>
<td>6</td>
</tr>
<tr>
<td>7-7.9</td>
<td>8</td>
</tr>
<tr>
<td>8-8.9</td>
<td>1</td>
</tr>
<tr>
<td>9-9.9</td>
<td>9</td>
</tr>
<tr>
<td>10-49.99</td>
<td>7</td>
</tr>
<tr>
<td>50+</td>
<td>1</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7</td>
</tr>
</tbody>
</table>

*Mean = 6.6%*

Base: All (800).
A very small number of employers (one per cent) are apparently making very sizeable contributions (50 per cent plus of gross pay). These are nearly all in very small schemes of less than 12 members and may be special cases since most have funds over £1m under management (e.g. highly paid financial advisers/experts in small financial services/investment companies). Similarly, nearly all of those employers making no contribution (eight per cent) are also from the smallest schemes (under 12 members), but small schemes with a much broader spread of fund sizes from over £5m down to less than £0.25m.

Mean employer contribution levels do not vary much by scheme size: 7.19 per cent for six to 11 members, 6.08 per cent for 12 to 99 members, 6.51 per cent for 100 to 999 members, and 7.01 per cent for 1,000+ members. Higher employer contribution levels are seen where there are larger funds (mean of 4.34 per cent for small funds of up to £0.25m compared to 8.74 per cent for funds of over £5m).

This is in line with the Occupational Pension Schemes Survey (OPSS) which reports an average employer contribution level in 2008 of six per cent (and an average member contribution level of three per cent) to open DC schemes.\(^5\)

There is less variation in the spread of estimated employee contribution levels (Figure 3.5).

**Figure 3.5 Employee contribution levels**

<table>
<thead>
<tr>
<th>Percentage of gross pay</th>
<th>Mean (% of gross pay)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 0, up to 2.5</td>
<td>0</td>
</tr>
<tr>
<td>Greater than 2.5, up to 5</td>
<td>13</td>
</tr>
<tr>
<td>Greater than 5, up to 7.5</td>
<td>47</td>
</tr>
<tr>
<td>Greater than 7.5, up to 10</td>
<td>7</td>
</tr>
<tr>
<td>Greater than 10</td>
<td>2</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
</tr>
</tbody>
</table>

Base: All (800).

One quarter (one in four) estimate that their employees are making no contribution at all, and nearly half of employees make 2.5 per cent to five per cent at most. Fewer than one in ten scheme members are thought to be contributing over five per cent of their salary, so the mean contribution level is just three per cent.

Contributions are clearly lowest in the small schemes (Table 3.3) and these are significantly more likely to have members making no contributions. Nearly half of schemes with six to 11 members are estimated to have employees making no contribution at all (0 per cent).

Table 3.3  Estimated size of employee contribution as percentage of gross pay

<table>
<thead>
<tr>
<th>Column percentages</th>
<th>Scheme size – all members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column ranges</td>
<td>6 to 11</td>
</tr>
<tr>
<td>0% contribution</td>
<td>47</td>
</tr>
<tr>
<td>Over 0%, up to 2.5%</td>
<td>11</td>
</tr>
<tr>
<td>Over 2.5%, up to 5%</td>
<td>32</td>
</tr>
<tr>
<td>Over 5%, up to 7.5%</td>
<td>4</td>
</tr>
<tr>
<td>Over 7.5%, up to 10%</td>
<td>3</td>
</tr>
<tr>
<td>Over 10%</td>
<td>*</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
</tr>
<tr>
<td>Mean percentage contribution</td>
<td>2.12</td>
</tr>
</tbody>
</table>

Base: All schemes  220  283  189  108
4 Overall charges in occupational pension schemes

This chapter outlines the findings about the most common method of charging (i.e. an overall charge) covering the variation in charge level and method. The allocation of some of the charge to cover commission payments to intermediaries is also described.

**Key findings**

- Seventy-three per cent of trust-based occupational pension schemes have an overall charge and 21 per cent have them broken down into various elements.

- Some 19 per cent of schemes with overall charges have those charges paid solely by the employee.

- Overall charges are most frequently charged as a percentage of the fund (50 per cent of cases) with a percentage charge per contribution (19 per cent) next most frequently used. Less than ten per cent have fixed or flat fees.

- Overall charges are mainly paid annually, with monthly levies next most common.

- Over half (61 per cent) of schemes with an overall percentage-based charge are charged no more than one per cent. But the mean value of all overall percentage charges is 1.46 per cent due to a minority of schemes (ten per cent) making charges of two per cent or more of an individual’s contributions or funds.

- Fifty per cent of overall percentage-based charges also cover commission payments to intermediaries.
4.1 Frequency of overall charges, who pays it and how it is charged

Nearly three-quarters of schemes (73 per cent) have an overall charge. Charges are broken down into various elements (e.g. core administration charge compared to core fund management/investment charges, etc: see Section 5.1) in 21 per cent of schemes, and five per cent are unaware of any scheme charges.

The likelihood of just having an overall charge decreases for bigger schemes to just over half of the biggest (Table 4.1) with 1,000+ members (54 per cent) and for funds exceeding £5m (52 per cent). It is also more likely among single employer schemes (74 per cent overall) than multi-employer schemes (66 per cent).

### Table 4.1 Extent of overall charges, by scheme size

<table>
<thead>
<tr>
<th>Scheme size – all members</th>
<th>6 to 11</th>
<th>12 to 99</th>
<th>100 to 999</th>
<th>1,000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just an overall charge</td>
<td>74</td>
<td>77</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>Charge broken down</td>
<td>18</td>
<td>16</td>
<td>32</td>
<td>44</td>
</tr>
<tr>
<td>No charges I am aware of</td>
<td>7</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Base: All members

The majority of scheme charges are paid wholly or partly by the employer, but one in five are paid wholly by the employee (Figure 4.1). Employee-only payment is least likely for the smallest schemes, for schemes where the charges are broken down and for more affluent employees (17 per cent in schemes where the average estimated gross pay of active members is over £50,000 per annum).
Employer-only payment is significantly more likely to occur in the smallest schemes (51 per cent of six to 11 member schemes), falling to 34-36 per cent among medium to large schemes (12+ members).

Overall charges are most likely (50 per cent of these schemes) to be charged as a percentage of the fund rather than in any other way (Figure 4.2). However, in nearly one in five schemes the percentage charge is based on the contribution rather than the fund. A range of other charge methods are used in 23 per cent of these schemes, with flat and fixed fees used most often (nine per cent). There are some variations by scheme size with fund percentage charges being less likely in the smallest schemes and contribution percentage charges most likely in small to medium schemes (12 to 99 members). Fixed/set fees are likeliest for very small or very large schemes. Time cost fees are also most likely for the smallest schemes.
Overall charges in occupational pension schemes

4.2 Size and frequency of overall charge

Overall charges are usually levied annually or monthly for 78 per cent of schemes (Figure 4.3). Annual charges are most common, except for the largest schemes when monthly charges are preferred.
When the charges are paid solely by employees, quarterly and half yearly charges are almost never used.

Overall charge levels are significantly higher when the percentage charge is based on the contribution rather than on the fund. The overall mean charge per contribution is 2.08 per cent (Figure 4.6 and 4.7) compared with a mean of 1.23 per cent (Figure 4.4 and 4.5) for charges based on the fund.
The most common percentage fund charge level is one per cent, with a mean level of 1.23 per cent and a median of one per cent. Charge levels usually decline as schemes get larger, and the smallest schemes are charged at a level nearly twice as high as the largest schemes (mean level of 1.53 per cent for schemes of under 12 members compared with 0.84 per cent for 100+ members). Figure 4.5 shows a further breakdown of the charge levels between 0.01 per cent and 2.0 per cent.

**Figure 4.4** Variation in overall charge levels for percentage charges based on fund size

<table>
<thead>
<tr>
<th>What is the current percentage charge?</th>
<th>Scheme size bands</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6 to 11</td>
<td>1.53</td>
</tr>
<tr>
<td>0.1-1.0</td>
<td>12 to 99</td>
<td>1.19</td>
</tr>
<tr>
<td>1.01-2.0</td>
<td>100 to 999</td>
<td>0.84</td>
</tr>
<tr>
<td>2.01-3.0</td>
<td>1,000+</td>
<td>[0.84]</td>
</tr>
<tr>
<td>3.01-4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.01-5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.01-9.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.01-10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t know</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Percentages**

Base: Those with charges as a percentage of fund (293).
Overall charges based on a percentage of each contribution rather than the fund tend to be higher (Figures 4.6 and 4.7) with a mean of 2.08 per cent but a median, as for fund charges, of one per cent. A sizeable minority of schemes charged this way (19 per cent) incur a percentage charge of over two per cent. Charge levels between 0.01 per cent-2.0 per cent are once again broken down in Figure 4.7.

### Figure 4.5 Variation in overall charge levels for percentage charges based on fund size

**What is the current percentage charge?**

<table>
<thead>
<tr>
<th>Percentage charge</th>
<th>Breakdown of charge levels between 0.01%-2.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.01-0.1</td>
<td>1</td>
</tr>
<tr>
<td>0.11-0.2</td>
<td>1</td>
</tr>
<tr>
<td>0.21-0.3</td>
<td>2</td>
</tr>
<tr>
<td>0.31-0.4</td>
<td>1</td>
</tr>
<tr>
<td>0.41-0.5</td>
<td>9</td>
</tr>
<tr>
<td>0.51-0.6</td>
<td>3</td>
</tr>
<tr>
<td>0.61-0.7</td>
<td>1</td>
</tr>
<tr>
<td>0.71-0.8</td>
<td>5</td>
</tr>
<tr>
<td>0.81-0.9</td>
<td>5</td>
</tr>
<tr>
<td>0.91-1.0</td>
<td>37</td>
</tr>
<tr>
<td>1.01-1.1</td>
<td>0</td>
</tr>
<tr>
<td>1.11-1.2</td>
<td>0</td>
</tr>
<tr>
<td>1.21-1.3</td>
<td>2</td>
</tr>
<tr>
<td>1.31-1.4</td>
<td>1</td>
</tr>
<tr>
<td>1.41-1.5</td>
<td>4</td>
</tr>
<tr>
<td>1.51-2.0</td>
<td>5</td>
</tr>
</tbody>
</table>

**Percentages**

Base: Those with charges as a percentage of fund (293).
Figure 4.6 Variation in overall charge levels for percentage charges based on contribution

What is the current percentage charge?

- 0: 2
- 0.1-1.0: 45
- 1.01-2.0: 14
- 2.01-3.0: 6
- 3.01-4.0: 1
- 4.01-5.0: 5
- 5.01-9.0: 1
- 9.01-10.0: 6
- More than 10.0: 19

Base: Those with charges as a percentage of contribution (106).
Overall charges also cover commission payments to intermediaries for 50 per cent of those schemes with fund or contribution-based percentage charges. However, this is less likely for schemes with 100+ members (30 per cent) compared with schemes with six to 99 members (54 per cent) and also less common among multi-employer schemes (only 35 per cent).

When some of the overall charge does go towards intermediary payments it is nearly always less than 25 per cent (Figure 4.8) with an estimated mean value of 13.77 per cent. However, a surprisingly high level of scheme managers, over half of those where it occurs, are unsure just how much of the overall charge goes to the intermediary.

These results should be treated with caution. A high level (17 per cent of respondents) estimated that no more than one per cent of the charge goes toward commission. This suggests that some respondents misinterpreted the question, answering with the percentage given to the intermediary rather than...
the percentage of the overall charge. For example, if the overall charge was one per cent including 0.25 per cent paid to the intermediary, the respondent should have indicated that 25 per cent of the overall charge goes towards this payment, but may instead have answered 0.25 per cent.

**Figure 4.8 Level of payment to intermediaries from overall charges**

<table>
<thead>
<tr>
<th>Percentage of overall charge</th>
<th>Scheme size - all members</th>
<th>Scheme size - all members</th>
<th>Scheme size - all members</th>
<th>Scheme size - all members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6 to 11</td>
<td>12 to 99</td>
<td>100 to 999</td>
<td>1,000+</td>
</tr>
<tr>
<td>0.01-1.0</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>1.01-24.9</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>26</td>
</tr>
<tr>
<td>25.0-49.9</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>50.0-74.9</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>75.0-99.9</td>
<td>3</td>
<td>7</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>51</td>
<td>41</td>
<td>56</td>
<td>58</td>
</tr>
</tbody>
</table>

**Percentages**

Base: Those with overall charges covering commission payments to the intermediary (188).

Comparison of overall percentage charges levied on funds between those schemes where the charge covers intermediary commission compared to those where it does not, shows almost no difference between mean percentage charge levels (Table 4.2). Comparing schemes by scheme size indicates that the overall charge is smaller for schemes with 100+ members when the charge does not cover this commission.
Table 4.2 Comparison of mean percentage overall charges based on funds, depending on whether the charge covers intermediary commission payments or not

<table>
<thead>
<tr>
<th>Mean percentage overall charge when intermediary commission is <strong>not</strong> covered</th>
<th>Total</th>
<th>6 to 99 members</th>
<th>100+ members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.29</td>
<td>1.63</td>
<td>0.64</td>
<td></td>
</tr>
</tbody>
</table>

Base: Schemes with an overall charge when intermediary commission is not covered

<table>
<thead>
<tr>
<th>Mean percentage overall charge when intermediary commission is <strong>covered</strong></th>
<th>Total</th>
<th>6 to 99 members</th>
<th>100+ members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.28</td>
<td>1.27</td>
<td>[1.33]</td>
<td></td>
</tr>
</tbody>
</table>

Base: Schemes with an overall charge when intermediary commission is covered
5 Charge levels for specific elements of occupational pension schemes

This chapter looks at charge levels for the four main elements that pension charges can be broken down into and charged for separately, i.e. core administration, core fund management/administration, intermediary commission and account set-up.

**Key findings**

- Where pension scheme charges are broken down (21 per cent of all schemes), in the majority of cases there are specified charges for core fund management/investment (75 per cent of schemes with separate charges) and core administration (74 per cent).

