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Stronger nudge to pensions guidance

Department for Work and Pensions





Pensions Management Institute

Moving pensions forward

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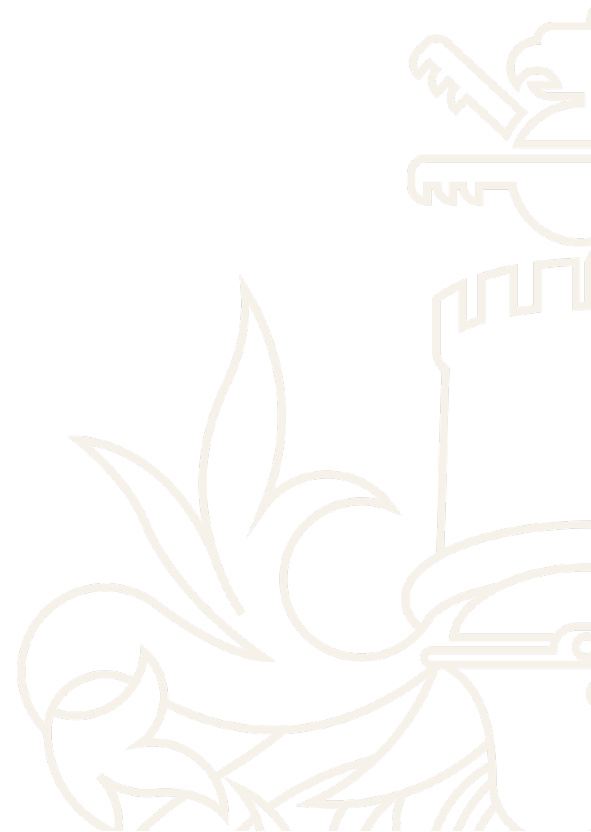
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Response from the Pensions Management Institute to DWP's call for evidence

Introduction

PMI is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 7,000) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.



1. Do you agree with our proposed approach to defining when the Stronger Nudge should be delivered? If not what changes do you consider necessary?

We agree the principle of delivering the Stronger Nudge to those 50 and over is appropriate although the earliest age for accessing pensions in most cases is 55 increasing to 57. Might 50 be too early particularly as the proposal is to only nudge once?

2. Do you agree with our proposed approach to appointment bookings? If not, what changes do you consider necessary?

This approach works where the member has only ever been a member of one scheme. Most members will have multiple scheme memberships so logistically it does not seem a practical approach for trustees and managers to book an appointment. The ability for a member to book their own appointment as described for both the digital and postal seems the most sensible approach. The member will then only have one appointment booked rather than multiple appointments which will all require the same pension benefit details. It is worth noting if the scheme administrators are expected to book the appointments this will be a significant drain on resources both in time and money.

It would be sensible for full details of the various ways to contact pension wise are provided to all members. The assumption that a paper based journey indicates that the member has no way to book an appointment on line is not necessarily correct.

3. Do you agree with the proposed approach to requiring an opt out in a separate interaction? If not, what changes do you consider necessary?

We agree that there should be the requirement for the member to actively opt out of guidance but how practical is it for this activity to fall to the scheme administrators to undertake as a separate interaction in all cases. If there is an online booking process offered via the scheme it would seem possible that an opt out option is included and captured at the point of accessing the information.

For postal journeys an opt out form could be included at that point. If the member does not complete the relevant form or tick box on the website at that point it may be reasonable for there to be a follow up.

4. Do you agree with our proposed approach to prevent trustees and managers proceeding with the application until they are in receipt of confirmation that the individual has opted-out or received appropriate pensions guidance? If not, what changes do you consider necessary?

We do not agree that trustees and managers should be prevented from sending out information. We would support that transfers could not proceed to payment without evidence that the required financial advice has been received. We would not support transfers being processed if only guidance has been received as this is surely outside of the current requirement that financial advice is required for all DB transfers over £30,000

5. Are the proposed exemption sufficient? If not, what changes do you consider necessary?

We would like to see a complete exemption from the nudge requirements. By definition these beneficiaries have less than 12 months to live and any extra administrative burden or delay cannot be seen as appropriate.

