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## UK keeps pressing for lower retirement plan fees

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By Editorial Staff    *Fri, Oct 24, 2014*

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Like the U.S. Department of Labor, the UK government continues to pressure defined contribution plan trustees to examine the fees charged to participants. The UK has already put a 0.75% cap on plan fees, effective next April.

"Gone are the days when a government will allow a government-approved product to charge 1.5% for 10 years," said Steve Webb, Liberal Democrat member of parliament, at the UK National Association of Pension Funds conference in Liverpool this week, according to IPE.com.

Industry requests to postpone the deadline on the cap have been rejected by the government, which promised however to reevaluate the measure to include transaction costs in 2017.

A new directive or "command paper" from the UK government has added pressure on plan sponsors to "delve into the murky world of transaction costs," requiring fiduciaries "to investigate transaction costs and establish how much participants are paying for each plan service."

"This document places a duty on trustees to find out, ask questions and establish where money is going out and if it going for good reason," Webb told the NAPF. "We wondered whether to include transaction costs in the charge cap for April 2015, but we realized we didn't have a clue. We didn't know what number to put in and what to include because we didn't have the information."

"Transaction costs are the murky secretive cupboard of the industry," he said. "Trustees do not know what is happening to their members' money and what is being sliced out."

In a de-regulatory move last spring, Britain's conservative government dropped the UK's long-standing requirements, for certain participants, to annuitize all of their tax-deferred savings by age 75.

A new survey in the U.S. by retirement investment advisory firm Rebalance IRA found that

many full-time employed baby boomers do not have a clear understanding of the fees they are paying in their retirement accounts.

When asked what they pay in retirement account fees, 46% believed that they do not pay any fees at all. A further 19 % suggest that their fees are less than 0.5%. Only 4% of those surveyed believe they pay over 2% in retirement account fees.

According to a recent 401(k) Averages Book, the average employee had various fees of 1.5% each year deducted from his or her 401(k) account. Smaller plans with the highest fees averaged nearly 2.5% and were as high as 3.86%.

Rebalance IRA's survey of 1,165 full-time employed Americans aged 50-68 suggests that, despite a rule by the Department of Labor that went into effect in 2012 requiring plan sponsors to provide greater transparency about fees, there remains a great deal of confusion among consumers.

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