

Pensions charge cap changes outlined

The Department for Work and Pensions has outlined proposals to enable automatic enrolment pension schemes to make greater use of performance-based fees, which are payable to an investment manager only if they generate high returns on their investments.

Currently these fees are included within the pension scheme charge cap, meaning they are rarely considered viable.

If implemented, these performance fees would be excluded from the charge cap, helping schemes – if they choose to utilise it – overcome barriers to long-term investment and provide new opportunities to invest in areas such as British businesses and green projects.

The intention is to make it easier for schemes to access new channels of investment – such as funding for new British start-ups and the infrastructure needed for the transition to net zero – known as “illiquid investments”. This move can offer greater returns to savers whilst continuing to ensure they remain protected from being charged high fees despite low returns.

Minister for Pensions, Guy Opperman, said:

As automatic enrolment has developed, we have always wanted to ensure the best outcomes for members. This consultation will look at ways to enable schemes to take advantage of long-term, illiquid investment opportunities and provide better returns for members.

Lifting these barriers can also help contribute to the key role finance has in tackling climate change, by mobilising private finance towards clean and resilient growth and addressing market barriers to longer-term investing in green projects.

The ‘Enabling Investment in Productive Finance’ consultation, announced at the Budget, builds upon the principles laid out in previous consultations on improving member outcomes and addressing barriers to long-term illiquid investment.

Responses from these previous consultations have highlighted industry support for the objective of providing trustees with greater flexibility when it comes to performance fees and the charge cap.

The latest consultation will investigate ways the government can facilitate that, while ensuring that the current protections in place to shield members from high and unfair charges are not diluted.

Further information

- The consultation period begins on 30 November 2021 and the final date for submission of responses will be midnight on 18 January 2022.
- Read the [Enabling Investment in Productive Finance](#) consultation on GOV.UK.

Media enquiries for this press release – 0115 965 8781

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