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PENSIONS AND LIFETIME SAVINGS ASSOCIATION

SMALL POTS CROSS INDUSTRY CO-ORDINATION GROUP: SPRING 2022 REPORT

June 2022

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FOREWORD

By Andy Cheseldine, Chair Of The Small Pots Cross-Industry Co-Ordination Group

This is our second report into the challenge of Small Pots in UK pensions provision.

I would like to, once again, thank all of those involved in the underlying analysis, compilation of views and presentation of solutions. There has been an enormous amount of hard work by all involved and would also note the fantastic willingness of the DWP and their support to the progress of the Co-Ordination Group; the open nature of the engagement has really supported the progress to date.

A number of significant challenges remain and we – the Group, the industry in general, and regulators – need to continue to work on them. We recognise that multiple problems require a suite of potential solutions, and the detriment to members if we do not solve these problems is simply too great to contemplate.

Thank you for taking the time to consider this report, we would welcome any feedback you may wish to give.

EXECUTIVE SUMMARY

- Automatic Enrolment (AE) has been hugely successful in bringing millions more people into pensions saving, including those on low incomes and who move jobs frequently. However, this has led to the proliferation of millions of small inactive pension pots. Since the start of the work of the Co-Ordination Group last year, the number of small, deferred pots is likely to have grown by another million. By the end of this year, we expect there to be more than 11 million small, deferred pots in total; without any change in the next ten years, that figure will likely double again[1].

- Small pots are an issue for savers, pension providers and schemes. They add inefficiencies to the UK's pension system and make it more likely that people will lose track of their savings. This increases the risk of savers achieving sub-optimal outcomes and missing out on their savings; with smaller pots much more likely to be cashed in comparison to larger pots.

- The Small Pots Co-Ordination Group published its Initial Update Report in September 2021[2], which outlined the case for small pots consolidation, potential pots in scope, potential efficiency gains in the transfer process and the challenges with data matching. This document reports on the conclusions of findings and next steps identified in the previous progress update, providing further evidence and insight which the Group hopes will continue to move the debate on a small pots solution forward.

- The Group has continued its work on administrative issues which were the focus of its initial work. Progress has been made in a number of areas initially reviewed during 2021, such as refining the design principles and potential ecosystem for any future model, and reviewing the Pensions Act 2014[3] in more detail to understand the degree to which existing legislation could be repurposed in the future.

- New work has focused on analysing specific areas previously identified for progress, including: consolidation models, process flows and ecosystem, 'stock' and 'flow' issues and potential legislative changes needed. This has included:

    - the assessment of low-cost transfer systems and low cost at high scale processes,
    - consumer journeys with different scenarios in various models,
    - articulation of the benefits and costs of small pot consolidation for savers,
    - a review of consumer detriment against each model,
    - the Member Exchange Proof of Concept,
    - cross market research on same scheme consolidation,
    - further analysis and comparison of the Australian small pots models, and
    - the use of National Insurance Numbers (NINOs) as a matching criteria.

- There are actions that industry can take to help reduce some of the small pots in existence. However, the experience of the Group so far is that this would mostly rely on encouraging member-initiated consolidation. Encouraging member-initiated transfers to consolidate pension pots is unlikely to materially reduce the number of small pots. For example, a major AE master trust that measures its joiners and leavers in hundreds of thousands each year has observed that less than 10% of people who cease active membership initiate a transfer themselves, despite current intensive consumer advertising by a number of commercial pension consolidators. Only the implementation of a market-wide automatic transfer solution (or solutions) will make a material difference in reducing the number of deferred small pots currently in existence and preventing the ongoing proliferation of small pots in the future. A whole of market solution must also include those pension pots in contract-based schemes, and transferring these pots ordinarily requires the consent of the owner. It is therefore the view of the industry representatives that this will require legislation.

[1] Calculations updated for the Co-Ordination Group, 2022, based on PPI estimates.

[2] https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2021/Small-pots-cross-industry-co-ordination-group-update-report.pdf

[3] https://www.legislation.gov.uk/ukpga/2014/19/contents

- The Group has reached a consensus on which models should be considered in future, namely Pot follows Member (PfM), multiple Default Consolidators and Member Exchange as potential solutions to the small pots problem. The Group has discounted a single default consolidator during the most recent phase of its work. It may be, as is the case in Australia, that a combination of models is the best solution to reducing the greatest number of inactive small pots.
- Greater analysis is still needed on:
    - the extent to which the models which remain under consideration could be expected to reduce the overall number of remaining small pots (both those that currently exist and new small pots which will be created in the future), and
    - the degree to which these models may impact the financial sustainability of the automatic enrolment market over time.
- Any small pots solution, and its potential impact(s) upon implementation, needs to take account of other relevant initiatives and policy changes currently underway or being considered in the pensions market. Examples of current initiatives and policy changes include: the £100 de minimis on Flat Fee Charges, Value for Money (VfM) assessments, and the increase in the Normal Minimum Pension Age (NMPA). The Stronger Nudge to pension guidance (by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP)) and the new Statutory Right to Transfer conditions were found to have little or no impact on the implementation of a small pots solution as of June 2022.

RECOMMENDATIONS

The Group hopes that the outcome of the next phase will prioritise a model (or models) to take forward and make progress on understanding what changes are needed to implement it. In order to be in a position to identify a preferred solution, the following steps will need to be taken:

1. For a consumer focused cost/benefit analysis to be undertaken on Pot follows Member, multiple Default Consolidators and Member Exchange; all costs as well as benefits will ultimately be borne by members and so it is crucial that this stage is reviewed thoroughly.

2. Analysis to be undertaken of where small pots are in the existing system, the key reasons for their proliferation, and the wider systematic benefits of removing small pots for savers and schemes. The output from the Pensions Data Project (PDP) will help to provide this. This should also include analysis of the potential movement of small pots under the different models.

3. Analysis of the impact of different models on the financial sustainability of the AE market and the resulting impact on the consumer. This has yet to be commissioned but is considered to be a key element in identifying a preferred solution.

4. A clearer understanding of the views of Defined Contribution (DC) savers and employers on the priorities for any potential solution. This should be provided by the research which has been conducted by DWP.

5. Decisions about the preferred model will need to be accompanied with a direction for delivery, governance and funding of the project. The pensions dashboards project, for comparison, has centralised standard-setting and procurement of technical architecture at the Money and Pensions Service (MaPS), which has access to levy funding and is subject to public accountability. It has a bespoke governance arrangement with some industry input, although these arrangements are currently under review with a range of working groups and more planned as the programme develops.

6. The industry representatives' view is that legislation will be required to enable any new framework and to implement a solution which addressing the greatest number of existing small pots, and prevents future proliferation of them. In particular, legislation will be needed to:

- compel all in-scope schemes and providers to take part in implementing the preferred solution,
- enable contract-based providers to carry out transfers without member consent and to broaden the scope for transfers without consent from occupational pension schemes,
- define the deferred pots and schemes in scope,
- set standards to identify eligible receiving schemes, and
- define the liability model for trustees, providers and others involved in the relevant processes.

CHAPTER ONE: PROGRESS SINCE THE INITIAL UPDATE REPORT

BACKGROUND

More than 10 million people have been brought into pension saving since 2012 because of Automatic Enrolment. Workplace pension saving is now the norm, including for lower earners and people who move jobs frequently. However, this success of bringing more people into pension saving has also led to the proliferation of millions of small inactive pots.

This remains an important issue and the problem continues to grow. Since the start of the work of the Co-Ordination Group last year, the number of deferred pots is likely to have grown by another million according to Pension Policy Institute (PPI) research[4]. By the end of this year, there is expected to be more than 11 million small, deferred pots in total; without change in the next ten years, that figure will likely double again. This trajectory outlined in PPI's research, showed that without policy changes the number of small, deferred pots will grow to 27m by 2035 – and that figure only identifies small pots held within authorised master trusts. Over 2.2 million deferred pots under £1,000 are currently held within contract-based schemes[5]. The proliferation of small, deferred pension pots by 2030 will likely result in wasted administration costs of around a third of a billion pounds per annum.

People have also experienced shifts to how or where they work during the pandemic. In the 12 months to January 2022, 380,000 more people became employed and a further 420,000 have become economically inactive since the beginning of the pandemic[6]. There has also been further consolidation in the defined contribution market. The Pensions Regulator's (TPR) 12th DC Trust report found that from December 2020 – December 2021, membership in trust-based schemes increased by about 10% from 18.8 million to 20.7 million, and the number of deferred memberships increased by 15%. As a result, master trusts have grown massively; assets increased by 49.5% from £52.7 billion to £78.8 billion in the same period[7].

Small pots are an issue for savers as well as for pension providers and trustees. They add inefficiencies to the system and make it more likely that people will lose track of their money. The longer this issue takes to resolve, the greater the number of small pots that will need to be moved and the greater the risk that savers will experience sub-optimal outcomes.

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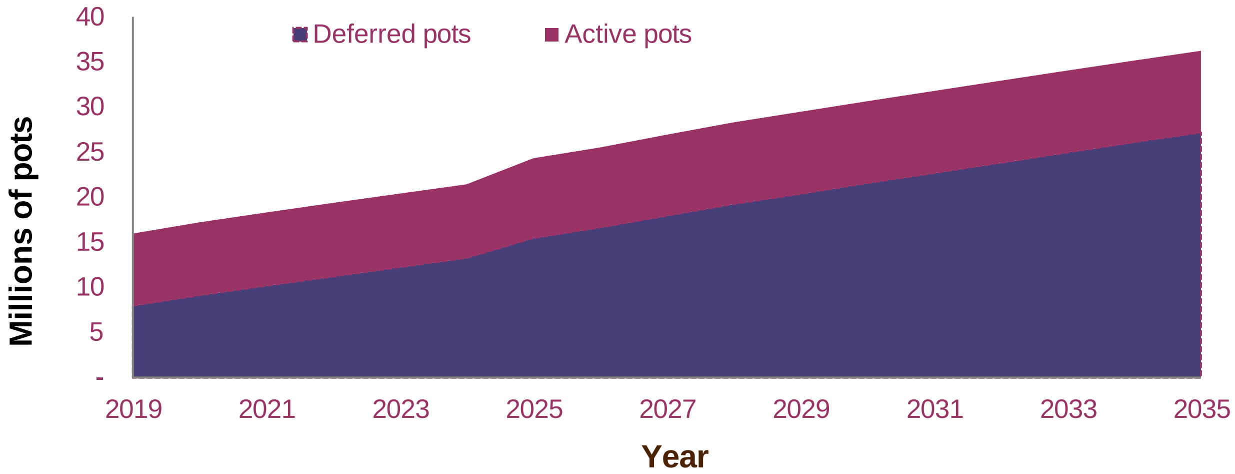
[4] 20200723-deferred-members-final-report-for-the-website.pdf (pensionspolicyinstitute.org.uk)

[5] ABI data, 2021 (collection covered all DC Pension Pots, including Automatic Enrolment Pots).

[6] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/employmentintheuk/latest

[7] https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/dc-trust-scheme-return-data-2021-2022

Figure 1: Projected number of pots among master trust schemes by year, by deferred and active pots, without policy change (PPI).



GROUP'S PROGRESS

The Small Pots Co-Ordination Group published its Initial Update Report in September 2021[9], which set out the case for small pots consolidation, identified potential pots in scope, considered potential efficiency gains in the transfer process and outlined the challenges with data matching. This report provides further evidence that will help inform decisions on the appropriate model for small pots consolidation in the future. Through this evidence gathering, the Group has found that while there are actions that industry alone can do to help reduce some of the small pots in existence, ultimately only the implementation of market-wide automatic transfer solution(s) will make a material difference to the number of deferred small pots currently in circulation, and will prohibit their growth in number in the future.

The Group has reached a consensus on which models should be considered in future, namely PfM, multiple Default Consolidators and Member Exchange[10]. The Group has concluded that a combination of models may be needed to capture the greatest number of small pots, as has been the case in Australia[11]. A combination might entail using one solution for some elements of the problem, and another solution for others, or could entail the chosen solution having some of the characteristics of more than one of those that remain on the table. The option of a single Default Consolidator was assessed against the small pots design principles, and has been excluded from consideration because it did not sufficiently meet them. This was on the grounds that this model would have a disproportionately distortive effect on the market, and would likely be very costly to set up and administer. Regardless of which models chosen, this will be complemented by member-initiated consolidation and underpinned by a low-cost transfer system.

Progress has also been made with the Member Exchange pilot, although the complex effects of Government and regulatory initiatives have become apparent in this workstream, particularly difficulties around the change to the NMPA, which is explored further in Chapter 3 and 4.

This report also sets out:

- the small pots ecosystem (Chapter 2),
- the design principles which should underpin an automatic small pots transfer solution (Chapter 2),

[9] See reference 2.

[10] A summary of the Member Exchange trial that is taking place between master trusts is included in Chapter 3.

[11] Analysis of the Australian Small Pots solutions is included in Chapter 4.

- the potential methods the solutions may follow, including through both a consumer lens and an operational lens (Chapters 2 and 3).

GOVERNMENT AND REGULATORY CHANGES

The Initial Update Report outlined upcoming policy and regulatory changes that will have an impact on any small pots solution. Some of these have moved on significantly in the period since that publication. These include:

- the introduction of a £100 de minimis on Flat Fee Charges for auto-enrolment DC pots,
- the introduction of the final rules on the Stronger Nudge,
- the introduction of legislation which will increase the NMPA from age 55 to age 57 from April 2028 and introduce transitional protection for individuals who had the right to take their pension at 55 before November 2021[12].

The FCA has further consulted further on its plans to introduce a new Consumer Duty, which may impact on how contract-based schemes deal with small pots. Further analysis of the impact of these changes is included in Chapter 4.

