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NOW: PENSIONS URGE DWP TO FOCUS ON THE LONG TERM IMPACT OF CHARGES

In its response to the DWP’s consultation on charges submitted today, NOW: Pensions, the independent multi-employer trust, has stressed the importance of focussing on the effects of charges over the lifetime of the scheme rather than placing too much emphasis on annual management charges.

Morten Nilsson, CEO of NOW: Pensions said: *“Pensions are a long term saving vehicle; looking at charges over a single year can distort the benefits that come with long term saving. By capping the overall percentage of the pot that can be lost to charges over the lifetime of the scheme, providers would have greater flexibility in terms of what they offer and how their charges are structured whilst ensuring the costs remain fair and reasonable.”*

Using the scenarios given in the DWP consultation document, NOW: Pensions examined the total percentage of the pot lost to charges and has established an easy to understand, single number index. In order for schemes to be classified as suitable for auto enrolment, they must score below 100.

	AMC%	Pension pot with charges (%)	Pension pot lost due to charges (%)
Individual A Saves throughout their working life from age 22 to 68	1%	75.28	24.18
	0.75%	81.14	18.86
	0.50%	86.92	13.08
	NOW: Pensions	91.84	8.16
Individual B Saves from age 45 until SPa	1%	88.25	11.75
	0.75%	91.03	8.97
	0.50%	93.91	6.09
	NOW: Pensions	95.33	4.67
Individual C Saves from age 22 until SPa with a 15 year break at age 30	1%	77.59	22.41
	0.75%	82.51	17.49
	0.50%	87.85	12.15
	NOW: Pensions	91.31	8.69
Individual D Saves from age 25 to 50 and then remains deferred until SPa	1%	72.35	27.65
	0.75%	78.42	21.57
	0.50%	85.04	14.96
	NOW: Pensions	89.71	10.29

The NOW: Pensions index takes into account the average of the pot lost due to charges across the four scenarios to establish a ranking with 0.75% as the maximum level of charging, ranked as 100.

AMC	Average pot lost due to charges (%)	Index (0.75% maximum charge)
1%	21.560	129
<u>0.75%</u>	<u>16.723</u>	<u>100.000</u>
0.50%	11.570	69
NOW: Pensions	7.953	47.5

Morten Nilsson continues: *“Having an index like this would ensure that providers with excessive charges are excluded from the market in a simple and efficient way. By taking a more holistic approach, the unwanted side effects of an oversimplified cap such as lack of innovation and reduction in competition are avoided.”*

- Ends -

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Notes for editors:

DWP scenarios based on:

- Initial annual contribution: £1,200
- Investment growth: 7.00%
- Annual contributions growth: 4.00%
- State Pension age (SPa) of 68 – except individual B who is assumed to reach SPa at age 67 (in line with government proposals)
- NOW: Pensions charging structure is based on 0.3% AMC and £1.50pm administration charge

NOW: Pensions www.nowpensions.com @NowPensions

NOW: Pensions is a multi-employer trust. The investments are managed by NOW: Pensions Investments, a subsidiary of ATP in Denmark, and the administration is carried out by Paymaster, an established UK third party administrator.

The NOW: Pension Trustee Directors, whose role is to safeguard the interests of members, comprises well-known industry figures with different areas of expertise:

- Nigel Waterson, former Shadow Pensions Minister
- Imelda Walsh, former Group HR Director of Sainsbury’s
- John Monks, member of House of Lords and former General Secretary of ETUC and TUC
- Christopher Daykin, former Government Actuary
- Win Robbins, former Head of European Fixed Income at Barclays Global Investors

NOW: Pensions is committed to developing a better workplace pension provision in the UK by offering a simple, high quality, cost efficient and systematically risk managed pension product that delivers better retirement savings for UK employees. With over 45 years’ experience providing Denmark’s working population with stable and consistent pensions returns, NOW: Pensions is set to transfer the knowledge acquired in Denmark to the UK pension market. Charges are just £1.50 per month administration charge (reduced administration charge of £0.30 - £1.00 to be applied during auto enrolment phasing for lower earners) plus a 0.3% annual product investment management charge, with no hidden charges.

In April 2013, NOW: Pensions became the first master trust to attain the NAPF's new PQM Ready Standard. The benchmark shows employers that NOW: Pensions is a well governed pension scheme with low charges and good member communications.

The ATP Group www.atp.dk

Arbejdsmarkedets Tillaegspension (ATP) / Danish Labour Market Supplementary Pension is a statutory pension fund. It was established as an independent entity in 1964 with the objective of ensuring a greater retirement income for the Danish population. ATP has since developed to become one of the largest pension funds in Europe and the largest pension fund in Denmark. Together with the tax-financed basic state pension, ATP provides basic income security in old age for the Danish population.

ATP covers almost the entire Danish population representing 4.8 million members and 160,000 employers. In addition to the ATP Scheme, the ATP Group administers a number of pension and social insurance schemes, including several for the Danish state.

The ATP Group total assets under management amounted to DKK 602bn/approximately GBP 67.5bn at 30 June 2013. ATP invests in a wide variety of assets globally. Investment categories are broadly: equities, interest rates, credit, inflation and commodities.