- Separate account set-up charges are rarer (21 per cent of schemes with separate charges).

- Separate charges to cover intermediary commission are also less common (24 per cent of schemes with separate charges).

- Joining fees for new members are the least common (ten per cent of schemes with separate charges).

- Core fund management charges are mainly levied as a percentage of the fund, rarely exceeding one per cent.

- Core administration charges are more likely to be a flat fee than percentage based.

- Account set-up charges are also more commonly a flat fee, rarely exceeding £1,000.
5.1 How are scheme charges broken down and who pays them?

For the minority of occupational schemes where charges are broken down (21 per cent) the main separate elements are core fund management charges and core administration charges (Figure 5.1).

**Figure 5.1 Main ways in which pension charges are broken down**

![Table showing the breakdown of charges]

<table>
<thead>
<tr>
<th>Which of the following elements is the charge broken down into?</th>
<th>Scheme size - all members</th>
<th>Scheme Multi-employer Single employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core fund management/ investment charge</td>
<td>75</td>
<td>64 80 83 79 77 74</td>
</tr>
<tr>
<td>Core administration charge</td>
<td>74</td>
<td>77 53 88 81 85 71</td>
</tr>
<tr>
<td>Account set-up charge</td>
<td>21</td>
<td>28 18 17 13 17 22</td>
</tr>
<tr>
<td>Commission element of charge paid to the intermediary</td>
<td>24</td>
<td>28 38 10 6 9 29</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
<td>3 4 - - 2 2</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>3 4 7 4 4 5</td>
</tr>
</tbody>
</table>

**Percentages**

Base: All where the overall charge is broken down (192).

Specific allocations towards the intermediaries’ commission and for account set-up are less frequent, accounting, overall, for only four per cent each of all occupational pension schemes and less than one in four of those schemes with specific charge elements.

Some form of payment to intermediaries, therefore, occurs in 43 per cent of schemes with either a percentage-based overall charge or where the charge is specifically broken down into various elements (Figures 4.8 and 5.1).

There are clear differences by scheme size, with core fund management charges being least common for the smallest schemes. Separate account set-up and intermediary commission charges are least common in the largest schemes (1,000+ members).
5.2 Who pays charges in schemes with separate specified elements?

The employer is most likely to pay some (46 per cent) or all of the charges (36 per cent) in schemes with separate specified charges. In only 14 per cent of cases does the employee alone shoulder these charges, a lower level than the 19 per cent of employee-only payment in schemes with just an overall charge.

5.3 New member fees

Overall, only ten per cent of schemes with separate charge elements have new member fees. However, new member charges are three times as likely in the very smallest of these schemes (19 per cent of those with six to 11 members) than in larger schemes (only six per cent in schemes with 12+ members).

5.4 Core fund management/investment charges

In 77 per cent of cases any separate core fund management charge is made as a percentage of the fund or the contribution, usually the former (Figure 5.2). Flat fees (i.e. a fixed charge rather than a varying charge dependent on the size of the pension fund or contribution) are fairly uncommon (13 per cent) and any other types of charge method are rare.

Figure 5.2 How are core fund management/investment charges levied?

<table>
<thead>
<tr>
<th>Charge Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of fund</td>
<td>69%</td>
</tr>
<tr>
<td>Flat fee</td>
<td>13%</td>
</tr>
<tr>
<td>Percentage charge per contribution</td>
<td>8%</td>
</tr>
<tr>
<td>Time cost fee</td>
<td>2%</td>
</tr>
<tr>
<td>Dependent on fund type</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3%</td>
</tr>
</tbody>
</table>

Percentages

Base: Those with core fund management/investment charges (149).
Flat fees are most common in medium-sized schemes (17 per cent of schemes with 12 to 999 members where there is such a charge) and least likely for the smallest (eight per cent of schemes with six to 11 members) or largest (five per cent for 1,000+ members) schemes. One-third of scheme managers are unable to recall the size of this fee.

Core management/investment charges are mainly annual or monthly, and one in six are charged either quarterly or daily (Figure 5.3).

**Figure 5.3 Frequency of core fund management/investment charges**

<table>
<thead>
<tr>
<th>How frequently is this charged?</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually</td>
<td>38</td>
</tr>
<tr>
<td>Every 6 months</td>
<td>0</td>
</tr>
<tr>
<td>Every 3 months</td>
<td>9</td>
</tr>
<tr>
<td>Monthly</td>
<td>30</td>
</tr>
<tr>
<td>Daily</td>
<td>9</td>
</tr>
<tr>
<td>Incorporated in the unit price</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
</tr>
<tr>
<td>Don’t know</td>
<td>6</td>
</tr>
</tbody>
</table>

Base: Those with core fund management/investment charges (135).

Monthly charges are similarly likely to be used across all sizes of scheme but annual charges are more likely in schemes with less than 100 members (43 per cent) than schemes where they have 100+ members (31 per cent). The likelihood of daily charges rises considerably with scheme size, from three per cent where there are less than 100 members up to 21 per cent of schemes with 1,000+.

Where core fund management charges are based on a percentage, this is usually no more than one per cent (Figure 5.4) with an overall mean of 0.91 per cent. However the charge level is usually lower the bigger the scheme. In the largest schemes this charge level may be up to three times smaller than in the smallest schemes.
Figure 5.4  Size of core fund management percentage charges

<table>
<thead>
<tr>
<th>Percentage charge</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>More than 0, up to 1</td>
<td>66</td>
</tr>
<tr>
<td>More than 1, up to 2</td>
<td>10</td>
</tr>
<tr>
<td>More than 2, up to 3</td>
<td>0</td>
</tr>
<tr>
<td>More than 3, up to 4</td>
<td>0</td>
</tr>
<tr>
<td>More than 4, up to 5</td>
<td>2</td>
</tr>
<tr>
<td>More than 5</td>
<td>2</td>
</tr>
<tr>
<td>Don’t know</td>
<td>14</td>
</tr>
</tbody>
</table>

Base: Those with core fund management/investment charges (116).

5.5 Core administration charges

Core administration charges, found in 15 per cent of all occupational pension schemes in this survey, are most likely (55 per cent) to be charged as a flat fee rather than as a percentage of the fund or contribution (Figure 5.5).

Whilst a flat fee charge is the most likely method in all scheme sizes the likelihood of this method increases with scheme size, and it is also more frequent in multi-employer schemes (73 per cent) than single employers (49 per cent).

Core administration charges are usually charged annually (42 per cent of schemes with core administration charges) or monthly (34 per cent), with quarterly charging comparatively infrequent (only 14 per cent) overall.

The size of flat fee varies considerably (Figure 5.6), but shows a correlation with the number of members in the scheme since the amount of administrative time required will grow with the scheme size.
Figure 5.5  How core administration charges are levied

Is the core administration charge charged as a percentage of the total value of the fund, as a charge per contribution or as a flat fee?

- Percentage of fund: 15
- Percentage charge per contribution: 14
- Flat fee: 55
- Per member: 2
- Time cost fee: 3
- Depends on the amount of members: 2
- Other: 2
- Don’t know: 4

Percentages
Base: Those with core administration charges (146).

Figure 5.6  Size of core administration flat fees

How much is this flat fee?

- £1-£499: 25
- £500-£1,000: 13
- £1,001-£5,000: 22
- £5,001-£10,000: 5
- £10,001-£20,000: 7
- £20,001-£50,000: 5
- £50,001-£100,000: 1
- £101,001-£250,000: 2
- £250,001-£500,000: 1
- Don’t know: 12
- Not stated: 7

Percentages
Base: Those with a flat fee for core administration charges (88).
6 Additional charges for fund management

This chapter examines the frequency and size of charges that can be levied for various pension scheme features, e.g. members being able to choose funds, fund switching, transferring funds, contribution refunds, dilution levies, divorce settlement administration, etc.

**Key findings**

- Thirteen per cent of schemes have additional charges for members choosing funds.

- Thirteen per cent charge for fund switching (i.e. a scheme member switching some or all of their accumulated pension savings from one fund to another, such as from UK equities to an emerging markets fund), but the number of free switches allowed varies.

- Twenty-five per cent of trust-based schemes charge for transferring funds out, e.g. to another scheme.

- Most schemes (77 per cent) do not charge for refunds of contributions (e.g. when a member leaves after a short time), but six per cent charge and 12 per cent allow no refunds.

- Five per cent charge a dilution levy (to cover any difference between the actual cost of buying and selling investments compared to the mid-market value on that day).

- Sixteen per cent of schemes charge for fund transfers to alternatively secured pension (ASPs) or prior to buying an annuity.

- Twenty-one per cent charge for dealing with pensions on divorce, e.g. implementing court orders.

- Fourteen per cent of schemes have a range of other charges (e.g. consultancy fees, property transaction costs, for account preparation, etc).
6.1 Charges for specific fund choices by members

One in eight occupational pension schemes (13 per cent) also have additional charges for members making specific fund choices. These occur where members make an active choice of which particular pension funds they wish to invest their pension payments in. Typically, there will be a range of options and the member may decide to invest in a fund with a greater potential for growth, but with a concomitant risk that the fund value could fall, rather than investing in a ‘safer’ fund but which also has less potential for growth.

These charges are slightly less likely in the smallest schemes (ten per cent in schemes with six to 11 members compared with 18 per cent of schemes with 100+ members), possibly reflecting a lower likelihood that members in the smallest schemes may have more restrictions on making fund choices compared to bigger schemes.

These charges are most usually made for externally managed funds, although there are a range of either choices that in a minority of cases are also charged for (Figure 6.1). There are no clear indications of larger schemes being any more or less likely to charge for particular types of fund choice than in smaller schemes.

Figure 6.1 Type of fund choices by members leading to additional charges

<table>
<thead>
<tr>
<th>What kinds of fund choices are these charges made for?</th>
</tr>
</thead>
<tbody>
<tr>
<td>External funds/externally managed</td>
</tr>
<tr>
<td>Investment</td>
</tr>
<tr>
<td>Specialised funds</td>
</tr>
<tr>
<td>Property</td>
</tr>
<tr>
<td>Variety of fund choices</td>
</tr>
<tr>
<td>Actively managed funds</td>
</tr>
<tr>
<td>Additional charge</td>
</tr>
<tr>
<td>Management charge</td>
</tr>
<tr>
<td>Policy fee</td>
</tr>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>Don’t know</td>
</tr>
</tbody>
</table>

Percentages
Base: All where there are additional charges for fund management (110).
These charges are usually made (in 62 per cent of those schemes paying fund-choice charges) as a percentage of the fund rather than as a percentage charge per contribution (11 per cent) or as a flat fee (12 per cent).

Fund choice charges are a little more likely to be made annually (49 per cent of schemes with fund management charges) rather than monthly (30 per cent), or on the day (11 per cent).

When percentage based, the charge rarely exceeds two per cent with a mean of 1.43 per cent and a median value of one per cent (Figure 6.2).

**Figure 6.2 Size of specific fund choice percentage charges**

![Bar chart showing percentage distribution of fund choice charges.](chart)

**What is the current percentage charge?**

- Greater than 0, up to 1: 54
- Greater than 1, up to 2: 23
- Greater than 2, up to 3: 3
- Greater than 3, up to 4: 1
- Greater than 4, up to 5: 4
- Greater than 5: 1
- Don’t know: 13

**Mean = 1.43%**

Base: Those with percentage charges for specific fund choices (86).
6.2 Charges for fund switching

Fund switching occurs when scheme members choose to move some or all of their accumulated pension savings from one fund to another, usually searching for greater growth or, alternatively, less risk. Fund switching charges are found in about one in eight schemes (13 per cent) particularly in schemes with 100+ members. The likelihood of these charges increases from ten per cent in six to 11 member schemes, up to 18 per cent for schemes of 100+.

These charges are more likely to occur when the member exceeds a certain number of free switches. The larger schemes (100+ members) are much more likely to allow some free switches (table 6.1).

Table 6.1 Fund switching charges – likelihood by scheme size and mean number of switches

<table>
<thead>
<tr>
<th></th>
<th>Column percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scheme size</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Likelihood of charging for all switches</td>
<td>38</td>
</tr>
<tr>
<td>Likelihood of charging above a certain number of switches</td>
<td>57</td>
</tr>
<tr>
<td>Don’t know</td>
<td>5</td>
</tr>
</tbody>
</table>

Base = all schemes with charges for fund switching 124 74 50

Overall though, where some free switches are allowed it is usually (80 per cent of the time) just one or two (with a median of one), but a minority are given much more flexibility (Figure 6.3).

Fund switching charges are more commonly levied as a flat fee (60 per cent of schemes with switching charges) than a percentage of the fund (24 per cent), presumably reflecting a similar degree of administration costs regardless of the size of the fund transfer. A few other methods are used in a minority of schemes, e.g. a time cost (five per cent), market value reduction (two per cent) or some other method (four per cent).

In the more frequent case of a flat fee this is usually no more than £25 (Figure 6.4) but can be considerably higher in a minority of cases, leading to an overall mean of £39 and a median fee of £25.
Figure 6.3  Number of free switches allowed before charges are made

What is the maximum number of switches per year allowed before charges are made?

<table>
<thead>
<tr>
<th>Number of switches</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>52</td>
</tr>
<tr>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>3-5</td>
<td>7</td>
</tr>
<tr>
<td>6-10</td>
<td>2</td>
</tr>
<tr>
<td>11-15</td>
<td>4</td>
</tr>
<tr>
<td>16-20</td>
<td>1</td>
</tr>
<tr>
<td>21-25</td>
<td>2</td>
</tr>
<tr>
<td>Not stated</td>
<td>4</td>
</tr>
</tbody>
</table>

Mean = 2.83

Base: Those allowed to switch before charges are made (82).

Figure 6.4  Size of flat fee for fund switching

How much is this flat fee?