RESEARCH PROJECTS

The Initial Update Report highlighted a number of areas where further research would be required to determine appropriate next steps on implementing a small pots automatic transfer model. The DWP is progressing research on testing consumers' priorities and preferences relating to any small pot solution, and hopes to be in a position to publish these findings later in 2022 – further information on this is included in Chapter 4. The PPI Data Sharing project has also published its first report on lessons learned from a cross-provider project. This highlighted the challenges of a project which shares consumer data between different pension providers, and is a useful steer for any similar future small pots work. A subgroup of this Co-Ordination Group consisting of some large Master Trusts have also undertaken research into the feasibility of lowering some costs associated with bulk transfers – a prerequisite for any small pots solution.

SUMMARY OF PROGRESS

The table below summarises the progress that has been made on a number of areas since the publication of the Initial Update Report in September 2021.

	AREA	RESPONSIBILITY	AUTUMN REPORT	SPRING REPORT
Evidential needs	PPI Pensions Data Project	PPI	Ongoing	Progress continues to be made, but as yet there is no set completion date. Further information is provided in Chapter 3.
	Labour Market analysis	Under discussion		Pending further scoping work to establish the existing evidence base.
	Consumer testing	DWP	Being finalised, publication likely later in 2022	DWP has undertaken consumer research – date of publication to be confirmed but should be later in 2022.

12 https://www.gov.uk/government/publications/increasing-normal-minimum-pension-age/increasing-normal-minimum-pension-age

	Evidencing member benefit	Under discussion	Ongoing	Pending further exploratory work on different models.
	Market impact analysis	Under discussion	Ongoing	Pending further exploratory work on different models.
Consolidation models	Same scheme consolidation (in line with the DWP's Small Pots Working Group Report[13] recommendation)	Industry	Ongoing (as far as possible)	Ongoing, as far as possible. Evidence has been collected by the DWP of the extent to which same scheme consolidation is already occurring. Further information is provided in Chapter 4.
	Develop inter scheme consolidation models and identify preferred model	Co-Ordination Group	Ongoing	The Co-Ordination Group has concluded that the single default consolidator model should not be pursued. Once the evidence gathering stage has completed the group intends to identify a preferred solution. Legislation will be needed for whole of market small pot consolidation.
	Outline small pots eco-system	Co-Ordination Group	Completed	Work was conducted in Phase 2 and progress achieved is summarised in this report – Chapter 2.
	Exploring design of low-cost transfer service	Industry	Ongoing	Ongoing – feasibility study has been published by a subgroup of Master Trusts – Chapter 3.
	Improved data quality	Industry	Ongoing	Schemes/providers are continuing to prepare their data for connection to Pensions Dashboards, with the first providers/schemes connecting to Pensions Dashboards in 2023.
	Feasibility of a low-cost, at-scale transfer process	Sub-Group of Master Trusts	Ongoing	Work is completed – see Chapter 3 for further information.

[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/small-pots-working-group-report.pdf

	Data matching	Industry (including as part of Pensions Dashboards discussions)	Ongoing	Part of Pensions Dashboards development – consultations on draft regulations are in progress. The Pension Administration Standard Association (PASA), with support from the PLSA, the ABI and providers, published Data Matching Convention guidance for pensions dashboards in December 2021.
	Data Standards	Industry (including as part of Pensions Dashboards discussions)	Ongoing	Part of Pensions Dashboards development – consultations on draft regulations are in progress.
Other	Member Exchange Proof of Concept and pilot	Group of Master Trusts	Ongoing	In progress - an update is provided in Chapter 4.

The Initial Update Report also identified a number of next steps (see Chapter 9 in the Initial Update Report).

Progress has been made in these areas which are summarised in more detail below.

ISSUE	IDENTIFIED NEXT STEPS IN INITIAL UPDATE REPORT (SEPTEMBER 2021)	PROGRESS
Pensions Act 2014	Consideration of Pensions Act 2014 PfM legislation and what could be achieved through this and potential new secondary legislation. The legislation needed to be reviewed to understand whether Default Consolidators, as well as PfM, could fit within the existing legislation.	Further work has been undertaken to assess whether the Pensions Act 2014 could be used to implement PfM or a Default Consolidator model. The outcome of this review can be found in Chapter 2. In summary, changes would be needed to accommodate the current iteration of PfM being considered by the Co-Ordination Group. Default Consolidators would require new legislation.
Benefits of small pot consolidation for savers (regardless of model)	Literature review of current evidence of the benefit of small pot consolidation.	The findings of this are summarised in Chapter 2, alongside other work to identify the benefits of small pots consolidation through the Co-Ordination Group's workshops. The Co-Ordination Group has conducted exploratory work on consumer journeys associated with different models.
Assessment of models against refined design	Assess the models against newly refined design principles based on those developed by the DWP chaired working group and	A cross-industry workshop has been conducted on the topic and the findings are included in this report, with an

principles	consider whether ‘stock’ and ‘flow’ small pots issues require different solutions.	evaluation of the models against them (Chapter 3).
Review of consumer detriment against each model	Reviewing how potential consumer detriment might vary depending on the model being considered; the nature and scale of detriment that consumers face may be different depending on which model is chosen. This needs to be considered in more detail when evaluating the remaining models still under consideration.	A cross-industry workshop has been conducted on this topic and the findings are included in this report, with an evaluation of the models against them (Chapter 3).
Identifying the development needs of a small pots ecosystem, where possible	The process flows (both “push” and “pull” in a small pots eco-system). More work is needed to understand what a small pots eco-system would look like and the resulting process flows. Once this has been developed, work on data standards could progress.	A summary of the conclusions is in Chapter 2. Further work will be needed to develop the eco-system once a preferred model has been identified.
Further work remains on system efficiency benefits and impact analysis of different models at a macro level	An analysis of the “system” efficiency benefits of eliminating the cost of administering small pots, with credible assumptions about the flow of these benefits to schemes and members.	This is currently pending. The PDP research should help with this analysis once data is available.
	Impact analysis is needed to understand the movement of small pots under different models and the impact on the DC AE market. This analysis should be comprehensive and, for example, assess whether the movement of pots under PfM or a Default Consolidator model differ and the impact this has on the financial sustainability of the AE system.	This is currently pending. The PDP research should help with this analysis once findings are available. Ensuring that any mass-consolidation model does not undermine the financial sustainability of the AE market will be crucial before a preferred model can be identified. This will be an important workstream, and the Co-Ordination Group recommends it be included in Phase 3.

CHAPTER TWO: EVALUATION OF SMALL POTS ECOSYSTEM, MODELS AND CONSUMER IMPACT

DESIGN PRINCIPLES

The Initial Update Report outlined the need to work on identifying the optimum small pots solution, including through assessing the models against refined design principles which built on those developed by the DWP's Small Pots Working Group in 2020.

In line with this, the Group has identified the following 10 design principles which it believes should be used to identify the optimum small pots solution.

NO.	DESIGN PRINCIPLES
1	The automated solution(s) should help individuals keep track of their small pension pots, thereby helping to promote good outcomes for savers over the course of the accumulation phase.
2	The solution(s) should be sustainable and support existing competition within the Automatic Enrolment market.
3	The solution(s) should capture as many of the smallest deferred pots held within Automatic Enrolment schemes as possible.
4	The risk of matching errors should be minimised as far as possible, with a suitable redress framework being established to compensate individuals should a matching error occur.
5	The solution(s) should not require any action by the saver.
6	The solution(s) should be cost effective and thereby reduce the cost burden for providers associated with administering and transferring new and existing small pots.
7	The solution(s) should present a minimal burden to employers and payroll teams whilst providing affordability and value for money for the taxpayer.
8	Savers should be transferred to an appropriate receiving scheme/provider.
9	Individuals should have the ability to opt-out.
10	The saver's journey should be as simple as possible.

WHAT ARE THE MODELS BEING CONSIDERED?

The Group has improved the understanding of the models under consideration, and narrowed down the number of models in scope. By way of a reminder the models remaining under consideration are:

PfM: When an employee moves jobs their deferred pension pot in their former employer's scheme automatically moves with them to the new employer's scheme (where the pot is below a prescribed value, of a specified "type" and has been in deferment for a specified period of time). Individuals would be given the opportunity to opt-out and leave any / all deferred pots where they are.

Default Consolidators: Pots which are deferred for a specific period of time, are below a certain value and of a specified 'type' will transfer automatically to a small pot consolidator, with savers being given an opportunity to opt-out if they want to. Multiple deferred small pots belonging to the same person could be linked by the consolidator. There are a variety of design choices which could be used to identify the recipient consolidator:

- <u>First provider:</u> Under this design choice, a member's consolidator would be automatically based on the provider linked to their current or first employment. Deferred / inactive pots from all future employments will then be transferred to this consolidator after a period of inactivity, subject to the pots being in scope and below a certain value. An individual would have the right to opt-out (and leave their small pots where they are) or change their consolidator if desired. However, this model assumes that the first provider would be content to act as a default consolidator, which may not be the case unless every provider is compelled to.
- <u>Carousel of providers:</u> Under this design choice, a member would be able to choose a consolidator from an approved set of providers. If an individual did not make an active choice of provider, they would be allocated one from an approved list on a carousel or 'taxi-rank' (i.e. next in line) basis. Small, deferred pots would be transferred to the chosen / allocated consolidator after a period of inactivity, subject to the pots being in scope and below a certain value. The individual would maintain the right to opt-out or change their consolidator if desired. A precedent for this type of model may be found in the system used when allocating Child Trust Funds to providers when the parent/carer/responsible adult has not actively opened a Child Trust Fund within a year of claiming child benefit.
- <u>Partner provider:</u> Under this design, schemes/providers would choose to partner with a specific default consolidator, either on a voluntary or compulsory basis. Pots would then be transferred to the default consolidator the provider/scheme has partnered with after a period of inactivity, subject to the pots being in scope and below a certain value. This would be one way to establish a default consolidator market and creates an opportunity for providers/schemes to choose firms which are more akin to their proposition to partner with. For the number of small pots to be reduced (and not just passed around to another "consolidator" scheme), there would need to be fewer consolidators than providers and one pot per member within each consolidator.

Member Exchange: An update on this can be found in Chapter 3.

The Group has focused on multiple rather than single consolidators as there was little support for a single consolidator due to the potential negative impact and disruption to the market. This is discussed later in this chapter. Within these models, the Group has considered both 'push' and 'pull' options[15] and assessed their impact on addressing both the stock and flow of small pots:

POT FOLLOWS MEMBER		DEFAULT CONSOLIDATORS	
PUSH	**PULL**	**PUSH**	**PULL**
A scheme or provider holding an in-scope small inactive pot (ceding scheme) would search eligible receiving schemes for an active pot for the same person. Once found the small pot would be transferred to the active pot (receiving scheme), subject to the individual's right to opt out.	An eligible scheme or provider holding an active pot for an individual (receiving scheme) would send a request out to all in-scope AE schemes (ceding schemes), asking whether they hold an in-scope small inactive pot for that individual. Any small, inactive pots identified would then be 'pulled into' the active pot within the receiving scheme, subject to the individual's right to opt-out.	A provider holding an in-scope small inactive pot for an individual (ceding scheme) would send out a message to the relevant consolidators to see if it holds a consolidator pot for the individual. Once a consolidator pot is found, the small inactive pot would be transferred to the consolidator. Where a saver doesn't have an existing consolidator pot, an additional process would be needed to identify the recipient consolidator.	Each consolidator would regularly send out a message to all in-scope AE schemes (ceding schemes) to identify any in-scope small inactive pots held by those schemes for an individual associated with that consolidator. Whenever an in-scope small inactive pot is found it would be transferred into the individual's consolidator pot, subject to the individual's right to opt-out.

[15] "Pull" process: The acquiring scheme initiates the process by asking all other schemes: "Do you have any relevant small pots to be consolidated?", and, where positive matches are made, requests them to be transferred from the appropriate ceding scheme(s) (i.e. the acquiring scheme "pulls" small pots towards them/a consolidator).
"Push" process: All ceding schemes say: "We have these small pots to be consolidated, who has the active pot?", and, where positive matches are made, the appropriate ceding scheme(s) transfer the relevant small pots to the appropriate acquiring schemes(s) / a consolidator (i.e. ceding scheme(s) "push" small pots away).

ECOSYSTEMS

The Group has explored how a pull and push system would work for both PfM and Default Consolidator(s) models and has come to the following conclusions:

- A pull-based PfM model would deal with the "flow" of new small pots, but may be less effective in dealing with the current "stock" of small pots that already exist within the system.
- A package of solutions may be necessary to address stock and flow problems. The Australian system was referenced as an example of how a package of solutions was necessary. Participants agreed that a combination of a push-based consolidator model and a pull-based PfM model could potentially work together to address both stock and flow issues and maximise the reduction of small pots in the system.
- It remains desirable for a small pots automatic transfer system to use an “allow/deny” list [16] which would prevent receiving schemes from acting as receiving schemes within any automatic small pots transfer solution if they do not meet certain criteria. Such a system could be prescribed in regulations, though this may not be in-keeping with the broader intent of Government in other areas. This system would also require continued oversight and updates, where appropriate.
- It was agreed by the industry representatives that legislation would need to define which pension benefits would be involved in a pull-based PfM system (as transferring and potential receiving schemes) and would provide certainty for decision makers within pension schemes and providers.

[16] In this scenario, the list could include information on organisations that are ‘permitted’ to participate within the system and can therefore send and receive automatic transfers. Alternatively, this could be a list of organisations that cannot participate within the system, and therefore cannot send or receive transfers automatically, for example because they have been deemed ‘unsafe’.

