

Dear Mr. Haddrill and Mr. Sutcliffe

Mindful of the October 31 deadline for submissions to your consultation, may I draw your attention to my report *Put the saver first*, attached, backed by Conservative *and* Labour peers (de-politicisation is key if we are to progress the necessary reforms of the pensions and savings industry). Chapter 13, in particular, concerns transparency, and includes 8 specific proposals (Proposals 78 to 85).

More specifically, may I stress the vital importance of requiring **asset turnover** to be reported by actively-managed funds. Two Oxford academics (Abrahamson and Jenkinson) attempted to quantify the transaction cost impact of asset turnover on the public sector's funded pension schemes. They experienced years of obstruction by the industry (their Freedom of Information requests for IMA Tables were denied), and finally resorted to appealing (successfully) to the Information Commissioners. Only then were they able to discover that whilst average commission rates had fallen, this apparent consumer triumph was extinguished by the revelation that trading volumes had increased significantly. Total commission payments to brokers more than doubled between 2003 and 2007, ***care of boosted portfolio turnover, which tripled over the period being reviewed***. None of this information is in the public domain. Access to private sector schemes' data is perhaps even more difficult, because they are not even subject to the Freedom of Information Act.

Others have quantified the cost of excessive trading by funds in which UK private sector pensions schemes are invested. One report suggests that UK pension funds have an average portfolio turnover of 128% each year (i.e. holdings are kept for an average of just nine months). ***This adds 0.7% per annum in undisclosed costs, totalling £3.1 billion in hidden annual charges***. The cumulative effect of this, over 20 years, would be to shrink retirement pots by up to 15%.

Happy to discuss.

Best wishes

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