<table>
<thead>
<tr>
<th>Fee Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1-£25</td>
<td>61</td>
</tr>
<tr>
<td>£26-£50</td>
<td>9</td>
</tr>
<tr>
<td>£51-£75</td>
<td>5</td>
</tr>
<tr>
<td>£76-£100</td>
<td>5</td>
</tr>
<tr>
<td>£101+</td>
<td>6</td>
</tr>
<tr>
<td>Don’t know</td>
<td>15</td>
</tr>
</tbody>
</table>

Mean = £38.71
Median = £25

Base: Those with a flat fee for fund switching (78).
6.3 Charges for transferring out

One in four schemes (25 per cent) make a charge for transferring out (e.g. to another pension scheme) and this is increasingly likely the smaller the scheme, rising from only five per cent of 1,000+ member schemes charging for this up to 34 per cent of those with only six to 11 members.

Single employer schemes are almost twice as likely (28 per cent) to have these charges as multi-employer (15 per cent), presumably reflecting the usually larger size of the latter.

There is quite a lot of variation in the method used for charging for transferring out. A fund percentage charge is the likeliest, followed by a flat fee, but time cost basis or market value reduction charges are used for a few schemes (Figure 6.5).

Time cost basis charges are based on the cost of the administration time required to organise the transfer out. A market value reduction occurs when a policyholder transfers out when the market is performing poorly. The value of the individual’s withdrawal is reduced to reflect the reduction in the underlying value of the assets of the fund in order to protect the interests of the policyholders who remain invested, i.e. so that the member transferring out does not withdraw more than their fair share at the current reduced value of the fund.

**Figure 6.5 How transferring out charges are levied**

<table>
<thead>
<tr>
<th>Method of Charging</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of fund</td>
<td>43</td>
</tr>
<tr>
<td>Flat fee</td>
<td>21</td>
</tr>
<tr>
<td>Time cost fee</td>
<td>8</td>
</tr>
<tr>
<td>Dependent on</td>
<td>3</td>
</tr>
<tr>
<td>Retirement terms/</td>
<td>4</td>
</tr>
<tr>
<td>Market value</td>
<td>1</td>
</tr>
<tr>
<td>Reduction</td>
<td></td>
</tr>
<tr>
<td>Depends on the</td>
<td></td>
</tr>
<tr>
<td>Length of service</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>13</td>
</tr>
</tbody>
</table>

Base: Those with charges for transferring funds (173).
Time cost basis charges are almost wholly used by only the smallest schemes (14 per cent of those with six to 11 members compared to under one per cent of all large schemes) whilst market value reductions are almost never seen in these very small schemes.

Percentage charges vary considerably in size for fund transfers but there were also a considerable number of participants who did not state the size of the percentage charge (Figure 6.6).

### Figure 6.6 Size of percentage charge for transferring out

<table>
<thead>
<tr>
<th>Per cent charge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 0, up to 2.5</td>
<td>9</td>
</tr>
<tr>
<td>Greater than 2.5, up to 5</td>
<td>18</td>
</tr>
<tr>
<td>Greater than 5, up to 7.5</td>
<td>2</td>
</tr>
<tr>
<td>Greater than 7.5, up to 10</td>
<td>11</td>
</tr>
<tr>
<td>Greater than 10</td>
<td>6</td>
</tr>
<tr>
<td>Not stated</td>
<td>53</td>
</tr>
</tbody>
</table>

Base: Those with charges for transferring funds, as a percentage of the fund (75).

#### 6.4 Charges for refunds of pension contributions

(e.g. for leaving a scheme early)

It is comparatively rare for schemes to charge for refunds of contributions if, for example, a member leaves a scheme after only a short time (usually less than two years). Only six per cent of schemes charge for refunds, 77 per cent do not charge and 12 per cent give no refunds. When this does occur it is a little more frequent in the smallest schemes – nine per cent of schemes with six to 11 members but only four per cent for larger schemes.

Overall one in eight schemes claim to not even provide refunds of contributions if members leave early, and this is particularly the case in the smallest schemes (15 per cent of those with six to 11 members) and single employer schemes. Larger schemes are less likely to provide no refunds for early leavers. These refund charges vary in method.
6.5 Transferring to an alternatively secured pension or prior to buying an annuity

Charges are made by about one in six schemes (16 per cent) when the time comes for members to buy an annuity or transfer to an ASP. These charges are most likely in the smallest schemes – 22 per cent of schemes with six to 11 members, falling to eight per cent of schemes with 100+ members.

A variety of different approaches are used by schemes for these charges, with flat fees being almost as common as percentage charges (Figure 6.7).

**Figure 6.7 How annuity/ASP fund transfer charges are levied**

<table>
<thead>
<tr>
<th>Charge Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of fund transferred</td>
<td>33</td>
</tr>
<tr>
<td>Flat fee</td>
<td>29</td>
</tr>
<tr>
<td>Time cost fee</td>
<td>13</td>
</tr>
<tr>
<td>Depends on retirement age</td>
<td>6</td>
</tr>
<tr>
<td>Depends on how long the fund is in place</td>
<td>2</td>
</tr>
<tr>
<td>Depends on market value</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>Don’t know</td>
<td>6</td>
</tr>
</tbody>
</table>

**Percentages**

Base: Those with charges for transferring to an ASP (115).

6.6 Charges for dealing with pensions and divorce

Charges for dealing with pensions on divorce are not uncommon and found in 21 per cent of schemes, and are similarly likely in small to medium-sized schemes (20 per cent for six to 11 member schemes, 12 per cent for 12 to 99 members and 25 per cent for 100 to 999 members). However, they are far more likely in the very largest schemes – 61 per cent in schemes with 1,000 members.
Divorce-related charges are predominantly a flat fee (68 per cent) or to a lesser extent a time cost fee (19 per cent). In a few cases (five per cent) they will be a percentage fee based on the fund transferred, or the type of charge will depend on the case (four per cent).

Time cost divorce fees are mainly used by the smallest schemes (six to 11 members) and are as common as a flat fee. However, in larger schemes (100+) flat fees are used in over 90 per cent of cases. The average flat fee is £610 (Figure 6.8) but the size of fee tends to rise in bigger schemes, from a mean of under £500 in six to 11 member schemes to £883 in schemes with 1,000+ members.

**Figure 6.8 Size of divorce related pension flat fee charges**

<table>
<thead>
<tr>
<th>How much is this flat fee?</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1-£499</td>
<td>33%</td>
</tr>
<tr>
<td>£500-£1,000</td>
<td>30%</td>
</tr>
<tr>
<td>£1,001-£5,000</td>
<td>10%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>25%</td>
</tr>
</tbody>
</table>

Base: Those with a flat fee for pension sharing on divorce charges (150).

6.7 Other pension charges

Dilution levy charges are a levy used by a small minority of schemes to cover any difference between the actual cost of buying and selling investments compared to the mid-market value on that day. Only five per cent of schemes have a dilution levy, 89 per cent do not and five per cent of scheme managers are uncertain whether they incur this sort of levy.

About one in seven schemes (14 per cent) also have a wide range of other charges beyond those already discussed (Figure 6.9). These seem to be mainly administrative, advisory and account/audit-related fees. The likelihood of other types of charge seems to be highest in medium-sized schemes (23 per cent of those with 100 to 999) than in smaller (16 per cent) or the largest schemes (13 per cent).
The most likely specific other charge mentioned relates to property purchase or transactions (two per cent of all schemes) and these are mainly restricted to the smallest schemes (21 per cent of those six to 11 member schemes that have some other charges).

**Figure 6.9  Incidence of other types of service charges**

<table>
<thead>
<tr>
<th>What other services are these?</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory/consultancy fee charges</td>
<td>14</td>
</tr>
<tr>
<td>Administrative charge</td>
<td>12</td>
</tr>
<tr>
<td>Property purchase/transaction</td>
<td>11</td>
</tr>
<tr>
<td>Accounts preparation</td>
<td>7</td>
</tr>
<tr>
<td>Audit fees</td>
<td>7</td>
</tr>
<tr>
<td>Annuity</td>
<td>6</td>
</tr>
<tr>
<td>Additional/extra work</td>
<td>5</td>
</tr>
<tr>
<td>Time cost fees</td>
<td>4</td>
</tr>
<tr>
<td>Death benefits</td>
<td>4</td>
</tr>
<tr>
<td>Life insurance</td>
<td>4</td>
</tr>
<tr>
<td>Management charge</td>
<td>4</td>
</tr>
<tr>
<td>Loans/borrowing fee</td>
<td>3</td>
</tr>
<tr>
<td>Actuary charge</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
</tr>
</tbody>
</table>

Base: Those citing other charges not already covered in the survey (118).
7 Charge variations

This chapter describes charging levels to cover various additional factors including active members, large fund discounts, front-loaded charges and charge variations over a scheme’s lifetime.

Key findings

- Two per cent of schemes have active member discounts.
- Four per cent of schemes have charge discounts for members with large funds, though what qualifies as a ‘large’ fund varies considerably between schemes.
- Five per cent of schemes have front-loaded charges, usually for no more than two years.
- Five per cent have charges that vary in some way over the scheme’s lifetime, with the highest charge when members first join and most often dropping to their lowest after five years’ membership of the scheme.

7.1 Active member discount

Active member discounts are rare and found in only two per cent of schemes. They are similarly unlikely across all scheme sizes.

7.2 Reduced rates for larger funds

Only four per cent of schemes overall have discounts for members with large funds.
7.3 Front-loaded charges

Front-loaded, or ‘up-front’, charges are used by pension schemes to generate income and recover the administrative costs from new members fairly quickly. They also act as an encouragement to members to stay with the scheme for more than just a few years in order to avoid a significant proportion of their payments going towards covering these early charges.

Front loading of charges for members in occupational pension schemes is fairly infrequent and found in only five per cent of schemes overall, but does increase in likelihood for the smaller schemes (Table 7.1).

Table 7.1 Frequency of front loaded charges for members

<table>
<thead>
<tr>
<th></th>
<th>Scheme size</th>
<th>Column percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>6 to 11</td>
</tr>
<tr>
<td>Yes</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>No</td>
<td>92</td>
<td>89</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Base: All schemes</td>
<td>800</td>
<td>220</td>
</tr>
</tbody>
</table>

7.4 Variation in charges over a schemes lifetime

In addition to possible front-loaded charges, five per cent of schemes also have charges that vary over the lifetime of the scheme (for each member). However, such variations are less likely in larger schemes falling from five per cent among schemes with six to 99 members to three per cent for medium-sized schemes (100 to 999) and two per cent for schemes with 1,000+ members.

Charge variations are most likely to occur when a member first joins the scheme, i.e. a form of front-loading as discussed in the previous section.
8 Size of funds under management

This chapter describes the range of scheme fund sizes covered by this survey and pay levels of scheme members.

Key findings

- Scheme sizes covered in the survey (in terms of total value of funds) varies substantially, with the smallest 20 per cent having less than £0.25m and the largest 19 per cent having funds of £3m+. The largest schemes usually have at least £10m under management and thus the potential to be generating considerable charges for the pension scheme provider depending on the percentage rates negotiated for various charges.

- Estimated gross average pay levels of scheme members also vary widely, with 40 per cent having memberships with average pay of £25,000 per annum or less, but 11 per cent having memberships earning £50,000 or more.

8.1 Estimated total value of funds

Not surprisingly the total fund value of the occupational schemes surveyed varies enormously considering that they cover schemes with as few as six and up to over a 1,000 members (Figure 8.1).

Schemes with fewer than 100 members very rarely exceed £10m in total value, and the majority have no more than £1m (Table 8.1). Unsurprisingly though scheme values are usually considerably larger (£1m+) for schemes with 100+ members, and even larger (mostly £10m+) for 1,000+ member schemes.
### Figure 8.1 Size of scheme funds

What do you estimate is the total value of funds under management?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £250,000</td>
<td>20%</td>
</tr>
<tr>
<td>More than £250,000, up to £500,000</td>
<td>13%</td>
</tr>
<tr>
<td>More than £500,000, up to £750,000</td>
<td>7%</td>
</tr>
<tr>
<td>More than £750,000, up to £1m</td>
<td>8%</td>
</tr>
<tr>
<td>More than £1m, up to £2m</td>
<td>9%</td>
</tr>
<tr>
<td>More than £2m, up to £3m</td>
<td>4%</td>
</tr>
<tr>
<td>More than £3m, up to £4m</td>
<td>3%</td>
</tr>
<tr>
<td>More than £4m, up to £5m</td>
<td>3%</td>
</tr>
<tr>
<td>More than £5m, up to £6m</td>
<td>1%</td>
</tr>
<tr>
<td>More than £6m, up to £7m</td>
<td>1%</td>
</tr>
<tr>
<td>More than £7m, up to £8m</td>
<td>1%</td>
</tr>
<tr>
<td>More than £8m, up to £9m</td>
<td>1%</td>
</tr>
<tr>
<td>More than £9m, up to £10m</td>
<td>1%</td>
</tr>
<tr>
<td>More than £10m, up to £100m</td>
<td>7%</td>
</tr>
<tr>
<td>More than £100m, up to £400m</td>
<td>1%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Mean = £6.86m**  
**Median = £800k**

Base: All (800).

Whilst a significant minority of scheme managers are uncertain about the total value of funds even for medium-sized schemes with over 100 members, in the largest schemes there is much less uncertainty, with only five per cent being unsure.
Table 8.1 Value of funds under management by number of members

<table>
<thead>
<tr>
<th>Value of funds under management</th>
<th>All schemes</th>
<th>6 to 11</th>
<th>12 to 99</th>
<th>100 to 999</th>
<th>1,000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £250k</td>
<td>20</td>
<td>32</td>
<td>17</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Over £250k, up to £0.5m</td>
<td>13</td>
<td>13</td>
<td>20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Over £0.5m, up to £0.75m</td>
<td>7</td>
<td>6</td>
<td>10</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Over £0.75m, up to £1m</td>
<td>8</td>
<td>6</td>
<td>13</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Over £1m, up to £10m</td>
<td>25</td>
<td>19</td>
<td>18</td>
<td>60</td>
<td>13</td>
</tr>
<tr>
<td>Over £10m, up to £100m</td>
<td>7</td>
<td>*</td>
<td>1</td>
<td>18</td>
<td>63</td>
</tr>
<tr>
<td>Over £100m</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td>Don’t know/Refused</td>
<td>19</td>
<td>23</td>
<td>21</td>
<td>14</td>
<td>5</td>
</tr>
</tbody>
</table>

Mean value of funds (£m) 6.87 1.2 1.3 8.3 67.2
Median value of funds (£m) 0.8 0.35 0.58 5 30

Base = All respondents 800 220 283 189 108

8.2 Average gross pay of scheme members

Estimated average gross pay of active members also varies considerably. However, one in six scheme managers are unable to give an average figure estimate. This may be due to great variation in payment levels in their company but could also be due to the pension scheme manager not being much involved in overall payroll/salary issues. The mean level is close to £44,000 with a median of £26,000 (Figure 8.2). This is higher than the average annual gross pay of the population found by the Annual Survey of Hours and Earnings (ASHE) \(^6\) which reports the mean level as £26,470 and the median as £21,320.