The diagrams below outline the interaction schemes would have with a central finder service within a pull and push ecosystem for both PfM and Default Consolidator(s) models. The diagrams do not currently include an opt-out mechanism, as it is still to be determined where this would be in the process. It may be that an opt-out is sought at a different point in the consumer journey (i.e. on re-enrolment).

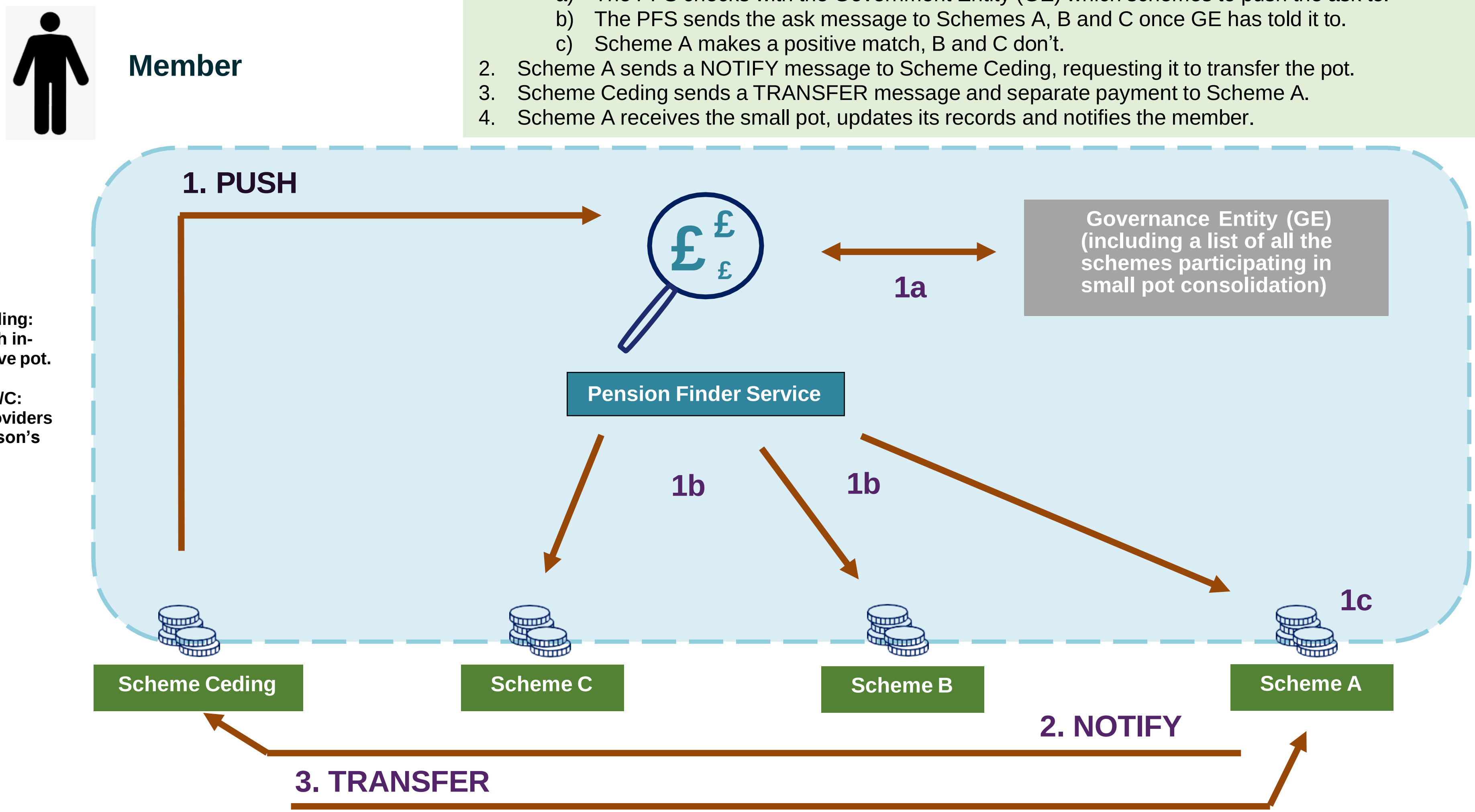
Potential "PUSH" Ecosystem (PfM)

1. Scheme Ceding asks the Pension Finder Service to find the scheme which has the active pot of the person so that the inactive pot can be transferred.
    a) The PFS checks with the Government Entity (GE) which schemes to push the ask to.
    b) The PFS sends the ask message to Schemes A, B and C once GE has told it to.
    c) Scheme A makes a positive match, B and C don't.
2. Scheme A sends a NOTIFY message to Scheme Ceding, requesting it to transfer the pot.
3. Scheme Ceding sends a TRANSFER message and separate payment to Scheme A.
4. Scheme A receives the small pot, updates its records and notifies the member.

NOTES:

Scheme Ceding: provider with in-scope inactive pot.

Scheme A/B/C: potential providers with the person's active pot.



Potential “PUSH” Ecosystem (Consolidator)

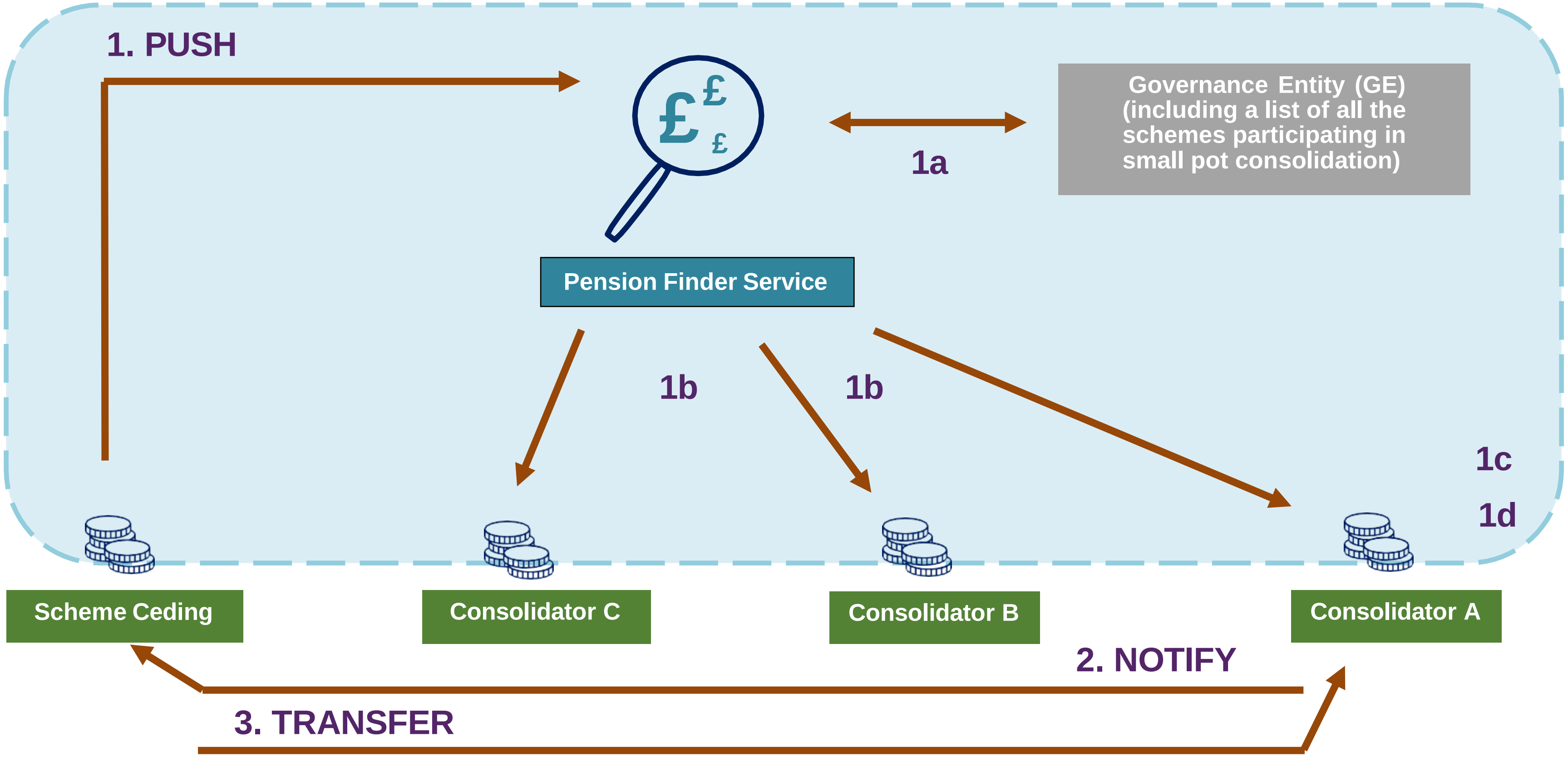
Member

1. Scheme Ceding asks the Pension Finder Service to find the consolidator which has the active pot of the person so that the inactive pot can be transferred.
    a) The PFS checks with the Government Entity (GE) which schemes to push the ask to.
    b) The PFS sends the ask message to Consolidators A, B and C once GE has told it to.
    c) Consolidator A makes a positive match, B and C don’t.
    d) No active pots with any of the Consolidators, so Consolidator A is chosen as a default following an additional process.
2. Consolidator A sends a NOTIFY message to Scheme Ceding, requesting it to transfer the pot.
3. Scheme Ceding sends a TRANSFER message and separate payment Consolidator A.
4. Consolidator A receives the small pot, updates its records and notifies the member.

NOTES:

Scheme Ceding: provider with in-scope inactive pot.

Consolidator A/B/C: potential consolidators with the person’s active pot.



Potential "PULL" Ecosystem (PfM)

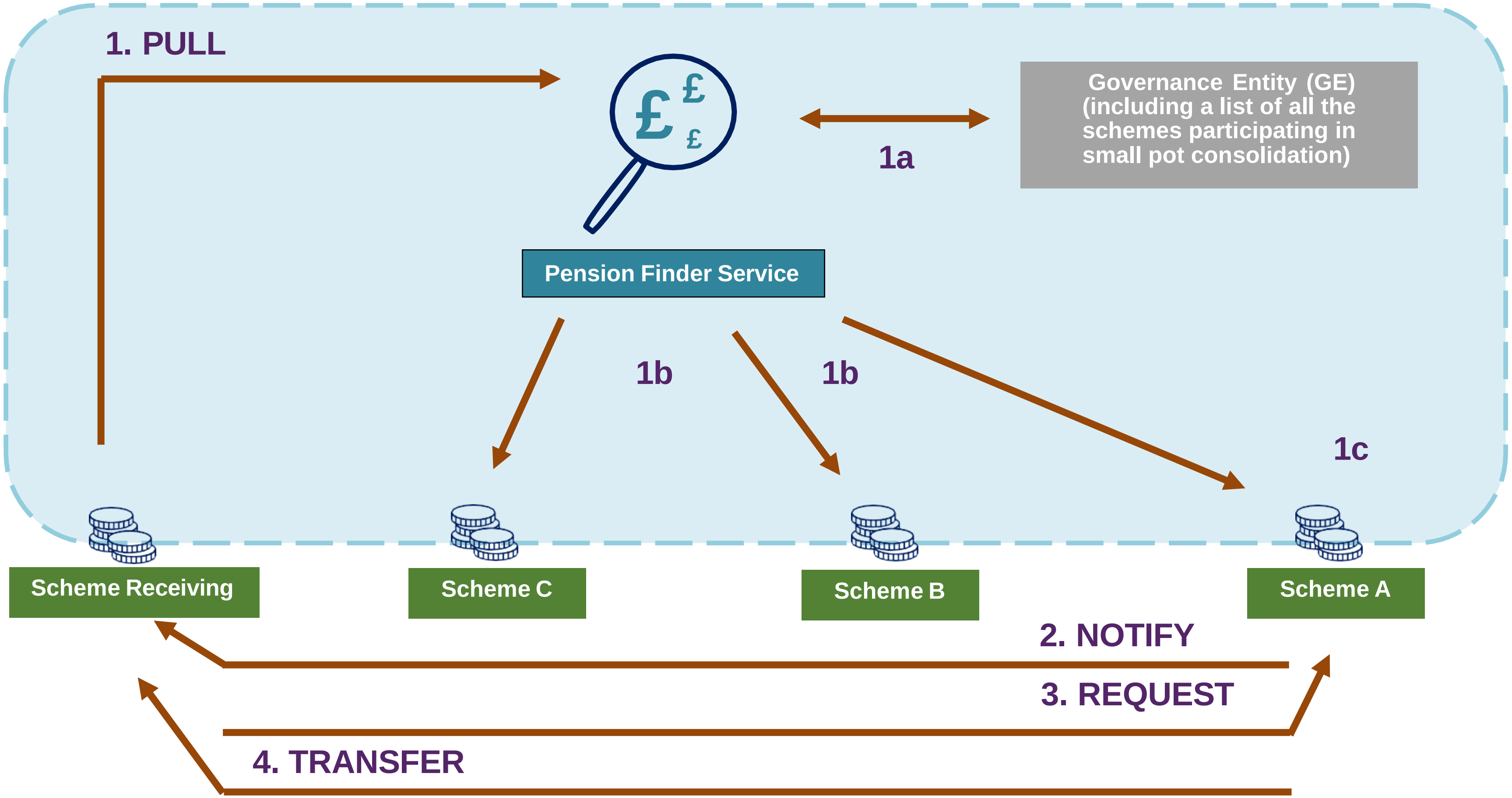
Member

1. Scheme Receiving asks the Pension Finder Service to find the scheme with the inactive pot of the person so that the inactive pot can be transferred.
   a) The PFS checks with the Government Entity which schemes to push the ask to.
   b) The PFS sends the ask message to Schemes A, B and C once GE has told it to.
   c) Scheme A makes a positive match, B and C don't.
2. Scheme A sends a NOTIFY message to Scheme Receiving.
3. Scheme Receiving sends a REQUEST message to Scheme A to transfer the pot.
4. Scheme A sends a TRANSFER message and separate payment Scheme Receiving.
5. Scheme Receiving receives the small pot, updates its records and notifies the member.

