[Press release: CMA proposes pension investment reforms]

Investment consultants advise pension trustees, who oversee companies' pension schemes, on how to invest their funds. Some pension schemes delegate investment decisions to fiduciary managers. These firms have influence over half of all UK households' retirement savings and work with pension scheme assets worth at least £1.6 trillion. Good investment management helps ensure people receive the pension they expect upon retirement.

In September last year the Competition and Markets Authority (CMA) launched a market investigation into this sector, at the request of the Financial Conduct Authority (FCA), and the CMA's provisional decision has today been published.

While pension schemes can choose from a range of different firms, the CMA has identified competition problems within both the investment consultancy and – to a greater degree – the fiduciary management markets. Its provisional findings include:

- Around half of pension schemes choose the same provider for fiduciary management that they use for investment consultancy. Their current investment consultant can steer them to do this. This means companies which offer both services have an advantage over other firms, when it comes to getting this business from existing clients.
- A number of pension trustees have low levels of engagement with providers in the sector when choosing their first fiduciary manager. Only a third of trustees ask firms to compete for their business through a tender process, meaning no competitive pressure is put on their existing investment consultant or fiduciary manager to offer the best terms or highest performance.
- Pensions trustees often do not have sufficient information on the fees or quality of these services to be able to judge if they're getting a good deal from their existing investment consultant or fiduciary manager, or if they could do better elsewhere.

As part of today's [report], the CMA has proposed a number of changes to these markets to deal with its concerns, including:

- Pension trustees selecting their first fiduciary manager must run a competitive tender. Trustees who have already appointed a fiduciary manager without doing this must also put the role out to tender within five years. This would increase competition in the market and reduce the competitive advantage held by the incumbent investment consultant when it comes to getting the new business.

- Fiduciary management firms must provide clearer information on fees and how they have performed for other clients, so that pension trustees have the information they need to make meaningful comparisons between different providers.

- The CMA is also making recommendations for new guidance from The Pensions Regulator, which would provide trustees with more advice on how to choose and scrutinise providers. It is also proposing that the government broadens the FCA's regulatory scope, to ensure greater oversight of the industry.

John Wotton, Chair of the CMA's Investment Consultants Market Investigation, said:

> We're concerned that pension schemes are not currently putting pressure on the market to get the best value for money on behalf of their members. They may lack the information they need to compare competing offers and so could be sticking with their existing investment consultant or fiduciary manager when there are better options available.
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> This is an extremely important sector that influences how well millions of people's pension savings are invested, and it's therefore vital we take steps to make sure that competition is working properly. That's why we're proposing a number of important reforms to the sector, including requiring pension trustees to run a competitive tender when they choose a fiduciary manager and ensuring that trustees have much better information about fees and investment performance.

The CMA is inviting feedback on the provisional decision report by 24 August 2018. You can find out how to submit this, as well as further information on the market investigation case page. The statutory deadline for the CMA's final report is 13 March 2019.

Notes to Editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. It has functions under the Enterprise Act 2002, as amended by the Enterprise and Regulatory Reform Act 2013.

2. As set out in the FCA's terms of reference, the investigation covers investment consultancy services, which provide advice to institutional investors (mainly pension funds) and employers on their pension schemes; and fiduciary management services, where the provider makes and

implements decisions for the investor (for example, to select a fund in which to invest).

3. The CMA appointed an independent group of panel members to carry out the investigation and make decisions in this case, which is chaired by John Wotton, one of the CMA's designated inquiry chairs. The other panel members are Lesley Ainsworth, Bob Spedding and Tim Tutton. All the appointees are chosen from the CMA's expert independent panel members, who come from a variety of backgrounds, including economics, law, accountancy and business.

4. Enquiries should be directed to the CMA's press team, press@cma.gov.uk, or 020 3738 6191.

5. For more information see the CMA's homepage, or follow us on Twitter, Facebook, and LinkedIn. Sign up to our email alerts to receive updates on the markets cases.