However, it is the largest schemes which are most likely to have the lowest overall proportion of executives on £50k+, thus bringing their average member’s gross pay down compared to small and medium-sized schemes (Table 8.2).

Figure 8.2  Average gross pay of active members

Can you estimate the average gross pay of your active members?

<table>
<thead>
<tr>
<th></th>
<th>£1-£25,000</th>
<th>£25,001-£50,000</th>
<th>£51,000-£75,000</th>
<th>£75,001-£100,000</th>
<th>£101,000+</th>
<th>Don’t know</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £25,000</td>
<td>40</td>
<td>30</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Over £25k, up to £50k</td>
<td>25</td>
<td>25</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Over £50k, up to £75k</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Over £75k, up to £100k</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Over £100k</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Don’t know/refused</td>
<td>22</td>
<td>22</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

Mean = £43,767
Median = £26,000

Table 8.2  Average gross pay of active members, by scheme size

<table>
<thead>
<tr>
<th></th>
<th>6 to 11</th>
<th>12 to 99</th>
<th>100 to 999</th>
<th>1,000+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £25,000</td>
<td>35</td>
<td>52</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Over £25k, up to £50k</td>
<td>25</td>
<td>52</td>
<td>30</td>
<td>34</td>
</tr>
<tr>
<td>Over £50k, up to £75k</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Over £75k, up to £100k</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Over £100k</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Don’t know/refused</td>
<td>22</td>
<td>22</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

Mean gross pay (£k) | 41.8 | 48.0 | 40.8 | 33.3 |
Median gross pay (£k) | 30   | 25   | 30   | 25   |

Base: All respondents (800)
Part B
Workplace personal pensions
9 Contract-based workplace personal pensions survey introduction

9.1 Introduction

As mentioned at the very beginning of the document, this report is focused upon two separate types of defined contribution (DC) schemes:

- trust-based occupation pension schemes;
- contract-based workplace personal pensions (WPPs).

Part A covered the research study of trust-based occupational schemes. 

This part of the report discusses a separate, parallel research study regarding contract-based WPPs.

The key aims of the study of WPPs were to explore details of the charge distribution on group personal pensions (GPPs), stakeholder pensions (SHPs) and group self-invested personal pensions (group SIPPs), and also ad hoc charges and charge variations on these types of schemes (see Section 9.3 for more details).

9.2 Project methodology

Following an initial feasibility and development stage, where various potential methodologies were considered, it was decided that the most appropriate method for understanding charge levels on contract-based WPPs would be to approach providers of such schemes directly. Other methods were considered to be far less suitable, or unworkable.
In particular, interviewing methods were considered which involved approaching the pension scheme administrator within companies offering WPP schemes to their employees. However, this type of approach was considered inferior to the chosen method of approaching providers directly, given the very specific type of information that this study sought to capture. It was felt that, realistically, the information needed could only be obtained from WPP providers themselves.

The precise research method used for this study can be summarised as follows:

• Department for Work and Pensions (DWP) provided Ipsos MORI with the names of 22 providers (the top 20 by market share and a further two which provide group SIPPs) in the market for contract-based WPPs – i.e. GPPs, SHPs and group SIPPs.

• Ipsos MORI sourced names of appropriate individuals to approach within each provider.

• An initial letter approach was made to these providers by the DWP.

• A self-completion questionnaire document was subsequently sent by Ipsos MORI to those providers who had agreed/were able to participate.

• The questionnaire document itself (see Appendix E) asked providers to supply hard factual data derived from their database (i.e. rather than opinions), concerning details of pricing distribution and ad hoc charges on GPPs/SHPs and Group SIPPs.

• All information requested was based on schemes sold in the 2008/09 financial year.

• Completed questionnaires were returned to Ipsos MORI for data collation and reporting.

Of the 22 providers approached, four said they were inactive in the market during the 2008/09 period in question, and therefore that their participation would be inappropriate.

Of the remaining 18 providers, eight agreed to participate in the study and returned completed questionnaires (i.e. a response rate of 44 per cent).

The identity of the eight participating providers is not revealed in this report. A broad spread was achieved across the eight providers in terms of provider ‘size’ – i.e. the number of schemes sold by each. Three providers account for the majority of the total number of schemes sold by the eight providers which took part.

As discussed in Section 10.1, the information in this report is based upon a total of 3,513 schemes sold by the eight participating providers.
9.3 Information requested from providers

The self-completion questionnaire document that was given to providers requested that the following types of information be provided for GPPs and SHPs:

- distribution of standard basic annual management charge (AMC) levels, i.e. excluding ad hoc charges – and split by number of scheme members;

- distribution of standard basic AMC levels (split by number of scheme members) – excluding elements of the charge which result from intermediary commission;

- ad hoc charges and charge variations – where these occur (and typical levels) for:
  - active member discount;
  - discount where members have larger funds;
  - front-loaded charges;
  - charge variation over life of scheme;
  - additional charges for specific fund choices;
  - additional charges for fund switching.

All information requested was for data across GPPs/SHPs as a whole (i.e. separate data for GPPs compared to SHPs was not requested).

Information on group SIPPs was also requested, but has not been reported on as data was provided by three providers only in this area.

As mentioned previously, all information requested was based on schemes sold in the 2008/09 financial year.
10 Workplace personal pension charges

Key findings

- Basic annual charge levels on contract-based GPP/SHP schemes are similar to those in trust-based schemes. On an estimated 55 per cent of GPP/SHP schemes, the standard basic AMC is less than one per cent.
  - The size of charge tends to be higher for smaller schemes, especially for those with less than 50 members.

- When elements of charging resulting from intermediary commission are excluded, it emerges that the standard basic AMC is less than one per cent for 96 per cent of schemes.

- All of the GPP/SHP scheme providers participating in this study levied additional charges for specific fund choices on at least some of the schemes they provide.
  - The most frequently given scenario where this type of additional charge has applied is for externally managed funds, with several mentions also given for active funds.

- Nearly all also provide an active member discount for at least some of their schemes.

10.1 Distribution of standard basic AMC levels – overall

Figure 10.1 highlights what providers tell us is the standard basic annual management charge (AMC)\(^7\) paid by all members on group personal pensions (GPP)/stakholder pensions (SHP) schemes sold by their company during the 2008/09 financial year.

---

\(^7\) In the questionnaire, standard basic AMC was further defined as ‘the basic charge charged to all members, excluding any ad hoc charges’.
The information in the chart is based upon a total of 3,513 schemes sold by the eight participating providers.

Figure 10.1 aggregates the data provided by all eight participating providers, and indicates that for almost half (45 per cent) of schemes sold by providers, charge levels are one per cent or higher.

**Figure 10.1 Distribution of standard AMC for GPPs/SHPs (Q1a) – total across all schemes**

![Bar Chart]

Base: GPP/SHP schemes across all eight participating providers.

For seven of the eight providers, a breakdown was also given within the ‘one per cent plus’ category. In the vast majority of these cases, the standard basic AMC is in the one per cent – 1.49 per cent bracket:

- one per cent – 1.49 per cent: 91 per cent of schemes sold;
- 1.5 per cent plus: nine per cent.

For around one-third of schemes, the standard basic annual management charge is lower than 0.8 per cent.

---

Please note – for a small number of schemes shown (six per cent), pricing information provided includes where an active member discount has been applied. For a further tiny proportion (0.2 per cent) of schemes shown, it is unclear whether data supplied is based on this discounted level or not.
10.2  Distribution of standard basic AMC levels – by scheme size

Figure 10.2 is based on exactly the same data as shown in Section 10.1 – i.e. a total of 3,513 schemes sold by the eight participating providers. However, this time the data is sub-divided according to the size of the schemes sold by providers, in terms of number of scheme members.

Data was given by providers for three different scheme size bands:

- 5-49 members;
- 50-149 members;
- 150+ members.

A breakdown of the total number of schemes sold across the eight participating providers in the 2008/09 time period in question, is as follows:

- 5-49 members: 76 per cent of schemes sold;
- 50-149 members: 14 per cent;
- 150+ members: nine per cent.

Figure 10.2 illustrates the relationship between scheme size (i.e. number of members) and the level of standard basic AMC.

**Figure 10.2 Distribution of standard AMC for GPPs/SHPs (Q1a) – by number of scheme members**

![Chart showing distribution of standard AMC by number of scheme members](chart.png)

Base: GPP/SHP schemes across all eight participating providers.
For example, only eight per cent of schemes with 150+ members carry a standard AMC of one per cent or more, whereas 53 per cent of smaller schemes (5-49 members) have an AMC of one per cent plus.

Again, for seven of the eight providers, a breakdown was also given within the ‘one per cent plus’ category.

As shown in the Table 10.1, even in the case of the smaller schemes, it remains that the standard basic AMC is in the one-1.49 per cent bracket for the vast majority:

**Table 10.1 Breakdown of standard basic AMC within the one per cent plus category**

<table>
<thead>
<tr>
<th>Scheme size</th>
<th>5-49 members</th>
<th>50-149 members</th>
<th>150+ members</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMC 1% – 1.49%</td>
<td>91</td>
<td>96</td>
<td>100</td>
</tr>
<tr>
<td>AMC 1.5%</td>
<td>9</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

Base: GPP/SHP schemes with a basic AMC of one per cent or more.

10.3 Distribution of standard basic AMC levels – excluding intermediary commission elements

Providers were also asked to supply the same pricing information as for Sections 10.1 and 10.2, but this time showing what the standard basic AMC would be assuming that any elements of the charge which result from commission being paid to intermediaries were excluded.

Six of the eight providers completed this part of the questionnaire, and the findings are shown in Figure 10.3. The data below are based upon a total of 2,594 schemes sold by the six providers concerned.

Figure 10.3 shows the total picture across all schemes sold by the six providers who completed this particular part of the questionnaire:

All six providers answering this question provided a further breakdown within the ‘one per cent plus’ category. In these cases, 99 per cent of schemes sold are in the one per cent-1.49 per cent bracket, with the remaining single scheme in the 1.5 per cent plus category.
Figure 10.3 Standard basic AMC for GPPs/SHPs excluding intermediary commission (Q1b) – total across all schemes

<table>
<thead>
<tr>
<th>Size of annual management percentage charge</th>
<th>Percentage of schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.39%</td>
<td>16</td>
</tr>
<tr>
<td>0.4% - 0.59%</td>
<td>36</td>
</tr>
<tr>
<td>0.6% - 0.79%</td>
<td>28</td>
</tr>
<tr>
<td>0.8% - 0.99%</td>
<td>16</td>
</tr>
<tr>
<td>1%+</td>
<td>4</td>
</tr>
</tbody>
</table>

Base: GPP/SHP schemes across six providers answering this question.

1 For 0.2% of schemes shown:
We know that an active member discount has been applied (via question 2a) but it is unclear whether the data supplied for these schemes is based on this discounted level or not.

For 8% of schemes shown:
We know that an active member discount has been applied and that the discounted level rate is supplied.

10.4 Distribution of standard basic AMC levels excluding intermediary commission elements by scheme size

The next figure shows the same data as for Section 10.3, but this time sub-divided according to the size of the schemes sold by providers.

Only one scheme sold in total across the six providers responding to this question carries an AMC of 1.5 per cent or more. This scheme was in the 50-149 members size bracket.

9 NB: Figure 10.3 includes all schemes sold by the six providers in the 2008-2009 time period – i.e. it includes both any schemes which do carry any elements of an intermediary commission, and those which do not (please see Question 1b in the WPPs questionnaire in Appendix E for precise details of the information requested from providers).
10.5 Ad hoc charges and charge variations on GPPs/SHPs

Providers were also asked about a series of ad hoc charges/charge variations on GPPs/SHPs.

The figure below highlights the ad hoc charges/charge variations that were asked about. In each case, indicated is the number of providers (out of the total eight responding) where this type of charge has applied to any schemes sold in the 2008-2009 time period.

NB: the figure shows how many providers have sold any schemes where each type of charge has applied – it does not, however, give any indication of how many or what proportion of schemes sold by each provider have carried this type of charge.

As can be seen, all eight providers have sold schemes where additional charges for specific fund choices have applied. Similarly, nearly all providers have sold schemes where an active member discount has occurred.
Figure 10.5 Charge variations/ad hoc charges on GPPs/SHPs

<table>
<thead>
<tr>
<th>Type of charge</th>
<th>Number of providers where this has applied for schemes sold in 2008/09 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active member discount (Q2)</td>
<td>1 2 3 4 5 6 7</td>
</tr>
<tr>
<td>Discount for members with larger funds under management (Q3)</td>
<td>1 2</td>
</tr>
<tr>
<td>Front-loaded charges (Q4)</td>
<td>1 2</td>
</tr>
<tr>
<td>Variations to charges over the life of the scheme (Q5)</td>
<td>1</td>
</tr>
<tr>
<td>Additional charges for specific fund choices (Q6)</td>
<td>1 2 3 4 5 6 7 8</td>
</tr>
<tr>
<td>Additional charges for fund switching (Q7)</td>
<td>1</td>
</tr>
</tbody>
</table>

Base: All eight participating providers.

Focusing now on the two most frequently applied types of ad hoc charges/charge variations.