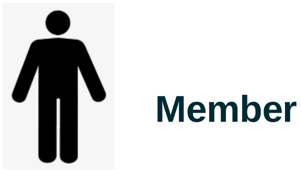
NOTES:

Scheme Receiving: provider with the new active pot.

Scheme A/B/C: potential schemes with the person's inactive pot



Potential “PULL” Ecosystem (Consolidator)

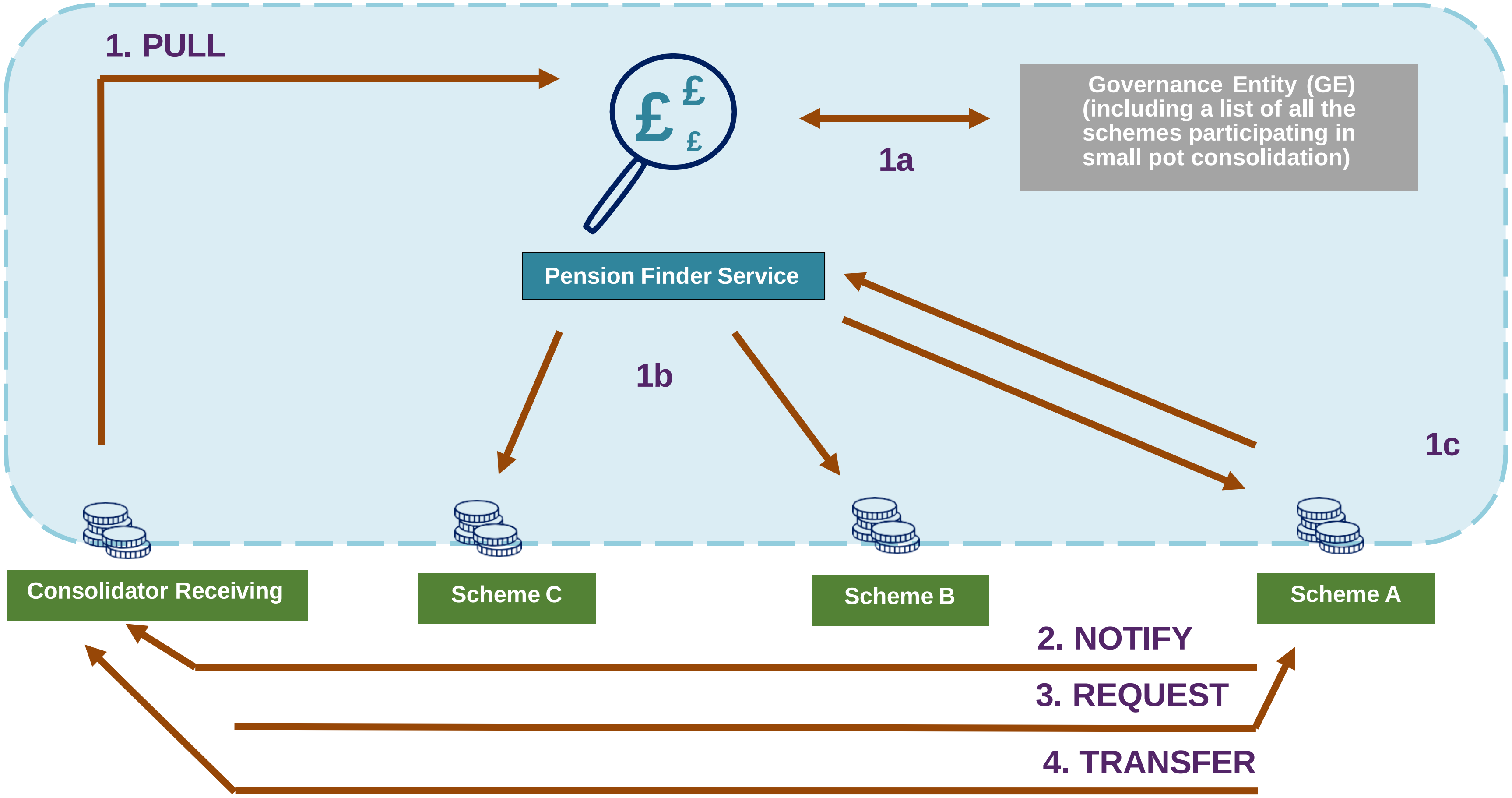


1. Consolidator Receiving which has an individual’s inactive pot asks the Pension Finder Service to find a scheme which has another inactive pot of the individual’s, so that it can be transferred.
    a) The PFS checks with the Government Entity which schemes to push the ask to.
    b) The PFS sends the ask message to Schemes A, B and C once GE has told it to.
    c) Scheme A makes a positive match, B and C don’t.
2. Scheme A sends a NOTIFY message to Consolidator Receiving.
3. Consolidator Receiving sends a REQUEST message to Scheme A to transfer the pot.
4. Scheme A sends a TRANSFER message and separate payment to Consolidator Receiving.
5. Consolidator Receiving receives the small pot, updates its records and notifies the member.

NOTES:

Scheme Receiving: Consolidator with the new active pot.

Scheme A/B/C: potential schemes with the person’s inactive pot.



Data protection considerations will need to be addressed in all potential ecosystems. This may include General Data Protection Regulation (GDPR) interactions with future design elements such as member consents, and information retention for the benefit of savers who may wish to enquire with previous providers on the details of transfers. It is worth noting that the above diagrams assume, in some places, usage of the Consent and Authorisation Service/Pension Finder Service, though this would require another legal basis to be established under data protection rules to share that member data and/or the situation clarified that 'legitimate interests/reasons' grounds could be relied upon.

The scope for each of these models to address the prominence of stock and flow small pots was considered and the outcomes from this is summarised below:

	POT FOLLOWS MEMBER		DEFAULT CONSOLIDATOR	
	PUSH	**PULL**	**PUSH**	**PULL**
STOCK	Depending on the criteria set/trigger for moving pots it could potentially remove some, but not all, stock pots. This would need to include robust standards on potential receiving schemes to ensure members are suitably protected. Potentially higher risk of scams if no or inadequate restrictions on potential receiving schemes.	Could pull in stock pots from other schemes if they meet the in-scope criteria. This would provide for greater assurance to receiving schemes of the security of the source of the transfer. The trigger for pulling in small pots would need to be identified. This would be similar to existing procedures for transferring in pots which follow a "pull" process.	Depending on criteria set/trigger it could remove the vast majority of stock pots from the system. Under a multiple consolidators model, a system would be required so that ceding schemes know which consolidator to send pots to.	Could remove all stock pots from system. If there are multiple consolidators – consolidator will send messages out to all ceding schemes and pull in in-scope small pots. Ceding scheme would need to be satisfied that the pot is being requested by the correct consolidator.
FLOW	Would largely resolve new small pot creation. Same issues around receiving schemes (above).	Would largely resolve new small pot creation. Same issues around the trigger for pulling in pots (above).	Would not eliminate new small pot creation. Same issues with receiving schemes as with stock pots (above). Would need appropriate trigger for pushing to consolidator.	Would not eliminate new small pot creation. Ceding scheme would need to be satisfied that the pot is being requested by the correct consolidator. Would need to have appropriate trigger to ensure pots are not being pulling to the consolidator too early.

During the Group's evaluation, there was a suggestion that stock pots may be better resolved through a push mechanism and flow pots through a pull mechanism. Having both a push and pull model working at the same time may add an additional layer of complexity and cost for members. However, this complexity may only exist for a relatively short period of time if the mechanism to remove stock pots is very effective. Under both flow models (PfM and Default Consolidators), there would still be a small build-up of small pots (albeit on a much more reduced level than is currently the case), unless the transfer occurred immediately on an individual ceasing to contribute or being enrolled into a new pension scheme (as appropriate).

The build-up of small pots under PfM would intuitively seem to be less than for a Default Consolidator as fewer small pots would be created in the first place; it appears that, if properly designed and calibrated, PfM is likely to resolve much of the small pots issue. However, this is dependent on a high proportion of savers who start a new job being enrolled into (and remaining in), their new employer's pension scheme long enough to allow the small pot from their previous employment to catch up with them. At least in part on simplicity grounds, many participants thought that PfM has the greatest potential to address the flow of small pots. An advantage of PfM is that it builds on the existing system, rather than new entities having to be created. This may also make it simpler to explain to saver. Similarly, the statutory transfer process uses a pull model which is initiated by a member request. Therefore, it has been suggested that a pull PfM model that is closer to the existing process may be preferred.

The Group understands that further information about consumer preferences should be available in due course, which will help to inform this. However, others feel that it is too early to draw such conclusions.

FURTHER CONSIDERATIONS

A number of comments were raised in relation to the models that would need further consideration:

MODELS	GROUP EVALUATION
POT FOLLOWS MEMBER	• It is important to consider the consumer experience if in 10-20 years they are looking for a small pot that has been consolidated. In particular, how would they know where to find it (for example, would the ceding scheme be able to tell them where it has gone after 10-20 years has elapsed without contravening GDPR obligations on data destruction)? • Transfers should only go to a scheme of appropriate quality. The Group has considered using the AE Qualifying schemes as meeting the quality definition, or further qualified to authorised Master Trusts and FCA-regulated providers with Independent Governance Committees (IGCs) or Governance Advisory Arrangements (GAAs). This is because these schemes must have an appropriate default fund, be charge capped and have appropriate independent governance and oversight of VfM. • It is important to understand how people are likely to move around the system and the resulting member experience. In particular, concerns have been expressed about members who move jobs frequently and whose deferred pots may never catch up with them. Concerns have also been raised over initiating a transfer for a saver who re- joins the ceding scheme at a later date. • The solution would also need to address the issue of multiple jobholders. For example, if someone has multiple jobs when would a transfer be triggered, and which active pot would it go into.

DEFAULT CONSOLIDATOR	• Transfers should only go to a consolidator of appropriate quality. This could be achieved through a formal authorisation requirement.
	• A first provider variant may not work as schemes may be consolidated with others in the future etc. There is also an issue over what would happen if the first provider is not an authorised Master Trust or a Group Personal Pension.
	• There is an issue with multiple returners. There needs to be an appropriate trigger to ensure that if a saver re-joins a scheme, that the pot is not moved to a consolidator.
	• There were concerns over:
	  o the wider impact on market and innovation,
	  o whether a Provider which is not a designated consolidator would be less competitive, and
	  o the risk of splitting out money management from the accumulation process. For example, if a Consolidator that does not act as an accumulation vehicle could be established to receive small pots and manage the contributions in the early years when revenue for the consolidator from this business is likely to be very low and potentially below cost.
	• There would need to be careful consideration of what status the pot would have and what activities a consolidator could undertake. If they were authorised to act in the same way as any other provider (e.g. accept ongoing contributions and other new money, provide decumulation solutions etc.) this could be very disruptive to the market were the majority of small pots to end up outside the 'traditional' providers.
	• This vehicle would need to be included within the Pensions Dashboards framework to facilitate reuniting people with their lost pots.

A single consolidator model has been discounted by the Group on the grounds that it would very likely have a disproportionately distortive effect on the market and be costly for Government to run as a solution. It would also place the burden of dealing with small pots onto a single provider, whilst enabling only one provider to benefit from the potential upsides that managing small pots for all savers could bring. We also know that a single consolidator model is not necessary where multiple consolidators may be willing to enter the market, which we believe is the case.

The group has not undertaken a detailed consumer cost/benefit analysis on the range of models, and recommends this as a next step were the Government to remain interested in running a single consolidator.

SMALL POT REFUNDS

Automatic refunds by default of micro-pots were also raised in discussion with the Group as a solution for smaller pots i.e. those under the de minimis (currently set at £100), as happens in Australia for those over 65[17]. There are certain scenarios where refunds might be particularly helpful:

- where an individual fails to opt-out within the opt-out window, and ends up ceasing to contribute or leaving the scheme shortly afterwards,
- recurrent re-enrolments that do not immediately optout, and
- workers who are no longer resident in the UK and who are not UK nationals who have been auto-enrolled.

An argument in favour of paying a refund is that it may be more efficient and more cost-effective than automatically transferring the micro pot. This is more likely to be the case if it is not possible to implement a cheaper, more efficient system for transfers. Short service refunds in DC pensions offer a precedent for this, although they are severely limited, being only available where an individual leaves employment 30 days after being automatically enrolled into a pension scheme.

On the other hand, paying refunds to people may in fact be more time and cost intensive than a new automated and efficient transfer process (particularly as pension schemes and providers are unlikely to be able to refund the pot without contacting the individual, and confirming that they have the correct recipient bank account information). It may therefore be preferable to convert micro-pots such as these into more meaningful pension savings by combining them with other pension pots that an individual has.
Refunding micro pots may also be well received by savers who will benefit immediately from a refund, without materially affecting their prospective income in retirement.

There may be other ways to address the issue of future proliferation of micro pots depending on the cause of their creation, for instance, if the cause is due to savers missing the opt-out window. Although existing evidence from DWP's 2020 Small Pots Report does not suggest that savers missing the opt-out window is the main driver for small pot creation. A broader data set may be desirable to establish the scale and nature, as well as distribution, of micro pots and analyse the drivers of their creation.

[17] In Australia, pots that are held by those aged 65 or over and are worth less than AUS $200 are refunded directly into the individual's bank account upon application.

