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Pension Scams: Empowering Trustees and Protecting Members

Department for Work & Pensions





Pensions Management Institute

Moving pensions forward

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Response from the Pensions Management Institute to the DWP's consultation 'Pension scams: empowering trustees and protecting members'

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 6,000) 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.



- 1. Please provide details of any additional types of receiving scheme to which transfers should proceed without additional checks, including how they can be identified for the purposes of the regulations.**

We believe other schemes do need additional checks.

The one confusion for members is they may believe they are in regulated person pension, but actually be in something different with the title of “Personal Pension”.

2. To what extent is the evidence requirement set out in the regulations to demonstrate an ‘employment link’ sufficient and how could it be strengthened?

The evidence suggested to demonstrate an employment link is strong. It be seen as cumbersome for members but as long as it is made clear from the outset what is required, then members should be able to satisfy the evidence.

The potential problem comes where there is a multitude of employers where the member will need to be able to demonstrate that they are paid from the right employer to the right scheme.

Trustees and scheme managers or their administrators, will need to be provided with clear links on multi-employers. I get nervous where a simple letter is provided on company headed paper as evidence as the member may have access to this themselves.

3. How could the evidence requirement for 'residency link' work in practice?

Some countries may be less well-regulated than others, so the evidence may be easier to be provided when it is not true in some jurisdictions.

The evidence provided could be as simple as a utility bill if that country is set up in a similar way to the UK.

Overseas tracing has proved to be difficult in certain countries due to local data protection laws. However, we have seen progression in this for certain countries over recent years. Closer discussion with the leading tracing companies could prove useful. We could consider asking the Foreign Office for guidance on what would constitute clear evidence of residency in other countries, particularly as the government are so for combating pensions scams.

4. How should the 'red flags' as set out in the regulations work in practice?

The red flag list is quite clear, and this could be provided as part of the correspondence to members once we see where they are looking to transfer their benefits to.

5. How should the 'amber flags' as set out in the regulations work in practice?

The amber flags are very subjective.

The first four points.

If we are asking a pension scheme administrator or equivalent to say what is a high-risk investment, or what are high fees, what investments are unorthodox and where are overseas advisers involved, this is going to prove to be very protracted and costly.

Often when a transfer value acceptance is received it will simply say the name of the scheme and details of the approval. It is not always clear where the investments will be held. We suggest two alternative approaches:

1. A list of parameters which will guide the transferring scheme to say what is a concern.
2. Trustees appoint specialist advisers to analyse the answers and advise the trustees about levels of concern.

The points five and six.

If schemes monitor the number of requests, where they are from and the advisors, then the trustees could make a judgement call. Organisations like PSIG/PSIF are monitoring such activity and maybe they could share some of the results.

Again, what constitutes a high volume?

6. Do you have any views on how the requirement to take scams specific guidance from MaPS can work in practice when the pension saver has already taken financial advice?

We imagine this would cause distress to the member if they had already paid for advice and had demonstrated it.

A solution might be that IFAs providing the advice should incorporate the MaPS guidance and clearly demonstrate it.

7. Annex 3 sets out the proposed list of standard questions that trustees and schemes managers should use to help determine the presence of red or amber flags. Do these questions provide a comprehensive list, which if any questions are not needed and what other questions should be included?

Some additional questions could include:

- Have you been told you can access your pension savings before the age of 55, or borrow some money from your pension?
- Have you been told there are legal loopholes you can take advantage of?
- Have you been asked to sign documents delivered by courier and not given copies of any paperwork?