Firstly, additional charges for specific fund choices. Providers were asked to state the typical level of additional charge that has been applied for specific fund choices. Across the eight providers, the lowest additional charge cited for specific fund choices is six basis points\(^\text{10}\) (bps), with the highest cited being a one per cent charge.

The most frequently given scenario where this type of additional charge has applied is for externally managed funds, with several mentions also given for active funds, and one provider mentioning property.

Turning to active member discount – i.e. reduced AMC levels for members who are actively contributing to a scheme. Across the seven providers who say they have sold schemes where an active member discount has applied, we do have an indication of the proportion of schemes sold where this has happened.

\(^{10}\) One bps is equivalent to 0.01 per cent.
The lowest proportion seen is one provider saying that one per cent of schemes they have sold have seen an active member discount applied. In contrast, one provider states that 69 per cent of their schemes sold carried an active member discount. The average figure across the seven providers is 21 per cent.

Providers were also asked to give an indication of the typical charge levels for active compared to deferred members where an active member discount has applied.

As highlighted in Figure 10.6, the lowest charge level seen for active members across the seven providers is 0.15 per cent, with the highest seen being one per cent. For deferred members, the lowest charge seen is 0.5 per cent, with the highest at 1.5 per cent.

Across the seven providers, the average levels seen for active compared to deferred are 0.6 per cent and one per cent respectively.

**Figure 10.6 Active member discount on GPPs/SHPs (Q2)**

<table>
<thead>
<tr>
<th>Proportion of schemes where this has applied for each provider</th>
<th>Typical charge level (Active)</th>
<th>Typical charge level (Deferred)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>1%</td>
<td>0.15%</td>
</tr>
<tr>
<td>Maximum</td>
<td>69%</td>
<td>1%</td>
</tr>
<tr>
<td>Average</td>
<td>21%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Base: Seven providers where active member discount has applied on schemes sold.
Appendix A
Occupational pension scheme – response rate calculation details
### Sample outcome counts

<table>
<thead>
<tr>
<th>Outcome Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed interview – telephone</td>
<td>800</td>
</tr>
<tr>
<td>Requested web questionnaire</td>
<td>41</td>
</tr>
<tr>
<td>Requested postal questionnaire</td>
<td>5</td>
</tr>
<tr>
<td>Transferred</td>
<td>0</td>
</tr>
<tr>
<td>Engaged</td>
<td>2</td>
</tr>
<tr>
<td>No reply</td>
<td>67</td>
</tr>
<tr>
<td>Soft Appointment (and hard appointments)</td>
<td>182</td>
</tr>
<tr>
<td>Switchboard/other soft refusal</td>
<td>32</td>
</tr>
<tr>
<td>Respondent soft refusal</td>
<td>20</td>
</tr>
<tr>
<td>Switch/other refused</td>
<td>13</td>
</tr>
<tr>
<td>Respondent hard refusal</td>
<td>104</td>
</tr>
<tr>
<td>Interview quit or abandoned</td>
<td>20</td>
</tr>
<tr>
<td>Company policy refusal (respondent)</td>
<td>0</td>
</tr>
<tr>
<td>Company policy refusal (switch/other)</td>
<td>0</td>
</tr>
<tr>
<td>Out of quota</td>
<td>0</td>
</tr>
<tr>
<td>Unobtainable (bad number)</td>
<td>29</td>
</tr>
<tr>
<td>Duplicate</td>
<td>31</td>
</tr>
<tr>
<td>Wrong language</td>
<td>0</td>
</tr>
<tr>
<td>ID withheld</td>
<td>1</td>
</tr>
<tr>
<td>Wrong number</td>
<td>21</td>
</tr>
<tr>
<td>Business/Residential number</td>
<td>1</td>
</tr>
<tr>
<td>Company/Respondent moved</td>
<td>3</td>
</tr>
<tr>
<td>Company out of business</td>
<td>8</td>
</tr>
<tr>
<td>Referred elsewhere</td>
<td>3</td>
</tr>
<tr>
<td>Not available during fieldwork period</td>
<td>12</td>
</tr>
<tr>
<td>Lead tried maximum number of times</td>
<td>3</td>
</tr>
<tr>
<td>Not eligible respondent</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>1,408</td>
</tr>
<tr>
<td>Total excluding web and postal</td>
<td>1,362</td>
</tr>
</tbody>
</table>

### Out of scope method 1

<table>
<thead>
<tr>
<th>Outcome Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ø Unobtainable</td>
<td>29</td>
</tr>
<tr>
<td>Ø Duplicate</td>
<td>31</td>
</tr>
<tr>
<td>Ø Wrong Number</td>
<td>21</td>
</tr>
<tr>
<td>Ø Residential Number</td>
<td>1</td>
</tr>
<tr>
<td>Ø Company moved</td>
<td>3</td>
</tr>
<tr>
<td>Ø Company out of business</td>
<td>8</td>
</tr>
</tbody>
</table>
### Appendices – Occupational pension schemes – response rate calculation details

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ø 10+ Unsuccessful calls</td>
<td>3</td>
</tr>
<tr>
<td>In scope of screening method 1</td>
<td>1,312</td>
</tr>
<tr>
<td>In scope of screening method excluding web postal</td>
<td>1,266</td>
</tr>
<tr>
<td>Not Screened method 1</td>
<td>456</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contacted</th>
<th>383</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refusals</td>
<td>169</td>
</tr>
<tr>
<td>Hard refusal – respondent</td>
<td>104</td>
</tr>
<tr>
<td>Soft refusal – respondent</td>
<td>20</td>
</tr>
<tr>
<td>Hard refusal – non-respondent</td>
<td>13</td>
</tr>
<tr>
<td>Soft refusal – non-respondent</td>
<td>32</td>
</tr>
<tr>
<td>Company refusal</td>
<td>0</td>
</tr>
<tr>
<td>Refusal to give name of key contact</td>
<td>0</td>
</tr>
<tr>
<td>Ø Stopped interview</td>
<td>0</td>
</tr>
<tr>
<td>Ø Interview quit or abandoned</td>
<td>20</td>
</tr>
<tr>
<td>Ø Not available during fieldwork period</td>
<td>12</td>
</tr>
<tr>
<td>Ø Appointment</td>
<td>182</td>
</tr>
<tr>
<td>Ø Wrong language</td>
<td>0</td>
</tr>
</tbody>
</table>

| ø Not contacted method 1                           | 73    |
| Ø No reply                                         | 67    |
| Ø Engaged                                          | 2     |
| Ø ID withheld                                      | 1     |
| Ø Referred elsewhere                               | 3     |

| Ø TOTAL Screened                                   | 856   |
| Ø Screened EXCLUDING web & postal requests         | 810   |
| ø Ineligible                                       | 10    |
| § Not eligible respondent                          | 10    |
| § Out of Quota                                     | 0     |
| ø Requested web questionnaire                      | 41    |
| ø Requested postal questionnaire                   | 5     |
| ø Complete Telephone Interview                     | 800   |
O Completed ALL interviews 800

<table>
<thead>
<tr>
<th>Telephone RR including web and postal requests BUT excluding web postal completes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response Rate Method 1:</td>
<td></td>
</tr>
<tr>
<td>RR = Complete Interview / ((1 – (Ineligible / Screened)) * In scope of screening)</td>
<td></td>
</tr>
<tr>
<td>RR</td>
<td>62%</td>
</tr>
<tr>
<td>Telephone RR EXCLUDING web and postal requests</td>
<td>64%</td>
</tr>
<tr>
<td>TOTAL RR INCLUDING ALL interviews and web &amp; postal requests</td>
<td>62%</td>
</tr>
</tbody>
</table>
Appendix B
Occupational pension schemes survey – weighting

On completing the fieldwork for this study, we needed to check how representative the data obtained are of the ‘true’ universe of these schemes and then, as per the proposal/contract with the DWP, we needed to weight the data so that it will be a correct portrayal and not a skewed one. In particular, we deliberately interviewed more larger schemes than would be expected in a truly representative sample in order to give us a more statistically robust number of interviews with the largest schemes.

Ipsos MORI obtained information from the Pensions Regulator (TPR) to devise an accurate weighting scheme. We requested a list of records containing only the number total schemes members based on the following criteria:

1. Scheme type – Occupational
2. Benefit structure type – Defined contribution
3. Status – Open
4. Minimum number of scheme members – 6

Based on these criteria, TPR created a file in which there was a list of 3,943 records – this can be considered our universe. We used the number of members in each scheme to allocate them to a size band which gave us the distribution below:

<table>
<thead>
<tr>
<th>Size Band</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
<td>2,080</td>
<td>52.75%</td>
</tr>
<tr>
<td>12-99</td>
<td>1,245</td>
<td>31.57%</td>
</tr>
<tr>
<td>100-999</td>
<td>467</td>
<td>11.84%</td>
</tr>
<tr>
<td>1,000+</td>
<td>151</td>
<td>3.83%</td>
</tr>
<tr>
<td>Total</td>
<td>3,943</td>
<td></td>
</tr>
</tbody>
</table>
During the survey, we contacted a total of 2,125 potential respondents with the following distribution:

<table>
<thead>
<tr>
<th>Banding</th>
<th>Original sample (2125)</th>
<th>Screenouts (percentage of original sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
<td>971</td>
<td>478</td>
</tr>
<tr>
<td>12-99</td>
<td>678</td>
<td>184</td>
</tr>
<tr>
<td>100-999</td>
<td>328</td>
<td>43</td>
</tr>
<tr>
<td>1,000+</td>
<td>148</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>2,125</td>
<td>716</td>
</tr>
</tbody>
</table>

From this original sample, we looked at the percentage of screenouts/ineligibles in each size band.

Those who were screened out at Q1a which ensured the scheme was indeed an occupational DC pension, Q5 which ensured the scheme had six or more total members, and Q5a which ensure there the scheme had at least one active member were included in this measure:

<table>
<thead>
<tr>
<th>Banding</th>
<th>Total</th>
<th>Screenouts</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
<td>971</td>
<td>478</td>
<td>49.23%</td>
</tr>
<tr>
<td>12-99</td>
<td>678</td>
<td>184</td>
<td>27.14%</td>
</tr>
<tr>
<td>100-999</td>
<td>328</td>
<td>43</td>
<td>13.11%</td>
</tr>
<tr>
<td>1000+</td>
<td>148</td>
<td>11</td>
<td>7.43%</td>
</tr>
<tr>
<td>Total</td>
<td>2,125</td>
<td>716</td>
<td>33.69%</td>
</tr>
</tbody>
</table>

Looking at the number of screenouts, we can see that a disproportionate amount of the smaller banding groups have been removed and this means that the actual completes we obtained were not distributed in a manner closely matching that in the universe of these schemes:

<table>
<thead>
<tr>
<th>Actual completes (800)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
<td>220</td>
</tr>
<tr>
<td>12-99</td>
<td>283</td>
</tr>
<tr>
<td>100-999</td>
<td>188</td>
</tr>
<tr>
<td>1000+</td>
<td>109</td>
</tr>
<tr>
<td>Total</td>
<td>800</td>
</tr>
</tbody>
</table>

Therefore, as expected, some weighting of the results by scheme size was required to ensure that the results are fully representative.

In order to make sure that the weighting scheme we used was precise, we needed to consider that the sample universe provided by TPR is no more or no less accurate than the sample they initially provided us with for the survey. As such, we needed to remove an equivalent proportion from the universe (3,943) for each size band.
as were screened out in the original sample (2,125) leaving us with the following revised universe:

<table>
<thead>
<tr>
<th>Revised Universe (2,509)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
</tr>
<tr>
<td>12-99</td>
</tr>
<tr>
<td>100-999</td>
</tr>
<tr>
<td>1,000+</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Now to determine the required weighting we simply divide the percentages of each band in the revised universe by the percentages of each banding obtained for the completed interviews (e.g. for 6-11, 42.10/27.50=1.53). As can be seen below we needed to up-weight the smallest band size by 1.53 and down-weight the largest schemes by 0.41 in order to achieve the correct balance by scheme size in the overall sample.

<table>
<thead>
<tr>
<th>Banding</th>
<th>Revised universe</th>
<th>Achieved sample spread</th>
<th>Weight (= universe/achieved)</th>
<th>Achieved sample size</th>
<th>Weighted sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-11</td>
<td>42.10%</td>
<td>27.50%</td>
<td>1.530742</td>
<td>220</td>
<td>336.76</td>
</tr>
<tr>
<td>12-99</td>
<td>36.16%</td>
<td>35.38%</td>
<td>1.022148</td>
<td>283</td>
<td>289.27</td>
</tr>
<tr>
<td>100-999</td>
<td>16.17%</td>
<td>23.50%</td>
<td>0.688278</td>
<td>188</td>
<td>129.4</td>
</tr>
<tr>
<td>1,000+</td>
<td>5.57%</td>
<td>13.62%</td>
<td>0.408924</td>
<td>109</td>
<td>44.57</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>0.408924</td>
<td>800</td>
<td>800</td>
</tr>
</tbody>
</table>

This degree of weighting does lead, in statistical terms, to a ‘design effect’ for the sample which reduces the overall sample size (when assessing the accuracy of any results based on the overall sample) from 800 to an effective base size of 697 when looking at figures based on the overall sample.

We have reported the findings based on the overall weighted data, but shown the unweighted base sizes (i.e the actual number of interviews).
Appendix C
Occupational pension scheme survey – introductory letter
A survey of the charge levels in money-purchase pension schemes

The Pensions Act 2008 set out the Government’s reforms to make it a duty for all employers to enrol their workers into an employer-sponsored qualifying pension scheme from 2012. Employers will be able to choose what type of scheme they use, providing that it meets various qualifying criteria. The Government has also made a commitment to monitor the existing pensions market and the possible impact of the reforms.

As part of this commitment, the Department for Work and Pensions (DWP) are conducting an important research study about the charging levels in existing defined contribution pension schemes, including surveying trust-based occupational schemes and contract-based schemes. This forms part of the DWP's extensive research programme, which will also include future research into the costs of running a pension scheme.