BENEFITS AND COSTS TO CUSTOMERS

As part of its previous phase of work the Group identified a need to gather and distill further evidence of the potential benefits and detriments to savers of an automatic small, deferred pots consolidation solution.

A summary of the outcome of this work is provided in the table below (model specific benefits are covered elsewhere in this report).

Potential benefits to savers of automatic small pots consolidation	• Fewer lost pots.
	• More efficient system overall leading to better quality provision and potential cost reductions manifesting, for example, as lesser erosion of pots by charges.
	• More of total savings meaningfully contributing to retirement income (as more small pots are consolidated, less will be withdrawn as lump sums, as engagement increases and the total combined value of pensions saving is more salient).
	• Helps individuals build up a meaningful pension pot sooner.
	• Reduced cross subsidy from larger to smaller pots over time.
	• Reduced administrative burden for savers to keep track of and manage their pension savings.
	• Increased engagement where solutions are simple and easy for savers to understand, and where pot sizes are larger drawing more savers attention.
	• Lower transfer costs across all types of pot transfer if a new ultra-low-cost transfer solution can be created.
Potential detriments to savers of automatic small pots consolidation	• There is potential for an individual member to move to a less desirable or higher charging scheme and therefore lower net returns, however given the size of the pot, likely detriment is very low. Costs will continue to be subject to the charge cap in the receiving scheme. There is also potential upside as individual savers may benefit from increased net returns in the receiving scheme, but again this overall effect would be marginal.
	• Some errors (e.g. matching errors) may occur that, despite being remedied, cause confusion or inconvenience, or have reputational impact on pensions and auto-enrolment.
	• Potential loss of opportunity to accrue further savings in a scheme with a lower NMPA of 55 (by automatically transferring into a scheme with a higher NMPA).
	• Risk of greater disengagement with pots where people are unaware of the 'landing place' of their small pot.
	• Confusion and perception that pots have been lost, rather than consolidated (as, for example, if consolidated small pots 'disappear' from the Dashboards). This may undermine trust and confidence and give rise to member queries and complaints.
	• Potential loss of protection (of pension ages and tax, for example) against fixed fee element of combination charges where pots below £100 are transferred.

Member perspectives on the different models may need testing in pilot or live environments.

Some evidence remains outstanding on the degree to which the models which remain under consideration will have a comparative net benefit effect on the overall total number of remaining small pots, and the degree to which these models impact on the financial sustainability of the overall market over time. Further commentary is provided on the plans to tackle these outstanding questions below.

CONSUMER JOURNEYS

The Group identified a need to test different consumer profiles against different models to better understand what a typical consumer's experience of the models may be. To do this the Group designed some very basic archetypes of consumers which – holding other elements constant – illustrate at a high level what might happen to them were different models implemented.

The standardised assumptions about the future models used throughout the scenarios are as follows:

- the value of pots in-scope is defined as all deferred small pots below £500.
- dormancy period is defined as one year.
- relevant pots are available to move into receiving schemes once the auto-enrolment opt-out window in relation to the member's current active pot has passed.
- all models are 'pull' functionally.

The diagrams help to illustrate that there are implications of these assumptions, including but not limited to:

- the number of pots that will be sensitive to the threshold used. PPI analysis showed that someone working full-time on the National Living Wage (NLW) (outside London) for circa 7 months, with contributions of 8% (band earnings) could result in a pension pot of around £500, and 14 months could result in a pot of around £1,000. The small pots ceiling could therefore be met relatively quickly, which could result in multiple pots remaining in the system.
- the PfM model will need to be designed such that it can accommodate people with multiple jobs.
- all of the models/scenarios need to be analysed and evaluated against the extent they might impact savers with protected characteristics, vulnerable savers and savers who come from under pensioned groups (such as the people who are self-employed, women, have disabilities, are BAME or carers).

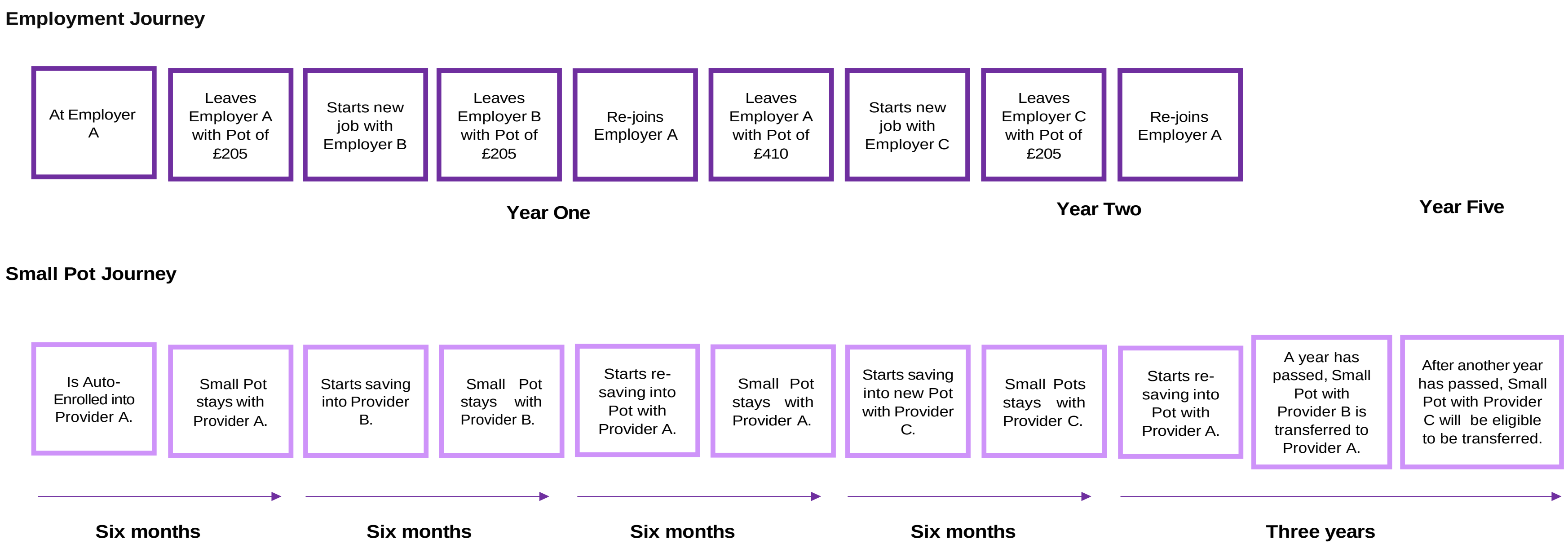
For consolidator models:

- the consolidator in the illustration is one of many, and can be any commercial provider that meets the relevant criteria (i.e. there is more than one consolidator available, and they have all met a certain standard).
- the consolidator in the illustration is set automatically as the first consolidator into which the saver has already contributed, and remains constant throughout (i.e. the saver does not select a new consolidator during the period in question. The consolidator in the illustration could have been allocated by default, through a carousel, through initial member selection, or through some other method yet to be determined).

SCENARIO ONE – THREE YEARS OF SEASONAL WORK

- Seasonal worker (e.g. fruit picker in the summer and festive retail in the winter).
- In each season she saved £205 in total (including employer contributions and tax relief).
- She works for exactly four months, with a two month break between seasons.
- She works at the same summer job, but takes different winter employment each year.

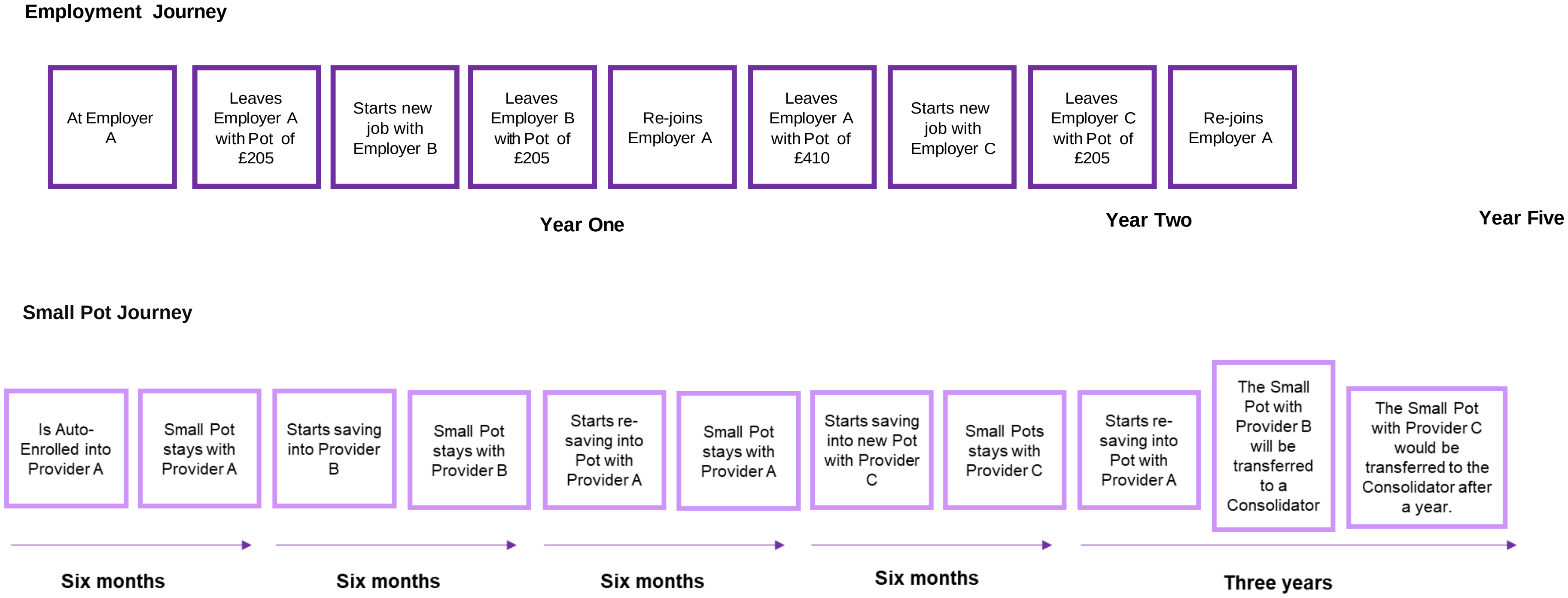
POT FOLLOWS MEMBER



CONCLUSION:

- This process would result in the saver having one larger pot with Provider A over the course of three years' worth £1,025, compared to one pot of £615 with Provider A, one of £205 with Provider B and one of £205 with Provider C.
- This illustration assumes that Provider A operates on a 'pot for life' basis and consolidates returners pots. The implications are that once the saver leaves Employer A and does not return, this pot would not be eligible to be auto-transferred further under current parameters (the pot is too large).
- Where a saver leaves Employer A for a different employer and re-joins at a later date this diagram illustrates that having a short duration for the trigger would likely result in a higher than optimal number of transfers of the small pot.
- In this scenario, the process may be easier than other models for consumers to understand as the pot is following them to their new provider, though the delay in some pots moving to Provider A could cause some confusion.

ONE OF MANY DEFAULT CONSOLIDATORS



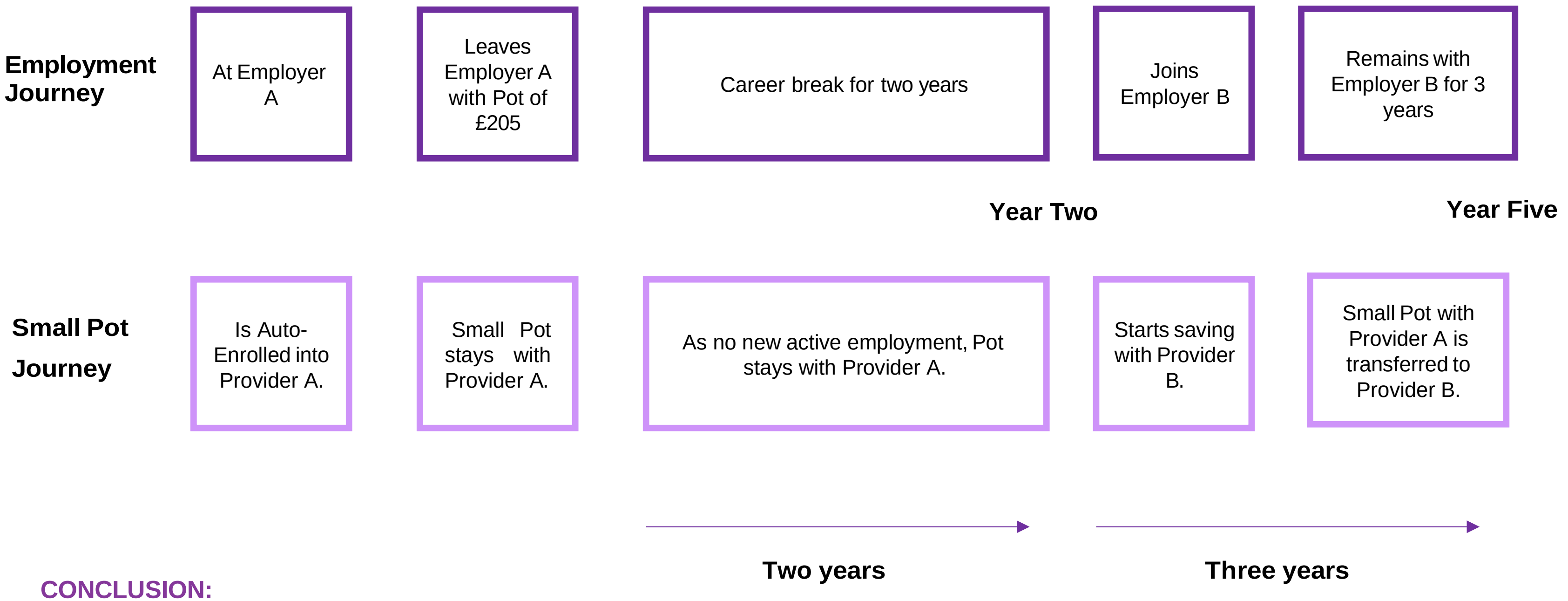
CONCLUSION:

- Over the three years, this process would result in a saver having two small pots, one of £615 with Provider A and a Consolidator pot of £410.
- Where a saver leaves Employer A for a different employer and re-joins at a later date, having a short duration for the trigger would result in the saver having to start a new pot with a Provider each time they re-joined the same employment (even where the provider offers ‘one pot for life’).