6. Is an exemption for small pots necessary? If so how should this be defined?

Although we would support the inclusion of small pots for the reasons given is it not practical for the separate sessions to be arranged each time a pot is crystallises. A pensions wise appointment would only be a when the first pot is accessed. The member should be able to indicate that guidance has already been taken for subsequent pots up-front as part of the initial stages of their request. Having to complete a separate opt outprocess seems very laborious.

7. Will our proposed exemption for those assessing their pension benefits as a Serious Ill health Lump Sum cover all those who should be exempted from the enhanced opt out on ill health grounds? If not, what changes do you consider necessary?

8. Do you believe our proposed approach to record keeping is proportionate? If not, what changes do you consider necessary?

We would question if it is necessary or practical for the opt out to be recorded in two separate ways.

9. Do you agree with our proposed approach for coordinating the Stronger Nudge and Scams Guidance appointments? If not, what changes do you consider necessary?

We agree with your proposal.

10. Do you foresee any problems with the interaction between the Stronger Nudge and existing sign posting provisions? If so, what changes do you consider necessary?

We do not foresee any problems with your proposals.

11. Are you content that regulation 2 successfully achieves its purpose? If not, what problems do you foresee and what changes do you consider necessary?

We believe that Regulation 2 is helpful in removing the strict requirement to make payment within 6 months. However the extent to which Regulation 2 will be successful in providing trustees flexibility in their decision to make transfer payments where appropriate will depend on the specific provisions of the related regulations referred to.

Issues to consider include

- As mentioned the specific provisions in respect of guidance and their scope and the extent to which compliance with those guidance provisions can be objectively confirmed;

- To the extent that there is subjective judgment (which we think likely) as to whether the guidance provided meets the required conditions then it would be helpful for Regulation 2 to make clear who makes the assessment as to whether the conditions have been met – for example that Regulation 2 is “in the opinion of the trustees”
- Similar clarity would be helpful as to the question of what constitutes a member being “referred” to guidance and also the manner in which and effect of members opting out of guidance.

We also believe that there should be a longstop period of 9 months by which the Trustees can have the discretion to determine that an application to transfer can be treated as terminated due to it being incomplete.

We may feel it is not appropriate for the PMI to comment on 12 -15 as we are not a commercial organisation.

12. What do you anticipate will be the one-off impact of implementing the Stronger Nudge in to each channel (phone/post/digital) you offer? Where costs are incurred, please provide an estimate and any information you feel would be useful to us in understanding these costs.

We believe that the costs for implementing this process is likely to be significant. Changes will be required to systems, new data requirements, changes to retirement processes and communications. Costs cannot be known at this stage.

13. What do you anticipate will be the on-going impact of implementing the Stronger Nudge in to each channel (phone/post/digital) you offer? Where costs are incurred, please provide an estimate and any information you feel would be useful to us in understanding these costs.

14. Where costs are incurred, would you expect the cost to be absorbed, passed on to employers or passed to individual members?

It is likely for trust based scheme costs will ultimately be borne by the employer and for contact based arrangements the member will be responsible for the costs.

15. Do you anticipate any benefits to your business from implementing the Stronger Nudge? Please provide a monetary value where possible.

16. Do you anticipate any wider non-monetised impacts from the stronger Nudge?

It may lead to an increased number of complaints from members who may not want or feel the need to receive guidance therefore increasing the workload of administrators.

17. Do you believe that there are reasons to include a statutory review provision in the proposed regulations?

No

18. Do you consider the proposed regulations achieve the policy intent?

19. Do you foresee any unintended consequences in our proposed approach?

20. Do you have any comments on the impact of our proposals on protected groups and/or views on how any negative effects may be mitigated?

Provided the guidance is provided in ways that are accessible and understandable by all then we have no further comments.