The Government have made a public commitment to monitor the pensions industry, and the information collected in this survey of charging will enable the DWP to measure the potential impact of the workplace pension reforms.

Your scheme has been selected at random from the Pension’s Regulator database of existing trust-based occupational pension schemes and we would greatly value your participation in this study.

We have commissioned an independent research organisation, Ipsos MORI to carry out this study on our behalf. An interviewer will call you within the next few weeks to ask if you would be willing to be interviewed over the telephone. It is estimated that the interview will take, on average, around 15 minutes.

All information given in the survey will be treated in the strictest confidence by Ipsos MORI and merged with the findings from many other interviews. No information identifying you or the scheme will be passed to the DWP, the Pensions
Regulator or to any other organisation without your consent. A copy of our full Data Protection policy is available on request.

If you don’t feel you are the person best placed to answer this survey, please pass this letter on to the main person at the scheme who would be able to answer questions on charge levels.

Just so that you are prepared for the interview, we will be asking about the charge level details for the following aspects, not all of which may apply to your scheme:

Overall scheme charge levels
Possibly charges for –
- Fund management/investment
- Core administration
- Account set-up
- Intermediary commission
- Additional charges for fund management
- Fund switching
- Transferring out
- Refund of contributions
- Active member and large fund discounts

The results of this study will be made publicly available. We can also send a summary of key findings to all participants who would like one.

If you have any queries, please contact Ed Vargeson or Andrew Croll at Ipsos MORI on 020 7347 3400 or by email at dwppensionsresearch@ipsos-mori.com .

Yours sincerely

Caroline Rookes
Director of Enabling Retirement Savings Programme, DWP
Appendix D
Occupational pension scheme survey – questionnaire

Q36194 MAIN STAGE 01 June 2009

DC Pension Scheme charging business survey

ASK FOR NAMED LEAD

IF NO NAMED LEAD, ASK FOR WHOEVER IS RESPONSIBLE FOR DEALING WITH PENSION SCHEME ADMINISTRATION FOR THE EMPLOYER

INTRODUCTION

My name is …… and I am calling on behalf of Ipsos MORI, an independent market research company. I am calling on behalf of the Department for Work and Pensions who are conducting research about pension provision and the costs and levels of charges involved in defined contribution schemes. We wrote to you recently asking for your help with this research.

Could you spare us 15 to 20 minutes to be interviewed about this important topic?

ADD IF NECESSARY

This research forms part of the Department’s ongoing research into pension provision to enable it to be fully informed about the pensions market. In light of the Pensions Act 2008, which outlines the workplace pension reforms to be introduced in 2012, the Government have made a public commitment to monitor the pensions industry, and the information collected will enable the DWP to measure the potential impact of the workplace pension reforms.

TO ALL

Once the research is completed we can send a summary of key findings to all participants who would like one.
Any information you give us would be treated in the strictest confidence and merged with the findings from hundreds of other interviews.

INTERVIEWER: IF THEY HAVE NOT RECEIVED THIS LETTER WE CAN OFFER TO E-MAIL IT TO THEM

IF RESPONDENT ASKS WHERE WE GOT THEIR CONTACT DETAILS, EXPLAIN THAT THESE WERE PROVIDED BY THE PENSION REGULATOR SOLELY FOR THE PURPOSES OF THIS RESEARCH

Q1 Can I just check that you are the best person to speak to regarding the details of your occupational pension schemes costs and charges? By this I mean the SHOW SCHEME NAME FROM SAMPLE scheme.

Yes 1 - Q2
No 2 - ASK FOR REFERRAL TO CORRECT PERSON

Q1a And can I confirm that this is an Occupational DC Pension scheme where the employer is responsible for sponsoring the scheme, and not a Group Personal Pension Plan, where the employer has arranged for employees to participate in a personal pension scheme on a group basis, or a Stakeholder Pension scheme?

Yes – it is an occupational scheme 1 – (Q1b &) 2
No – it is a Group Personal Pension Plan 2 – THANK & CLOSE
No – it is a Stakeholder scheme 3 – THANK & CLOSE
No – Other (please specify) 4 – THANK & CLOSE

CATI NOTE: IF SAMPLE LEAD FLAGGED AS HYBRID ASK Q1B

Q1b Our sample shows SHOW SCHEME NAME as a hybrid scheme. Does it have an occupational, defined contribution element?

Yes, it does 1 – SHOW NOTE (‘In which case please answer all the following questions only with regards to this part of the scheme’) AFTER Q1B THEN GO TO Q2
No, it does not 2 – THANK & CLOSE

Q2 Can I confirm that you are a trustee of a trust-based occupational pension scheme?

Yes 1 - Q2a
No 2 - Q2a, Q3 THEN Q5

Q2a And what is your job title? PROBE TO PRECODES AS REQUIRED

Owner/Managing Director 1
Finance Director 2
HR Director 3
Other WRITE IN 4
Q3 Is the scheme’s charging policy determined by the trustees who are also company employees, or by an external provider who sets the charges?

- Trustees: 1
- External provider: 2
- Other WRITE IN: 3
- Don’t know: 4

Q4 And can I just confirm whether you are a trustee who is also an employee of the company or a professional trustee from an external provider?

- Trustee who is also an employee: 1
- Professional trustee from external provider: 2
- Other WRITE IN: 3

We are now going to ask you a series of detailed questions about the pension scheme. Hopefully you will know the answers to these but if you need to consult documentation for some or many questions then we can arrange to recall you at a later time to complete the survey or to send you a web version of the questionnaire to complete later.

Continue with the survey if they have the required information to hand: 1

Arrange for us to call back when they will have the information to hand: 2

Complete the survey on-line: 3

Respondent requests a paper questionnaire ONLY USE AS A LAST RESORT: 4

CATI/QUOTE NOTE: ‘QUOTA’ ON TOTAL NUMBER OF MEMBERS TO BE TAKEN FROM SAMPLE (& Q5 was Q98 in the pilot script)

Q5 And how many scheme members do you have in total (that is, both active and deferred)?

By active I mean those who are actively contributing and by deferred I mean those who are no longer contributing.

PROBE FOR AN EXACT NUMBER

If less than 6 – THANK & CLOSE

- Don’t know but could find out: 1
- Don’t know and cannot find out: 2

Q5a How many active members are there in the scheme, i.e. those who are actively contributing?
Q5b And how many deferred members are there (i.e. those who are not contributing because, for example, they have left the company)?

TYPE IN EXACT NUMBER IF KNOWN.
OTHERWISE PROBE TO BANDS BELOW.

None 1
1 or 2 2
3 to 5 3
6 to 11 4
12 to 19 5
20 to 49 6
50 to 99 7
100 to 249 8
250 to 499 9
500 to 999 10
1,000 to 4,999 11
5,000 to 9,999 12
10,000 + 13
Don’t know 14

SPEC NOTE: CAN WE ADD A LOGIC CHECK SO THAT SUM OF Q5a + Q5b DOES NOT EXCEED Q5?

Q5c What year was the scheme established?
ENTER YEAR
Or Don’t know but could find out
Don’t know & impossible to find out
Q6 And is the scheme contracted in or contracted out of S2P? (READ IF NECESSARY: State Earnings Related Pension Scheme (SERPS) was replaced in 2002 by the State Second Pension (S2P), which was designed to provide more money to those in need, including low to medium earners, carers, or those with a long term illness or disability. The basic mechanism through which the additional pension builds up is the same, but with new rules.)

- Contracted in 1
- Contracted out 2
- Don’t know 3

Q7 And is it a multi-employer scheme or a single employer scheme?

- Multi-employer 1
- Single employer 2
- Don’t know 3

Q8 What do you estimate is the average employer contribution over the past 12 months as a percentage of their gross pay? PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT. IF NECESSARY ADD: By percentage of pay I mean that contributions are paid as a percentage of employees’ gross pay, such as 3% or 4%. ENTER EXACT FIGURE

or

Other WRITE IN
Don’t know but could find out
Don’t know & impossible to estimate
Refused

Q9 And what do you estimate is the average employee contribution from active scheme members over the past 12 months as a percentage of their gross pay? PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT. IF NECESSARY ADD: If the percentage varies greatly between employees please just give your best overall estimate. ENTER EXACT FIGURE

or

Other WRITE IN
Don’t know but could find out
Don’t know & impossible to estimate
Refused

I would now like to ask you some questions about the basic scheme charges, i.e. those charges made that apply to all members regardless of fund choices or whether the charges are paid by the employer or the employee or both.
Q14a Is there an overall charge or is the charge broken down?
READ OUT
Yes – just an overall charge   1 – Q14b THEN Q15
No – the charge is broken down   2 – Q14b THEN Q18

DO NOT PROMPT
No charges that I am aware of    3 – Q36

DO NOT PROMPT
Other (please specify)     4 – Q14b THEN Q36

Q14b Are the scheme charges paid by the employer, by the employee or by both?
Paid by the employer     1
Paid by the employee     2
Paid by both     3
Other WRITE IN     4

Don’t know but could find out    5
Don’t know & cannot find out    6

Q15 Is this charged as a percentage of the total value of the fund or as a percentage charge per contribution? SINGLE CODE

As percentage of fund     1 – Q16 & 17
As a percentage charge per contribution     2 – Q16 & 17

Other (WRITE IN)     3 – Q16
Don’t know but could find out     4 – Q16
Don’t know & cannot find out     5 – Q16

Q16 How frequently is this charged? READ OUT
SINGLE CODE

Annual     1
Every 6 months     2
Every 3 months     3
Monthly     4
Other (WRITE IN)     5
Don’t know

Q17 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure
or

Don’t know but could find out     1
Don’t know & cannot find out !!     2
Refused     3

Appendices – Occupational pension scheme survey – questionnaire
Q17b Does this overall charge cover commission payments to the intermediary?
Yes 1 – Q17c
No 2 – Q36
Don’t know but could find out 3
Don’t know & cannot find out 4

Q17c What proportion of the overall total charge goes towards paying the intermediary commission? INTERVIEWER NOTE: IF 25% OF CHARGE GOES TOWARDS THIS, ENTER AS 25
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE

or

Don’t know but could find out 1
Don’t know & cannot find out !! 2
Refused 3

NOW GO TO Q36

ASK Q18 IF OVERALL CHARGE IS BROKEN DOWN
Q18a Which of the following elements is the charge broken down into?
READ OUT. MULTICODING ALLOWED.

Core fund management/investment charge 1 – ASK Q18b to e
THEN Q19
i.e. the cost for the fund managers to manage the different funds

Core administration charge 2 – ASK Q18b to e
THEN ASK Q23
i.e. costs for processing leavers & joiners, and changes to contributions and fund choices

Account set-up charge 3 – ASK Q18b to e
THEN ASK Q27

Commission element of charge paid to the intermediary 4 – ASK Q18b to e
THEN ASK Q31

Other (write in) 5 – IF SINGLE CODED,
(i.e. not also coded 1 to 4), GO TO Q36

Don’t know but can find out 6 – GO TO Q36

Don’t know and cannot find out 7 – GO TO Q36

Q18b Are these scheme charges paid by the employer, by the employee or by both?
Paid by the employer 1
Paid by the employee 2
Paid by both 3
Other WRITE IN  4
Don’t know but could find out  5
Don’t know & cannot find out  6

Q18c Is there a one off joining fee when a new member joins the scheme?
Yes  1 – Q18d & e
No  2 – Q19
Don’t know but could find out  3 – Q19
Don’t know & cannot find out  4 – Q19

Q18d How much is this fee?
PROBE FOR BEST ESTIMATE

Q18e Who pays the fee – the Employee, the employer or both?
Employee only  1
Employer only  2
Both  3
Other WRITE IN  4
Don’t know  5

ASK Q19 to Q22 IF CHARGES BROKEN DOWN INTO:
CORE FUND MANAGEMENT/INVESTMENT CHARGES

Q19 Is the core fund management/investment charge charged as a percentage of the total value of the fund, or as a charge per contribution, or as a flat fee?
SINGLE CODE

As percentage of fund  1 – Q20 & Q21
As a percentage charge per contribution  2 – Q20 & Q21
As a flat fee  3 – Q20 & Q22
Other (WRITE IN)  4 – NEXT SECTION
Don’t know but can find out  5 – NEXT SECTION
Don’t know and cannot find out  6 – NEXT SECTION

Q20 How frequently is this charged? READ OUT
Annual
Every 6 months
Every 3 months
Monthly
Other (WRITE IN)
Don’t Know but can find out
Don’t know and cannot find out
ASK
Q21 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE
or
Don’t know but could find out  1
Don’t know & cannot find out  2
Refused            3

NOW GO TO NEXT SECTION

Q22 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO NEXT SECTION
ASK Q23 to Q26 IF CHARGES BROKEN DOWN INTO:
CORE ADMINISTRATION CHARGE

Q23 Is the core administration charge charged as a percentage of the total value of the fund, or as a charge per contribution, or as a flat fee? SINGLE CODE

- As percentage of fund: 1 – Q24 & Q25
- As a percentage charge per contribution: 2 – Q24 & Q25
- As a flat fee: 3 – Q24 & Q26
- Other (WRITE IN): 4 – NEXT SECTION
- Don’t know but can find out: 5 – NEXT SECTION
- Don’t know and cannot find out: 6 – NEXT SECTION

Q24 How frequently is this charged? READ OUT
- Annual
- Every 6 months
- Every 3 months
- Monthly
- Other (WRITE IN)
- Don’t know but can find out
- Don’t know and cannot find out

ASK
Q25 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure

or

- Don’t know but could find out: 1
- Don’t know & cannot find out: 2
- Refused: 3

NOW GO TO NEXT SECTION

Q26 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO NEXT SECTION
ASK Q27 to Q30 IF CHARGES BROKEN DOWN INTO:
ACCOUNT SET-UP CHARGE

Q27 Is the account set-up charge charged as a percentage of the total value of the fund, or as a charge per contribution, or as a flat fee? SINGLE CODE

- As percentage of fund: 1 – Q28 & Q29
- As a percentage charge per contribution: 2 – Q28 & Q29
- As a flat fee: 3 – Q28 & Q30
- Other (WRITE IN): 4 – NEXT SECTION
- Don’t know but can find out: 5 – NEXT SECTION
- Don’t know and cannot find out: 6 – NEXT SECTION

Q28 How frequently is this charged? READ OUT
- Annual
- Every 6 months
- Every 3 months
- Monthly
- Other (WRITE IN)
- Don’t know but can find out
- Don’t know and cannot find out

ASK
Q29 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE
or

- Don’t know but could find out: 1
- Don’t know & cannot find out: 2
- Refused: 3

NOW GO TO NEXT SECTION

Q30 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO NEXT SECTION
ASK Q31 to Q35 IF CHARGES BROKEN DOWN INTO:
COMMISSION ELEMENT PAID TO INTERMEDIARY CHARGE

Q31 Is there an ongoing commission charge paid to the intermediary, or is commission charged just once, or over a limited period of time?