SCENARIO TWO – TWO YEARS OF CARING RESPOSNBILITIES IN A FIVE YEAR PERIOD

- A worker leaves to undertake child caring responsibilities, and then returns to work after two years.
- He left the workforce for two years and stopped contributing.
- He returned to work part-time in a different job.

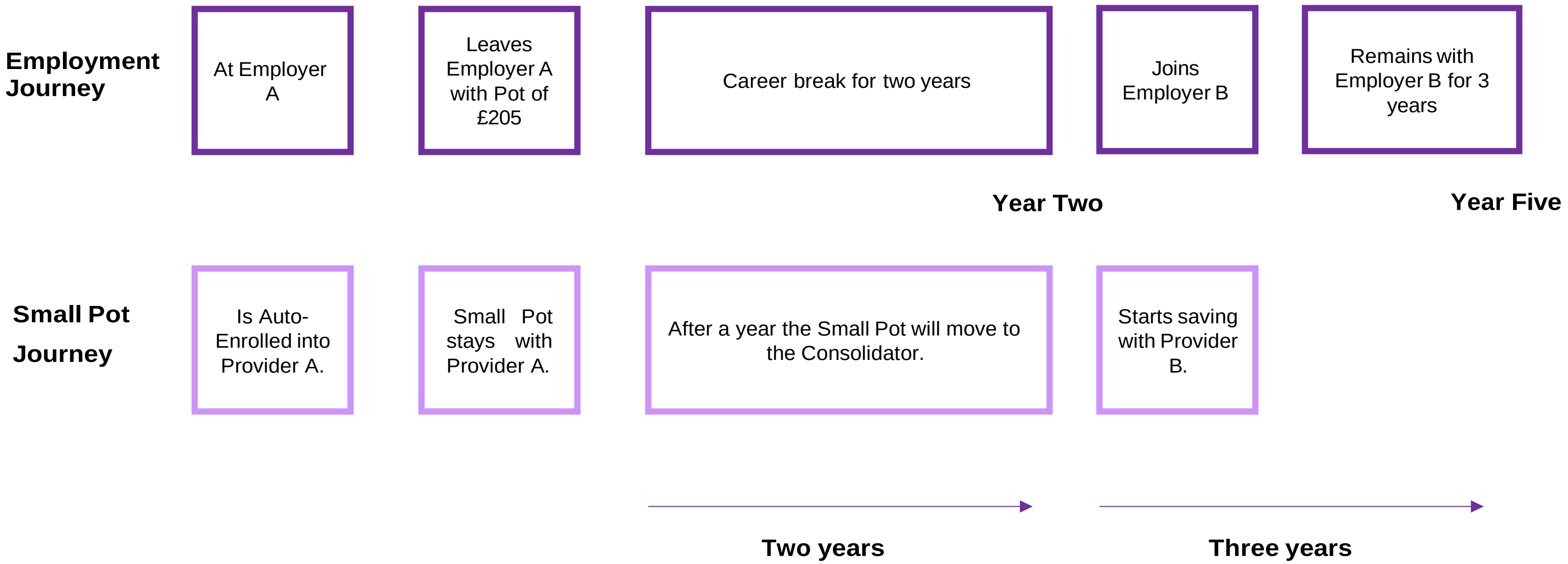
POT FOLLOWS MEMBER



CONCLUSION:

- This process would result in the saver having one pot, once they re-start employment.
- The small pot will 'get stuck' with Provider A until the saver re-joins the workforce.
- If it is a push process, Provider A would have to send out multiple find requests for the saver over the 2 years they are out of the workforce. If it is a pull process, Provider B would send one find request once the individual is eligible.

ONE OF MANY DEFAULT CONSOLIDATORS



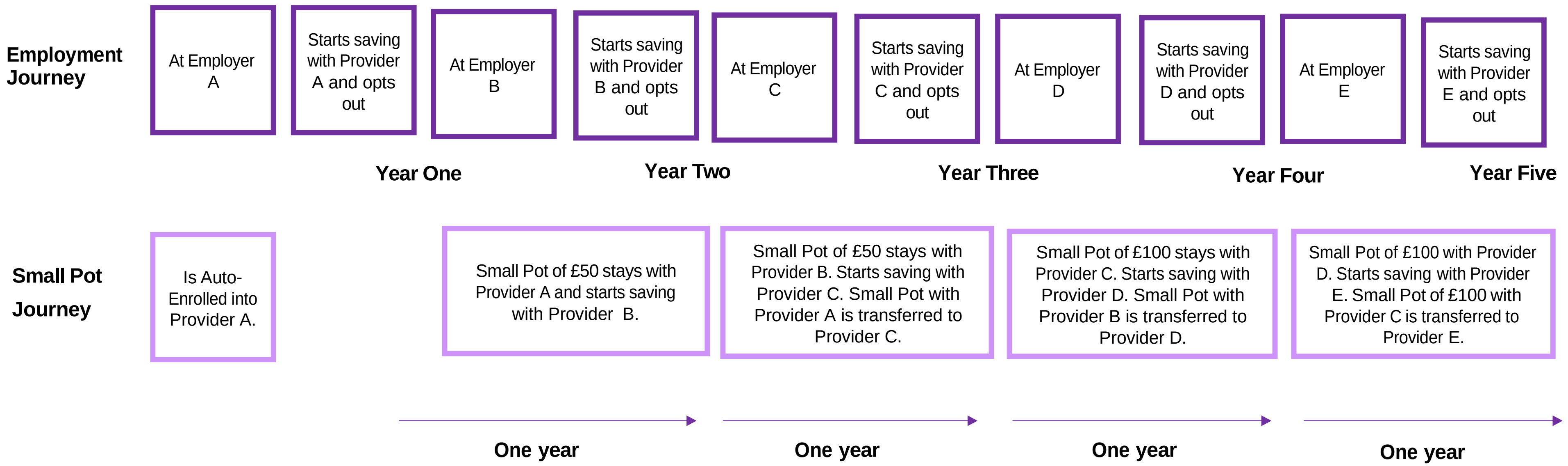
CONCLUSION:

- This process would result in the saver having two pension pots at the end of the five year period, one with Provider B and one with the Consolidator.
- However, no pots ‘get stuck’ with Provider A.

SCENARIO THREE – FIVE YEARS OF FREQUENT JOB CHANGES AND LATE OPT OUTS

- A worker changes job once a year.
- She misses the opt-out window every time, and stops savings after one month so saves only £50 per job.

POT FOLLOWS MEMBER



CONCLUSION:

- This process would result in the saver having two small pots at the end of the five year period, one of £100 with Provider D and one of £150 with Provider E, illustrating a scenario where the same deferred small pot never 'catches up' with the individual's current active pot.
- However, if no small pot consolidation had occurred (as may be the case now) the saver would have been left with five small pots of £50 each.
- As the saver is moving frequently, there might be issues around initiating an automatic transfer and the saver moving on before it has been completed.

ONE OF MANY DEFAULT CONSOLIDATORS

Employment Journey	At Employer A	Starts saving with Provider A and opts out	At Employer B	Starts saving with Provider B and opts out	At Employer C	Starts saving with Provider C and opts out	At Employer D	Starts saving with Provider D and opts out	At Employer E	Starts saving with Provider E and opts out
		Year One		**Year Two**		**Year Three**		**Year Four**		**Year Five**
Small Pot Journey	Is Auto-Enrolled into Provider A.		Small Pot of £50 stays with Provider A and starts saving with Provider B.		Small Pot of £50 stays with Provider B. Starts saving with Provider C. Small Pot with Provider A is transferred to Consolidator A.		Small Pot of £ 50 stays with Provider C. Starts saving with Provider D. Small Pot with Provider B is transferred to Consolidator A.		Small Pot of £50 with Provider D. Starts saving with Provider E. Small Pot of £100 with Provider C is transferred to Consolidator A.	
			One year		**One year**		**One year**		**One year**	

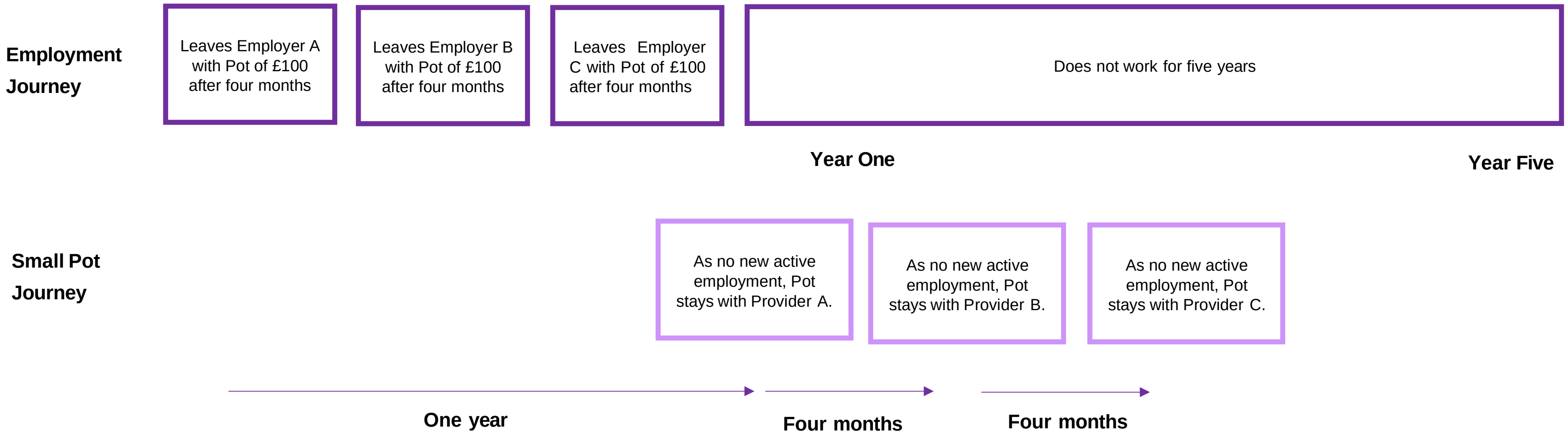
CONCLUSION:

- Over time, this process would result in a saver having one pot of £250 with a default consolidator, rather than five individual small pots.
- With a consolidator, there are less issues when a saver is moving frequently. Small deferred pots will not remain ‘stranded’ due to the circumstance of job changes, as they will always be transferred into the same Consolidator vehicle.

SCERNARIO FOUR – UNLIKELY TO RETURN TO WORK AT ALL WITH 3 SMALL/SEPARATE POTS

- We join this scenario at the point that the worker leaves the workforce for at least five years.
- She does not work at all in these five years, and is unlikely to return to the workforce at all.

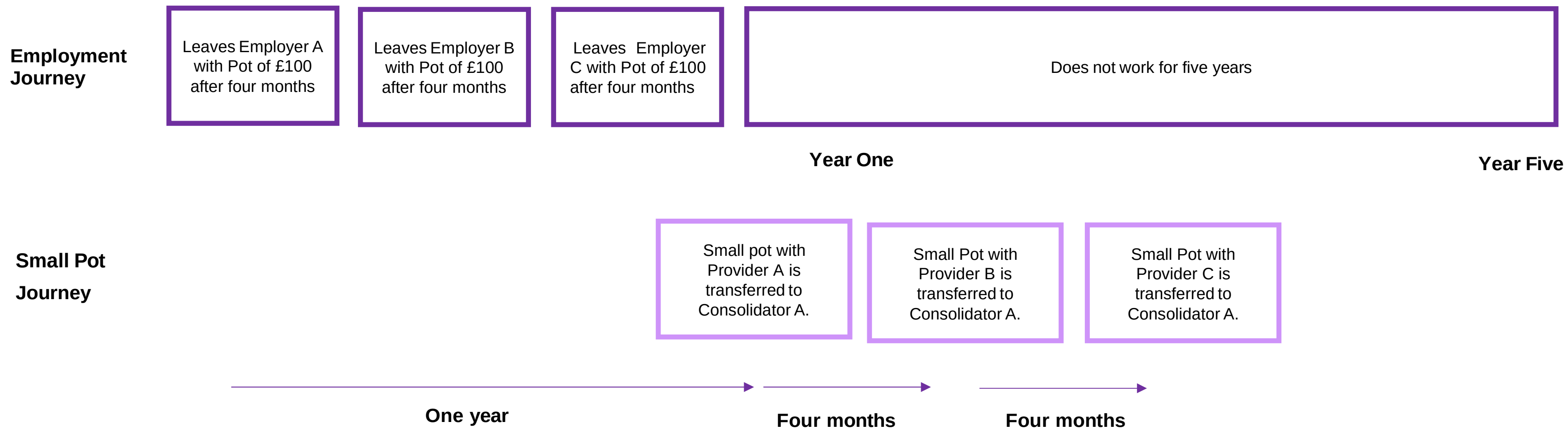
POT FOLLOWS MEMBER



CONCLUSION:

- Due to the dormancy time (one year) all pots remain with the original providers, as at the time the trigger is reached there is no new employment and therefore no new pot for the small pot to follow.

ONE OF MANY DEFAULT CONSOLIDATORS



CONCLUSION:

- All pots are transferred to the Consolidator, combining to form a larger pot of £300 at the end of the period.

REVIEW OF PENSIONS SCHEME ACT 2014

Legislation contained in the Pensions Act 2014 (PA14) sets out a framework for a version of PfM but this was not brought into force due to a change in government and policy priorities. The PA14 legislation is largely enabling legislation with the detail to be set out in underlying regulations. It contains a handful of high-level principles which could be amended (by primary legislation) if needed.

The industry representatives on the group believe there is potential for the PA14 legislation to be amended and updated to reflect current thinking on PfM. Although it may be that the final nature of a PfM solution requires fresh legislation to ensure there are appropriate powers to give effect to it.

The following issues need to be considered to build on the existing legislative framework:

- **Small pots threshold:** The PA2014 only refers to pots 'less than the prescribed amount', which would be determined in regulations. The 2015 Framework document[19] envisaged a £10,000 upper threshold below which pension pots are eligible for PfM. This is far higher than what is now under consideration. The Group has discussed figures of £100, £250, £500 or £1,000 (with mixed views but some consensus for £500) as being the initial upper threshold as it believes it is important to start smaller and prove the concept before including larger pots as part of any automatic transfer solution. Another threshold that might be considered at some future date, and post initial testing, is £4,000, which the PPI estimated as being the breakeven point for pots to be profitable for providers[20]. However, it is important to note that the current threshold might be reached relatively quickly by someone working full time on National Minimum Wage and, as such, the sensitivity of the overall success of the preferred model to gradually increasing average pot sizes should be assessed.

- **Transfers:** Reducing cost (down to a few pence per transfer) for providers and the speed of transfer for members once the transfer is initiated. PA14 does not mention timescales. The Framework document says (Paragraph 33) that automatic transfers "should take place within a matter of days not months" to minimise out of market risk. The Framework document also says (Paragraph 31) that "much of the pot matching phase is not designed to operate at a fast pace." This is to ensure pots are only flagged for transfer when they are truly dormant.

- **Frequency of job changes:** There is a question over what happens if PfM cannot "keep up" with people's employment moves, i.e., what happens if an automatic transfer is triggered but the individual leaves the potential receiving scheme before the transfer completes?

- **Interaction with Pensions Dashboards:** A significant question to answer is how Pensions Dashboards fits into the "2021/22 PfM" model and what lessons can be drawn from the Pensions Dashboards legislation and implementation. The 2015 Framework document envisages a "federated model" of several registers to hold pension pot information. Paragraph 9 of Schedule 17 enables the DWP or TPR to choose to establish and operate a database containing information relating to people who have or had transferable benefits for the purposes of helping the trustees or managers of an automatic transfer scheme to comply with their duties under the regulations. PA14 provided that the cost of this database would be met from a levy. The Pension Dashboards regulations[21] consulted on in 2022 envisage a central technical architecture to facilitate the provision of members' data via Pensions Dashboards – not federated, with no central database. This indicates that the 2014/15 framework is no longer likely to be the optimum way of operating a PfM model.

[19] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/402860/automatic-transfers.pdf
[20] https://www.pensionspolicyinstitute.org.uk/media/3610/20200922-ppi-small-pots- working-group-guide-to-booklet-final.pdf
[21] https://www.gov.uk/government/consultations/pensions-dashboards- consultation-on-the-draft-pensions-dashboards-regulations-2022

- **Schemes/providers in scope:** Consideration should be given to using the powers in PA14 to limit receiving schemes to those which meet minimum quality thresholds for governance and VfM etc (for instance authorised Master Trusts and FCA regulated firms with IGCs and GAAs).

- **Pots in scope:** The 2015 Framework document considered a similar point and PA14 contains provision for excluding schemes of prescribed descriptions (Paragraph 1, Schedule 17). This includes excluding Defined Benefit entitlements, With Profits, Guarantees, Life Cover etc.

- **Opt-out:** Schedule 17 Paragraph 4 enables regulations to permit savers to opt-out. However, it does not specify the point in the process at which the opt-out would need to take place, or the mechanism for doing so, only that a prescribed person must give information to the scheme member.

- **Interaction with other Government/regulatory initiatives:** Any small pots solution – whether PfM or something else – needs to consider other relevant initiatives and policy and legislative changes concurrently happening in the pensions market. More consideration is needed about these, but some examples include the £100 de minimis on flat fee charges, VfM assessments and the increase in the NMPA.

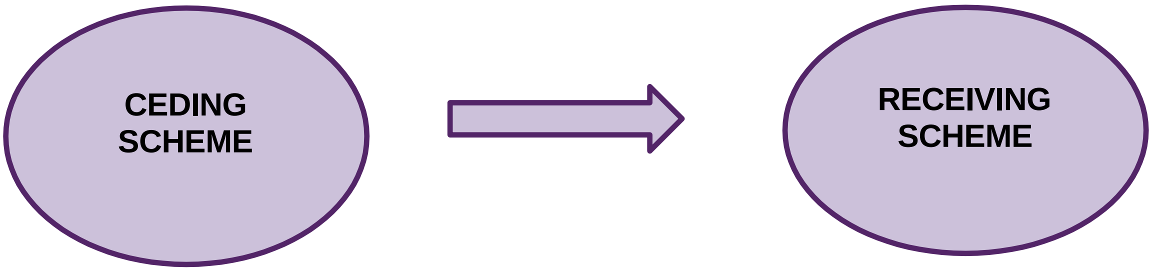
- **Issues of liability:** Legislation would have to address liability issues for trustees and providers, including the treatment of tax, protections and GDPR considerations.

CONCLUSIONS:

- If a PfM model is identified as the preferred solution (or part of the preferred solution), the PA14 primary legislation could be used as a vehicle to implement this. Although it would be subject to a formal review, a consultation to propose and implement some amendments to the primary legislation and to develop a detailed framework to be introduced by way of underlying secondary legislation.
- In contrast, it is the view of the industry representatives in the group that it would not be possible to implement a default consolidators model using existing legislation. New primary (and secondary) legislation would need to be introduced to give effect to this.

OUTSTANDING QUESTIONS

WHICH SCHEMES COULD BE A SMALL POT RECEIVING SCHEME?



Within an automatic small pots consolidation model there will be ceding schemes (i.e. schemes that will be required to transfer small pots) and receiving schemes (i.e. schemes that will be "authorised" or permitted to receive small pots). The pool of transferring schemes in a consolidation model may be significantly larger than the pool of potential receiving schemes. From recent discussions with DWP, creating and maintaining a 'safe list' of receiving schemes is unlikely to be in-keeping with existing Government/regulatory intent when considering protections for savers in the context of their Statutory Transfer rights[22].

There are a number of alternative options for ensuring the quality of receiving schemes. If small pots consolidation is limited to qualifying AE schemes, then by definition receiving schemes will only be AE qualifying schemes subject to the charge cap and standards of governance and disclosure. This includes:

1. Designating only authorised master trusts and schemes operated by FCA-regulated providers with an IGC or GAA that are used for AE as eligible receiving schemes (under a PfM).
2. Only allowing master trusts and providers that have obtained an additional level of authorisation to act as Default Consolidators.

Limiting the pool of receiving schemes in this way would help to ensure that all potential receiving schemes have high standards of governance. Any small pots transferred into the default arrangements operated by such schemes would also continue to be covered by the DC charge cap and be subject to oversight in terms of assessing VfM.

In order to facilitate DC transfers from occupational pension schemes without consent, changes would need to be made to extend the preservation legislation to include transfers to (some) personal pensions, alongside transfers to authorised master trusts.

However, under a Default Consolidator model, it is agreed that consolidators may need to have an additional level of authorisation to be eligible to be a consolidator. Criteria for a receiving scheme is an important element of the next stage of this work.

WHO WOULD BE ABLE TO BE A CONSOLIDATOR?

Further exploration is needed around which schemes and providers might act as a Default Consolidator. A number of questions have been raised over how Default Consolidators would operate, which would have to be resolved to move forward with this model. For example:

- If there are multiple consolidators, how many would be an optimal number? e.g. if there were three consolidators, the process of automatic transfer and consolidation is likely to be easier to administer than if there are ten. Would it be possible to limit the number of default consolidators to a smaller number and if so, would there be any competition issues with this?
- Which schemes and providers would put themselves forward to act as a consolidator?
- Some Default Consolidator models involve more active member choice on the part of the saver than others, which could help increase member engagement, albeit the trade-off may be greater administrative complexity. How would savers respond to this and how could the impact on them be minimised in policy design?
- What are the levels of support and willingness of Government to implement the necessary PfM/consolidators regulation?

Consideration would also need to be given to the status of a consolidator pot and whether it would be treated in the same way as any other DC pot that an individual has or whether it would be different in any way. For example:

- Could an individual contribute to their consolidator pot or transfer funds into it?
- Could an individual transfer their consolidator pot to an alternative pension scheme or provider?

[22] Government response: The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 - GOV.UK (www.gov.uk)

- How and when could an individual access the funds within their consolidator pot?
- Would a consolidator pot be subject to the same disclosure requirements as a normal DC pot?

HOW WOULD THIS IMPACT THE AUTO-ENROLMENT MARKET?

Questions remain regarding the impact the different models would have on the AE market in terms of the ultimate impact on the consumer, in particular, on competition within that market and on the financial sustainability of market participants to protect and maintain the vibrancy of the market for the benefit of savers. Impact analysis is needed to understand the consequences of certain models on the AE market and to ensure that the market is not undermined and/or destabilised by the introduction of one or other of the small pots solutions.

WHAT WOULD BE THE IMPACT ON MEMBERS?

There remain questions on the impact different models would have on savers, both in terms of the potential benefits to savers from transferring small pots, how they will interact with different models and how it fits into their working lives. The consumer journey mapping (included in Chapter 2) is an initial step to understand the potential impact of the different models on different savers. However, more work is needed to understand the practical impact different design choices, such as understanding the impact of different dormancy periods, the member opt-out period and the timing and nature of communication to members.

Within this, it is important to understand the nature and extent of any potential detriment a saver might face through their pot being automatically transferred over the long and short term.

HOW WILL INDIVIDUAL OPT OUTS WORK?

For the next stage of work, consideration will need to be given on how to design and implement the individual opt-outs intended as a consumer protection and included in the design principles (number 9, above). One of the stated aims of the Member Exchange pilot in the future, is to gather data around how many members opt-out. As this has not yet been possible, the next stage of small pots work should seek to consider ways to analyse the costs and benefits to consumers of introducing an opt-out mechanism, or whether alternative ways to give consumers choice should be reviewed.

CONCLUSIONS AND RECOMMENDATIONS

- A “pull” mechanism may be preferable to a “push” mechanism as it builds on existing transfer processes, and is in line with existing member-initiated transfers.
- A combination of models may be needed to maximise the reduction in both stock and flow pots, however, they should be complementary. A combination might entail using one solution for some elements of the problem, and another solution for others, or could entail the chosen solution having some of the characteristics of more than one of those that remain on the table.
- There are a number of outstanding questions which need to be addressed before a preferred market-wide consolidation solution can be identified and implemented.
- There are a number of benefits from a mass small pots consolidation model. However, more analysis/evidence is needed to fully articulate the benefit to savers and the impact of different models on different groups of savers. An initial step to understand the impact of models on different savers has been undertaken by outlining several consumer journeys. These show that the trigger and mechanism can have an impact on consumers, and deciding on the most suitable trigger is important. Further consumer testing is needed.

CHAPTER THREE: MEMBER EXCHANGE UPDATE AND OTHER INITIATIVES

MEMBER EXCHANGE PILOT

UPDATE FROM MEMBERS OF THE PILOT GROUP

Member Exchange is one strand of the industry-wide effort to reduce the proliferation of small deferred pension pots. By 2030 these pots will result in wasted administration costs of around £1-3bn per annum, which are likely to be passed on to other scheme members. Three large master trusts, The People's Pension, Smart Pension and NOW: Pensions are investigating the possibility of a Pilot Member Exchange, aided by a fourth large Master Trust, Nest, who are observers on the exercise. The concept of Member Exchange is to identify members with a small inactive pot at one master trust and an active pot at another master trust and to transfer the inactive pot into the active pot.

Nest are an observer as they cannot, as it stands, legally undertake bulk transfers without consent. Per the recommendation in DWP's review of Nest, they are considering actively participating in the pilot via a rule change, should early findings suggest that the idea is likely to be both operable and acceptable to all Trustee parties.

The work in Summer and Autumn 2021 identified an enthusiasm to investigate further the concept of Member Exchange as a solution, either in whole or in part, to the proliferation of small pots. However, it identified a number of complex legal issues in the areas of Pensions Law, GDPR and Competition Law. Trustees were aided in their discussions by Francois Barker of Eversheds Sutherland LLP, who on a pro-bono basis, pointed out a number of areas that would require careful attention by trustees as they moved forward.

One of these areas was that, when considering a bulk transfer without consent, trustees have a duty not only to the transferring members as a group, but to each member individually within that group. The hurdle the trustee must meet has three parts – the bulk transfer must be in the interest of the group when considered as a whole, the bulk transfer must be a reasonable course of action for each individual and the bulk transfer must be not unreasonable for those left behind. In discharging their duty to each individual it is not necessary for the trustee to go through the list line by line with detailed calculations for every single member, rather the duty may be satisfied by considering members with a range of characteristics and situations, such that the trustee will have covered everyone being considered for bulk transfer.