Ongoing 1 – Q32 & Q33
Charged only once 2 – Q32 (but not Q33)
Charged over a limited period of time 3 – Q31b
Other – (WRITE IN) 4 – Q32
Don’t know but can find out 5 – Q32
Don’t know and cannot find out 6 – Q32

Q31b What is that time period? PROMPT TO PRECODES

Up to 6 months 1
6 months to 1 year 2
Over 1, up to 2 years 3
Over 2, up to 3 years 4
Over 3, up to 5 years 5
Other WRITE IN 6
Don’t know 7 GO TO Q32

Q32 Is the commission charged as a percentage of the total value of the fund or as a charge per contribution or as a flat fee? MULTI CODING ALLOWED

As percentage of fund 1 – Q33 & Q34
As a percentage charge per contribution 2 – Q33 & Q34
As a flat fee 3 – Q33 & Q35

Other (WRITE IN) 4 – NEXT SECTION Q36
Don’t know but can find out 5 – NEXT SECTION Q36
Don’t know and cannot find out 6 – NEXT SECTION Q36

Q33 How frequently is this charged? READ OUT

Annual
Every 6 months
Every 3 months
Monthly
Other (WRITE IN)
DK

ASK
Q34 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE

or

Don’t know but could find out 1
Don’t know & cannot find out 2
Refused 3
NOW GO TO NEXT SECTION

Q35 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO NEXT SECTION
ADDITIONAL CHARGES SECTION

ASK ALL
I am now going to ask you about possible charges for various additional services that your scheme may or may not provide.

ADDITIONAL CHARGES FOR FUND MANAGEMENT
Q36a Are there any additional charges for specific funds choices made by the member that are incurred in addition to the annual management or core fund management charge?

PROBE TO PRE-CODES
Yes – there are charges 1 – Q36b
No – there are no charges 2 – Q41
Don’t know but could find out 4 – Q41
Don’t know & cannot find out 5 – Q41

Q36b What kinds of fund choices are these charges made for?
OPEN ENDED
OPTION 1
OPTION 2
OPTION 3
OPTION 4
OPTION 5

Q36c And which one (of the fund choices you just mentioned) is most prevalent?

OPTION X Q37 though to Q40 based on this option

Q37 Is this charged as a percentage of the total value of the fund or as a charge per contribution or as a flat fee? SINGLE CODE

As percentage of fund 1 – Q38 & Q39
As a percentage charge per contribution 2 – Q38 & Q39
As a flat fee 3 – Q38 & Q40
Other (WRITE IN) 4 – NEXT SECTION Q41
Don’t know but can find out 5 – NEXT SECTION Q41
Don’t know and cannot find out 6 – NEXT SECTION Q41

Q38 How frequently is this charged? READ OUT
Annual
Every 6 months
Every 3 months
Monthly
Other (WRITE IN)
DK
Q39 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.

ENTER EXACT FIGURE

or

Don’t know but could find out 1
Don’t know & cannot find out 2
Refused 3

NOW GO TO NEXT SECTION

Q40 How much is this flat fee?
ESTIMATE TO NEAREST £
## FUND SWITCHING

Q41 Are there any charges for fund switching, i.e. when a scheme member chooses to switch some or all of their pension savings from one fund within the scheme to another?

<table>
<thead>
<tr>
<th>PROBE TO PRE-CODES</th>
<th>Q42</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes – there are charges</td>
<td>1</td>
</tr>
<tr>
<td>No – there are no charges</td>
<td>2</td>
</tr>
<tr>
<td>Don’t know but could find out</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know &amp; cannot find out</td>
<td>4</td>
</tr>
</tbody>
</table>

Q42 Is this charged for all switches or just for above a certain number of switches per year?

| For all switches                                       | 1   |
| Above a certain number of switches per year            | 2   |
| Don’t know but could find out                          | 3   |
| Don’t know & cannot find out                           | 4   |

Q43 What is the maximum number switches per year allowed before charges are made?

ENTER EXACT NUMBER

Don’t know

NOW GO TO Q44

Q44 Is this charged as a percentage of the total value of the fund or as a flat fee? SINGLE CODE

| As percentage of fund                                  | 1   |
| As a flat fee                                          | 2   |
| Other (WRITE IN)                                       | 3   |
| Don’t know                                             | 4   |

Q45 What is the current percentage charge?

PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.

ENTER EXACT FIGURE

or

Don’t know

Refused

NOW GO TO Q47
Q46 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q47

TRANSFERS OUT
Q47 Are there any charges for transferring funds out of the scheme, e.g. to another pension scheme?
PROBE TO PRE-CODES
Yes – there are charges 1 – Q48
No – there are no charges 2 – Q51
Don’t know but could find out 3 – Q51
Don’t know & cannot find out 4 – Q51

Q48 Is this charged as a percentage of the total value of the fund transferred or as a flat fee? SINGLE CODE

As percentage of fund transferred 1 – Q49
As a flat fee 3 – Q50
Other (WRITE IN) 4 – NEXT SECTION Q51
Don’t know 5 – NEXT SECTION Q51

ASK
Q49 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure or

Don’t know 1
Refused 2

NOW GO TO Q51

Q50 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q51
REFUND CHARGES

Q51 Are there any charges for refunds of pension contributions (e.g. if a member leaves after only a short time in the scheme)?

PROBE TO PRE-CODES
Yes – there are charges  1 – Q52
No – there are no charges  2 – Q55
No – there are no refunds  3 – Q55
Don’t know but could find out  4 – Q55
Don’t know & cannot find out  5 – Q55

Q52 Is this charged as a percentage of the total value of the refund or as a flat fee? SINGLE CODE

As percentage of refund  1 – Q53
As a flat fee  2 – Q54
Other (WRITE IN)  3 – NEXT SECTION Q55
Don’t know  4 NEXT SECTION

Q53 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure
or
Don’t know
Refused  3

NOW GO TO Q55

Q54 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q55

Appendices – Occupational pension scheme survey – questionnaire
DILUTION LEVY

Q55 Is there any form of dilution levy charging, i.e. a levy to cover any difference between the actual cost of buying and selling investments and the mid-market value?

PROBE TO PRE-CODES

Yes – there are charges 1 – Q56

No – there are no charges (as these costs are included in the general fund management costs) 2 – Q60

Don’t know but could find out 4 – Q60

Don’t know & cannot find out 5 – Q60

Q56 Is this charged as a percentage of the total value of the fund or as a charge per contribution or as a flat fee? SINGLE CODE

As percentage of fund 1 – Q57 & Q58

As a percentage charge per contribution 2 – Q57 & Q58

As a flat fee 3 – Q57 & Q59

Other (WRITE IN) 4 – NEXT SECTION Q60

Don’t know 5 – NEXT SECTION Q60

Q57 How frequently is this charged? READ OUT

Annual

Every 6 months

Every 3 months

Monthly

Other (WRITE IN)

DK

ASK

Q58 What is the current percentage charge?

PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.

ENTER EXACT FIGURE

or

Don’t know

Refused

NOW GO TO Q60

Q59 How much is this flat fee?

ESTIMATE TO NEAREST £

NOW GO TO Q60
TRANSFERS TO ALTERNATIVELY SECURED PENSION/BUYING AN ANNUITY

Q60 Are there any charges for transferring to an alternatively secured pension or for transferring prior to buying an annuity?

PROBE TO PRE-CODES
Yes – there are charges 1 – Q61
No – there are no charges 2 – Q64
Don’t know but could find out 3 – Q64
Don’t know & cannot find out 4 – Q64

Q61 Is this charged as a percentage of the total value of the fund transferred or as a flat fee? SINGLE CODE

As percentage of fund transferred 1 – Q62
As a flat fee 3 – Q63
Other (WRITE IN) 4 – NEXT SECTION Q64
Don’t know 5 – NEXT SECTION

ASK
Q62 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE
or
Don’t know
Refused

NOW GO TO Q64

Q63 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q64

PENSION SHARING ON DIVORCE

Q64 Are there any charges for pensions on divorce and implementation of court orders?

PROBE TO PRE-CODES
Yes – there are charges 1 – Q65
No – there are no charges 2 – Q68
Don’t know but could find out 3 – Q68
Don’t know & cannot find out 4 – Q68
Q65 Is this charged as a percentage of the total value of the fund or as a flat fee? SINGLE CODE

As percentage of fund 1 – Q66
As a flat fee 3 – Q67
Other (WRITE IN) 4 – Q68
Don’t know 5 – Q68

ASK
Q66 What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE
or
Don’t know
Refused 3

NOW GO TO Q74

Q67 How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q68

ASK ALL
Q68 Are there charges for any other services that we have not covered here?
Yes 1 – Q69
No 2 – Q74

Q69 What other services are these? RECORD SEPARATELY AS FIRST MENTION, SECOND MENTION, ETC

FIRST MENTION WRITE IN
SECOND MENTION WRITE IN
THIRD MENTION WRITE IN

ASK Q70A/B/C SEPARATELY FOR EACH MENTION ABOVE UP TO 3 MENTIONS
Q70A/B/C Is this charged as a percentage of the total value of the fund or as a charge per contribution or as a flat fee? SINGLE CODE

As percentage of fund 1 – Q71 & Q72
As a percentage charge per contribution 2 – Q71 & Q72
As a flat fee 3 – Q71 & Q73
Other (WRITE IN) 4 – NEXT SECTION Q74
Don’t know 5 – NEXT SECTION Q74
Q71A/B/C How frequently is this charged? READ OUT
Annual
Every 6 months
Every 3 months
Monthly
Other (WRITE IN)
DK

ASK
Q72A/B/C What is the current percentage charge?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
ENTER EXACT FIGURE
or
Don’t know but could find out 1
Don’t know & cannot find out 2
Refused 3

NOW GO TO Q74

Q73A/B/C How much is this flat fee?
ESTIMATE TO NEAREST £

NOW GO TO Q74
CHARGE VARIATION SECTION

Finally some questions on some other possible charge variations.

ASK ALL

Q74 Does your scheme have an active member discount, i.e. for members who are actively contributing?

Yes 1 – Q75
No 2 – Q78
Don’t know but could find out 3 – Q78
Don’t know & cannot find out 4 – Q78

Q75 How is this discount applied, as a % of the fund value or some other way?

% of the fund value 1 – Q76
Other way (WRITE IN)_________ 2 – Q78
Don’t know 3 – Q78

Q76 What is the highest rate in percentage terms that a deferred member pays?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT (e.g. 0.3% less)
ENTER EXACT FIGURE

or

Don’t know but could find out 1
Don’t know & cannot find out 2

Q77 What is the lowest rate in percentage terms that an active member pays (i.e. the rate paid by members who are contributing)?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT
ENTER EXACT FIGURE

or

Don’t know but could find out 1
Don’t know & cannot find out 2

ASK ALL

Q78 Are members charged lower rates if they have larger funds?

Yes 1 – Q79
No 2 – Q83
Don’t know but could find out 3 – Q83
Don’t know & cannot find out 4 – Q83

Q79 What value of fund leads to a reduced rate?
PROMPT FOR BEST ESTIMATE, E.G. £30,000 TO BE ENTERED AS 30000
CATI NOTE: ALLOW FOR UP TO 999,999,999

Don’t know 1
Q80 Is this a reduced rate based on the total fund value for that member?
Yes  1
No  2

Q81 What is the highest rate in percentage terms that a member who has a small fund will pay?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT (e.g. 0.3% less)
Enter exact figure
or
Don’t know but could find out  1
Don’t know & cannot find out  2

Q82 What is the lowest rate in percentage terms that a member with a large fund will pay?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT
Enter exact figure
or
Don’t know but could find out  1
Don’t know & cannot find out  2

ASK ALL
Q83 Are there any front-loaded charges for members?
Yes  1 – Q84
No  2 – Q89
Don’t know but could find out  3 – Q89
Don’t know & cannot find out  4 – Q89

Q84 What period do these charges cover – for example are they just for the first year or for longer?
PROBE TO PRE-CODES
For initial entry into company scheme  1
For year 1 only    2
For years 1 & 2    3
For years 1 to 3    4
Other WRITE IN     5
Don’t know but could find out  6
Don’t know & cannot find out  7

Q85 How are these front-loaded charges calculated – as a % of the annual contribution, or as a flat fee, or some other way?
% of annual contribution  1 – Q86 + 87
Flat fee      2 – Q88
Other WRITE IN      3 – Q89
Q86 What is the current percentage front-loaded charge?  
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.  
ENTER EXACT FIGURE  
or  
Don’t know but could find out 1  
Don’t know & cannot find out 2  
Refused 3  

Q87 And what is the lowest value that this charge falls to after the front-loading?  
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.  
ENTER EXACT FIGURE  
or  
Don’t know but could find out 1  
Don’t know & cannot find out 2  
Refused 3  

NOW GO TO Q89  

Q88 How much is this flat fee?  
ESTIMATE TO NEAREST £  

NOW GO TO Q89  

ASK ALL  

Q89 Do the scheme charges vary over the lifetime of the scheme, for example are they reduced after a set number of years?  
Yes 1 – Q90  
No 2 – Q97  
Don’t know but could find out 3 – Q97  
Don’t know & cannot find out 4 – Q97  

Q90 Is the charge highest when the member first joins the scheme?  
Yes  
No  

Q91 And after how many years does the charge fall to its lowest?  
PROBE FOR EXACT NUMBER.  
CATI NOTE: CODE UP TO 99  
Don’t know but could find out 1  
Don’t know & cannot find out 2
Q92 And how is the charge calculated?
PROBE TO PRE-CODES
As percentage of member’s total fund value 1 – Q93 & 94
As a percentage charge per contribution 2 – Q93 & 94
As a flat annual fee 3 – Q95 & 96
Other (WRITE IN) 4 – Q97
Don’t know but can find out 5 – Q97
Don’t know and cannot find out 6 – Q97

Q93 What is highest percentage charged when a member first joins?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure
or
Don’t know but could find out 1
Don’t know & cannot find out 2
Refused 3

Q94 And what is the lowest value that this charge falls to?
PROMPT FOR BEST ESTIMATE TO ONE DECIMAL POINT.
Enter exact figure
or
Don’t know but could find out 1
Don’t know & cannot find out 2
Refused 3

NOW GO TO Q97

Q95 How much is this annual flat fee at its highest?
ESTIMATE TO NEAREST £

Q96 And what does this annual flat fee fall to at its lowest?
ESTIMATE TO NEAREST £

FUNDS UNDER MANAGEMENT

And now a few questions about the size of the pension fund

Q97 What do you estimate is the total value of the funds under management?
PROMPT FOR AN EXACT NUMBER ENTERED IN FULL______________________
e.g. enter £2 million as 2,000,000
Don’t know but could find out 1
Don’t know and cannot find out 2

Q99 So based on your previous two answers would you agree that the average funds under management are: CATI SPEC SHOW FIGURE Q97 / Q5 AS £ PER MEMBER
Yes – I agree that seems correct
No – REDO Q97 & 5

Q100 Can you estimate what the average gross pay is of your active members?
Yes – ENTER EXACT FIGURE E.G. £30K per year = 30,000
Don’t know but could find out
Don’t know & impossible to estimate
Refused

ASK ALL

Q101 Are there any other aspects of your scheme’s charges that we have not discussed or you want to clarify? OPEN ENDED
No 1
Yes – WRITE IN 2

DEMOGRAPHICS
Record respondent name

RECONTACT QUESTIONS
Q102 Do you want to be e-mailed a summary of key findings when it is available?
Yes 1 – RECORD E-MAIL ADDRESS
No 2

Q103 Can we recontact you if we need to get clarification about any of your answers?
Yes 1
No 2

WEB OR POSTAL SURVEY ALTERNATIVES
DEPENDING ON NUMBER OF ‘Don’t know but could find out’ ANSWERS THE INTERVIEWER TO RECORD IF RESPONDENT NEEDS TO BE RECONTACTED TO COMPLETE THE INTERVIEW
Appendix E
WPPs survey – questionnaire

Survey of Charging in Contract-Based Workplace Pension Plans
The DWP and Ipsos MORI are extremely grateful for your participating in this research study of the top 20 or so providers of contract-based WPPs.

The information required below for the study is factual-based numbers from your company’s database systems.

All information you provide in the exercise will be treated in the strictest confidence by Ipsos MORI, and for the purpose of analysis and reporting will be merged together with information collected from all providers in aggregate form. No information identifying you, your company or any individual schemes will be passed to the DWP or any other organisation.

We have attempted to keep the type of information we require as simple as possible, and we hope the information required at the questions below is self-explanatory; however, if you require further clarification, please call Alex Lewis or Ed Vargeson at Ipsos MORI on 0207 347 3000.

Please return completed documents by email to alex.lewis@ipsos.com or edward.vargeson@ipsos.com, by w/c 17 Aug 2009. Please call us in advance to discuss your preferred method for emailing an encrypted/secure version of this document to us once it has been completed.

Ipsos MORI Company Code Reference Number:

..........................................................................................................................
Question 1a

Firstly, in order for the DWP to gain an understanding of the levels of charging on schemes and how this can vary, the most reliable way to achieve this is to ask for your co-operation in providing us with factual information on how many schemes you have sold, and the level of charging on these.

The only reason we ask for information relating to the April 2008 – April 2009 financial year is to ensure that information provided is based upon a defined period of time, which is easy to calculate.

Please fill in the yellow boxes below to indicate the total number of GPP (group personal pension) and stakeholder pension (SHP) schemes your company sold in the April 2008 – April 2009 financial year, broken down by:

(i) the number of scheme members as at 5th April 2009.

(ii) the standard basic annual management charge (AMC) paid by all members – ie. the basic charge charged to all members, excluding any ad hoc charges

<table>
<thead>
<tr>
<th>Standard basic AMC charged to scheme members</th>
<th>Number of GPP/SHP schemes your company sold in the April 08 – April 09 financial year, where the scheme membership was 5-49 employees as at 5th April 2009</th>
<th>Number of GPP/SHP schemes your company sold in the April 08 – April 09 financial year, where the scheme membership was 50-149 employees as at 5th April 2009</th>
<th>Number of GPP/SHP schemes your company sold in the April 08 – April 09 financial year, where the scheme membership was 150+ employees as at 5th April 2009</th>
<th>Comments (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.39%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.4% – 0.59%</td>
<td></td>
<td></td>
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<tr>
<td>0.6% – 0.79%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>0.8% – 0.99%</td>
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<td></td>
<td></td>
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<tr>
<td>1% – 1.49%</td>
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<tr>
<td>1.5% +</td>
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<tr>
<td>TOTAL</td>
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</tr>
</tbody>
</table>

Notes on question 1a:

(a) Separate numbers for GPPs and SHPs are not required – just one set of numbers totalling both types of schemes is needed.

(b) An optional comments box is included, for you to add explanatory notes behind the numbers you have entered if you feel this is required (for example to give brief
guidance on factors influencing pricing levels, and if there are any significant differences in pricing methods for GPPs compared to SHPs).

(c) Information is required in this format, as we will be attempting to draw up a distribution of pricing across the market – based on the information given by providers – along the lines of the illustrative graph shown below. Please note, the numbers in the graph below are imaginary, and have been used purely for illustrative purposes.

**Question 1a – distribution of standard basic AMC**

![Illustrative Graph](image)

**Question 1b**

Please complete the same distribution as for question 1a, but this time showing what the standard basic annual management charge (AMC) charged to all scheme members would be, **assuming that any elements of the charge which result from commission being paid to intermediaries were excluded.**

Where charges on schemes do not carry any elements of an intermediary commission, please still include these in the table below, so that the total number of schemes shown matches the table at question 1a.
Notes on question 1b:

(a) This information is required so that the DWP can understand what proportion of the AMC paid by a scheme member is as a result of any commission paid to intermediaries.

(b) Again, separate numbers for GPPs and SHPs are not required – just one set of numbers totalling both types of schemes is needed.

(c) Again, an optional comments box is included, where you can add explanatory notes behind the numbers you have entered if you feel this is required (for example to give brief guidance on factors influencing pricing levels, and if there are any significant differences in pricing methods for GPPs compared to SHPs).

Questions 2 – 7

We would now like to ask you about some types of charge variations and ad hoc charges on GPPs and SHPs.

Please write ‘N/A’ in the spaces provided below if the type of variation/charge indicated is not relevant to your company.

Again, separate numbers for GPPs (group personal pension) and SHPs (stakeholder) are not required – just one set of information totalling both types of schemes is needed – although please indicate below if there are any significant differences in pricing methods for GPPs compared to SHPs.
2a. How many GPP/SHP schemes have you sold in the April 08 – April 09 financial year where an active member discount (ie. reduced AMC levels for members who are actively contributing) has been applied?

……………………………………………………………………………………..

2b. For these schemes where an active member discount has been applied, what is the typical charge level for active members? By typical we are referring to the level most commonly charged.

……………………………………………………………………………………..
……………………………………………………………………………………..

2c. And what is the typical charge level for deferred members?

……………………………………………………………………………………..
……………………………………………………………………………………..

3a. How many GPP/SHP schemes have you sold in the April 08 – April 09 financial year where a charge discount has been applied for members with large(r) funds under management?

……………………………………………………………………………………..

3b. For these schemes, typically what is the range of charge levels applied, and how do these vary with fund size? E.g. what is the lowest charge applied, and for what size of fund does this occur? What is the highest charge applied, and for what size of fund does this occur?

……………………………………………………………………………………..
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4a. How many GPP/SHP schemes have you sold in the April 08 – April 09 financial year where front-loaded charges have been applied (eg. higher charges for the first year or longer, reducing thereafter)?

……………………………………………………………………………………..

4b. For these schemes, typically what is the charge level applied (both in the ‘front-loaded’ part and thereafter)?

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4c. And how can this level of charge vary, and for what reason(s)?

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5a. How many GPP/SHP schemes have you sold in the April 08 – April 09 financial year where variation to charges over the life of the scheme have applied/will apply (eg. scheme charges reducing after a set number of years).

……………………………………………………………………………………..

5b. Again, for these schemes, typically what is the charge level that has applied/will apply?

……………………………………………………………………………………..

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5c. And how can this level of charge vary, and for what reason(s)?

6a. For how many of the GPP/SHP schemes you have sold in the April 08 – April 09 financial year have members incurred additional charges for specific fund choices?

6b. What is the typical level of additional charge that has been applied for specific fund choices?

6c. For what types of fund choices have these typically been applied?

7a. For how many of the GPP/SHP schemes you have sold in the April 08 – April 09 financial year have members incurred additional charges for fund switching? (i.e. when a scheme member chooses to switch some or all of their pension savings from one fund within the scheme to another)?
7b. Are these charges applied for every fund switch, or for switches made above a certain number of switches?

……………………………………………………………………………………..
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7c. What is the typical level of charge applied?

……………………………………………………………………………………..
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Question 8a

Turning now to Group SIPPs, using the table below, please indicate the total number of Group SIPP schemes your company sold in the April 08 – April 09 financial year, broken down by the standard basic annual management charge (AMC) paid by all members – ie. the basic charge charged to all members, excluding any ad hoc charges

<table>
<thead>
<tr>
<th>Standard basic AMC charged to scheme members</th>
<th>Overall number of Group SIPP schemes your company sold in the April 08 – April 09 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.39%</td>
<td></td>
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<tr>
<td>0.4% – 0.59%</td>
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<td>0.6% – 0.79%</td>
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<td>0.8% – 0.99%</td>
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<tr>
<td>1% – 1.49%</td>
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<tr>
<td>1.5 – 1.99%</td>
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<tr>
<td>2%+</td>
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<tr>
<td>TOTAL</td>
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</tbody>
</table>

Question 8b

And during the April 08 – 09 financial year, what was the approximate size of the Group SIPP scheme your company most typically sold, in terms of the number of employees who were scheme members?
Question 8c

Finally, again regarding **Group SIPPs**.

Please see the tables on the next pages.

We would now like to ask you about some types of charge variations and ad hoc charges on Group SIPPs.

Please fill in the tables as appropriate, writing ‘N/A’ in the table if the type of variation/charge indicated is not relevant to your company.
### Charge Variations and Ad Hoc Charges on Group SIPP – Table 1 of 3

<table>
<thead>
<tr>
<th>Additional Charges</th>
<th>Does this type of charge occur Yes/No?</th>
<th>How frequently is this charged? (annual? Per transaction?)</th>
<th>What is the typical (ie. most commonly applied) rate/amount charged?</th>
<th>What is the minimum rate or amount?</th>
<th>What is the maximum rate or amount?</th>
<th>How is the charge levied: eg. as a flat fee or a contribution charge, or as a percentage of funds?</th>
<th>Factors affecting how this type of charge can vary (if applicable)</th>
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</thead>
<tbody>
<tr>
<td>Additional charges for specific fund choices made by the member</td>
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<td>Charges for fund switching (ie. when a scheme member chooses to switch some or all of their pension savings from one fund within the scheme to another) – and above what amount of switches?</td>
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<td>Charges for changes to contributions</td>
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<td>Charges for transfers out (ie. transferring funds out of the scheme, eg. to another pension scheme)</td>
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<tr>
<td>Additional charges</td>
<td>Does this type of charge occur Yes/No?</td>
<td>How frequently is this charged? (annual? Per transaction?)</td>
<td>What is the typical (ie. most commonly applied) rate/amount charged?</td>
<td>What is the minimum rate or amount?</td>
<td>What is the maximum rate or amount?</td>
<td>How is the charge levied: eg. as a flat fee or a contribution charge, or as a percentage of funds?</td>
<td>Factors affecting how this type of charge can vary (if applicable)</td>
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<tr>
<td>Charge for transferring to an alternatively secured pension or for transferring prior to buying an annuity</td>
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<td>Drawdown charge</td>
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<td>Annuity purchase charge</td>
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<td>Refund charge – ie. for refunds of pension contributions (eg. if a member leaves after only a short time in the scheme)</td>
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<tr>
<td>Charges for pensions on divorce and implementation of court orders</td>
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<td>Additional charges</td>
<td>Does this type of charge occur Yes/No?</td>
<td>How frequently is this charged? (annual? Per transaction?)</td>
<td>What is the typical (ie. most commonly applied) rate/amount charged?</td>
<td>What is the minimum rate or amount?</td>
<td>What is the maximum rate or amount?</td>
<td>How is the charge levied: eg. as a flat fee or a contribution charge, or as a percentage of funds?</td>
<td>Factors affecting how this type of charge can vary (if applicable)</td>
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<tr>
<td>ANY OTHER CHARGE VARIATIONS/AD HOC CHARGES WE HAVE NOT COVERED IN THIS TABLE</td>
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<tr>
<td>PLEASE SPECIFY THESE – IF APPROPRIATE – IN THE BLANK ROWS BELOW, ADDING FURTHER BLANK ROWS IF NEEDED</td>
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</tbody>
</table>
Finally, may we have your permission to re-contact you if we need to seek clarification or ask for more details about a particular issue? PLEASE INDICATE IN THE APPROPRIATE BOX BELOW

<table>
<thead>
<tr>
<th>Yes</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>