The master trusts involved in the pilot project decided that a useful step for Winter 2021/22 would be to identify a number of "scenarios" into which individuals might fall, so that they could progress the issue of how the trustees could give proper consideration to their duty towards a number of individual members who might be part of a Member Exchange exercise.

Having worked up the scenarios in detail, these were tested with Trustee Chairs, and their collective reactions are summarised in this chapter. These findings are therefore a preliminary trustee response. To get a green light for a Member Exchange pilot will require approval from not just the Trustee Chair but the whole Trustee Board of the relevant schemes. Before reaching their decision, each Board would need to seek legal advice, at considerable cost, and they would need to debate the merits of the proposed course of action. What we have done at this stage is to circumvent that bespoke legal advice and Board debate by taking soundings from three highly experienced Trustee Chairs.

Valuable learnings have emerged from this Scenario Planning exercise. They reveal important implications for the Member Exchange Pilot, and also for the wider plans for an automated and legislated solution-for small pots. The below sets out both where we found general agreement and areas where opinions were less closely aligned. It does not attribute opinions to any particular Trustee Chair.

COSTS AND CHARGES

One set of scenarios concerned member charges. All three master trusts use a combination charge basis of a flat fee for administrative services plus a percentage charge fee for investment services. The charge levels are different for each master trust, as are some of the finer details of the charging basis.

The scenarios looked at larger and smaller pot sizes and at members moving to a master trust where one or more of the charge components was higher in the receiving scheme. The scenarios also looked for particular implications around the £100 floor introduced into legislation on 6th April 2022, under which a member with a pot below £100 can no longer be charged a flat fee.

In general, trustees were comfortable that members pay less in charges by combining two pots and only paying fees to one master trust instead of two sets of charges. So, even where the member was moving to a destination with a higher level of fees, the transfer would be appropriate because of this effect of eliminating one set of fees altogether.

The decision was more nuanced where the pot within the ceding scheme was below £100 and so exempted from the flat fee element of a combination charge by the recent changes to the charge cap regulations. This scenario could result in the member experiencing a higher total fee after transfer than before. But the increase in the fees charged would be small, and both that member and all other members in the scheme would benefit from the elimination of duplicate administration after the transfer. That would appear to provide the trustee with sufficient comfort to proceed.

However, one scenario did cause a problem. For a member with a £75 pot in each of the schemes, where currently they are exempt from flat fees in both schemes, charges of flat fees would commence on the combined pot after transfer. In this example, the combined £150 pot might become eroded down to £100 before the new regulation protected the pot from further depletion. As well as the evident detriment to that member, the scenario also seems to expose both schemes to reputational risks, as it might appear to an onlooker that they had contrived to fashion a way to re-commence their flat fees.

There is an obvious solution to this problem. Members with only a small active pot in the receiving scheme could be excluded from this round of Member Exchange. In discussions, the schemes anticipated that under the Member Exchange model, it would be likely that there would be further periodic rounds of Member Exchange, perhaps annually. And in a year's time it is likely that the pot in the receiving scheme will have grown to a level of substance at which it will be able to sustain flat fee reductions without seeing its value steadily reduced, in which case the member could be exchanged at that point. Trustee Chairs were not asked to agree what that level would be, but as an order of magnitude we could be looking to test that the pot in the receiving scheme has reached £500.

ENVIORMENTAL, SOCIAL AND GOVERNANCE INVESTMENT

All three schemes take Environmental, Social and Governance (ESG) factors very seriously. Both in terms of fulfilling the recent statutory duties placed on trustees in the area of ESG but also in terms of the extant fiduciary and stewardship duties of a trustee caring for members' money over the long term.

Scenarios looked forward to a wider roll out of Member Exchange, and to the possibility that transfer might be to a receiving scheme that did not share the trustees' view of the importance of ESG considerations. This might include a scheme that was heavily advertising its green credentials in order to attract business, but was in fact "greenwashing" within its investment portfolio.

Trustees noted that some parts of the industry are still at a relatively early stage of investing which takes account of ESG issues, including climate change. In time trustees expect that the Regulator will become more adept at discovering and eradicating the practice of "greenwashing" and that trustees will therefore be able to place increased reliance on published material, such as Statement of Investment Principles and Chairs Statements from a receiving scheme.

Scenarios tested included transferring a very small pot into a much larger one. As is not un-common in the case of trustee decisions, factors pulled in conflicting directions here. On the one hand, the cost/benefit to a saver of transferring a very small pot into a large one tended to positively outweigh any detriment of exposing the small pot to a lower quality investment management. But on the other hand, trustees are expected to treat all members equally and cannot be blasé about investment losses just because they are small.

The ESG scenarios were in a way a microcosm for a range of other factors that would need to be considered, including value for money, accuracy of administration, the quality of member communications and other scheme features. Trustee Chairs felt that their position would be strengthened if TPR issued guidance as to the range of issues that trustees should examine and the light in which they should consider them. Perhaps even a "check-list".

Alternatively, TPR might regard these factors as absolute rather than relative, and simply guide that for a small pot transfer, it is enough for the trustee to check that the receiving scheme is an Authorised Master Trust and complying with the auto-enrolment charge cap.

Trustee Chairs noted that whilst the legislation on Bulk Transfers Without Consent is well established, it was created for a different purpose. Accordingly, if we are to use it for Member Exchange it would be beneficial to have DWP and TPR engaged and continue to reflect the collaboration that has already been happening. In particular, the legal expenses incurred by the Master Trusts in reaching the execution of a pilot Member Exchange will be lower if DWP and TPR are positively engaged than they would be if they are not.

This group of scenarios pointed to rather more work, but the problems again do not appear to be insurmountable.

NORMAL MINIMUM PENSION AGE

The Government published further details in late Autumn regarding the increase in NMPA from 55 to 57 in 2028. It is our understanding that one of the master trusts in the pilot has a trust deed and rules that give members an “unqualified right” to take benefits at age 55. That will include small deferred pots where the member had joined before 4 November 2021, which is the vast majority of their small pots. The other two master trusts do not have such rules and their members will see an increase in their NMPA to age 57 in 2028.

The importance of the protected pension age of 55 is not really about the small pot itself, but about the ability to add to it in the future. The Member Exchange Group’s concerns with the legislation are that if the small pot is retained where it is, then at age 55 the member in a scheme with an “unqualified right” could have transferred all their other pension pots into it (were they not ringfenced) and access their savings immediately, even if those pots had been built up in subsequent workplace pensions[1]. Trustees recognised that retirement at age 55 is unusual within our member demographic, but not impossible. Were a member to reach age 55 and suffer forced redundancy at their then employer or face a material unexpected expense, then the ability to access their savings at age 55 rather than have to wait until 57 would be extremely valuable, both in financial and in personal terms.

Scenarios considered included a “block transfer”, a simultaneous transfer of two or more members who extinguish all their entitlement in the ceding scheme. A block transfer does enable the member to retain a Protected Pension Age of 55, and unlike previous changes to retirement age it appears that the Block Transfer may also include those who have been a member of the receiving scheme for longer than 12 months.

However, in order of precedence, the scheme’s minimum retirement age set out in the receiving scheme’s rules trumps the member’s Protected Pension Age. Although the transferring member may retain a right to access funds at age 55 without the usual tax penalties for early exit, if the scheme rules do not allow access before age 57, they could still not access their savings under the receiving scheme at 55. A critical factor here is whether the receiving scheme will alter its rules to permit members who transfer as part of a Block Transfer to sit in a distinct benefit category with a 55 retirement age. This will be a matter for the rules of the receiving scheme and so is currently unknowable to the Member Exchange Group; any scheme rule changes may not be able to be made solely by the trustees, although this will be scheme-specific.

There is a further concern that the valuable right to a protected pension age could be lost in subsequent transfers after the initial Member Exchange[2].

The upshot of the deliberations with Trustee Chairs was that a scheme under which members have, because of the way the scheme’s rules were written historically, a Protected Pension Age of 55 cannot easily transfer these members to a scheme with retirement age that will become age 57 in 2028. The ceding trustees will not sign off the transfer in view of the potential deprivation of the members’ rights. The matter is a little less clear for the receiving trustees, but it is felt likely they would also not sanction the transfer.

Scenarios then looked at a “one-way” Member Exchange, under which such a scheme was able to take in small pots but not transfer them out. But this counteracts the reciprocal benefit that is a core component of Member Exchange. This is an important constituent part of the rationale for the wider scheme membership of setting up and paying the costs of a Member Exchange exercise. The scheme loses some members but gains some incoming funds in exchange. Without the reciprocal benefit the justification of Member Exchange to the wider, non-transferring, membership is lost. Trustee Chairs felt that they were most unlikely to be able to sanction a

[1] Guidance on the right to keep a protected age after transfers has been provided https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm062250

[2] The pension age is protected on subsequent transfers, so we understand that successive block transfers could be made without affecting the member’s protection. Guidance has been provided on this issue at https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm062250

“one-way” Member Exchange.

This problem falls into the camp of “we can’t yet see a solution”. But Trustee Chairs were aware that a number of other pension schemes have expressed dissatisfaction with the legislation for other reasons, so we will watch and wait to see if HMRC make changes to their current approach.

Since undertaking the scenarios, the group of Master Trusts have spoken with two large insurer-based master trusts that are used for auto-enrolment, and found that one does have and one will not have a protected age of age 55.

The issue falls away for small pots created by members joining after 4 November 2021.

INITIATIVES, CONCLUSIONS AND LEARNINGS ARISING FROM THE SCERNARIO TESTING

This phase of work on Member Exchange sought to ascertain whether the pilot looked feasible. This was to ensure that before the group committed what could be potentially large sums on legal advice, and finding a trusted third party with which we could share member databases, it was clear that the pilot could be done successfully.

We have gained valuable learnings in the areas of charges, ESG, VfM, and other scheme qualities like communications and record keeping. In these areas the problems seem likely to be solvable.

We had previously identified that there are other major limitations with Member Exchange as a solution to the entire small pots problem as the situation currently stands. Firstly, trustees may need to make an active decision to transfer each time, which involves considerable time and cost likely to mean that it may not be an efficient, cost effective solution. Secondly, a number of Master Trusts (including Nest) and all contract-based schemes cannot take part, meaning it would only ever deal with part of the problem.

However, we have also struck a hitherto concealed limitation in the form of the increase in the NMPA. It is exceedingly hard for a trustee either to initiate, or to accept a without-consent transfer that potentially involves the very significant deprivation of rights that we have identified. One master trust is effectively excluded from continuing with the Member Exchange Pilot at this stage.

We have looked at two other large master trusts with a significant auto-enrolment population, and found that one will have a protected pension age of 55 whereas the other does not.

This has the unfortunate effect of creating a fresh legal concern for the pilot participants. The Competition Act 1998 together with The Enterprise Act 2002 provide a legal framework to deal with restrictive business practices and/or the abuse of a dominant market position. The three master trusts working on the Member Exchange Pilot had drawn comfort that, whilst the pilot would be restricted to just those three leading market participants, the work was neither an inappropriate restrictive practice nor an abuse of their position because the pilot was both limited in scale and, importantly, intended to lay a trail that the whole master trust industry could follow.

While the current situation with NMPA persists, our ambition to create a framework that all Master Trusts could benefit from is simply not possible.

We are aware of a groundswell of opinion within the pensions industry that Government’s approach to maintaining a ten-year differential between State Pension Age and NMPA, whilst well intentioned, has the impact of adding number of costly and undesirable complications on pensions administrators. We will keep a watching brief to see whether the increase in NMPA is abandoned or simplified and revisit our conclusions once the dust has settled.

In May 2022, NOW: Pensions, People’s Pension and Smart Pension met with Officials at HM Treasury and DWP to discuss the interaction of Member Exchange and the forthcoming changes to Normal Minimum Pension Age. We agreed to write to HM Treasury, which has agreed to consider representations that would help to facilitate member exchange. However, HM Treasury has also explained the policy drivers that led to the increase in the NMPA and it was acknowledged that any changes would need to respect those fundamentals. There is also a question whether any obstacles in scheme rules could be overcome. In addition to seeking a way through for Member Exchange we will look to see what lessons can be learned from the pilot’s experience to help with a statutory solution to small pot proliferation.

OTHER INDUSTRY INITIATIVES

LOW COST, HIGH VOLUME TRANSFERS

A small group of Master Trusts have also been undertaking assessments to consider how to address the cost of data transfers to savers and achieve the order of magnitude reduction in costs needed to make automatic transfers economically viable. Early indications are that lower cost transfers are possible, which is a crucial early finding as without a significant reduction in these costs high volumes of automated transfers would not be possible. Further work continues, and findings will be shared by those undertaking this work as soon as conclusions with wider applicability are reached.

MEMBER-INITIATED TRANSFERS

Part of the solution to reduce the number of small pots in the short term without legislation, is increasing the number of small pot member-initiated transfers, where it is appropriate for the member to transfer. The inertia of AE has been hugely successful in bringing people into pensions saving. However, the drawback of this is that it does not require people to actively engage with their pensions savings.

Better engagement with pensions is crucial to increased member-initiated transfers, and this is why Pensions Dashboards, where people can potentially view all of their pensions, has the potential to be highly impactful in achieving this aim. The Government and industry are also keenly aware that more must be done, and are exploring further initiatives that could help. This includes the recently announced "Pensions Engagement Season", co-ordinated by the ABI and PLSA and supported by a number of providers, with the aim of issuing calls to action each Autumn or "Season". This may include encouraging people to check the value of their pots, and reminding them of the actions they might want to consider taking to improve their retirement outcomes.

THE OVERALL SCALE OF 'CROSS HOLDING' AND DATA SHARING BETWEEN DIFFERENT PROVIDERS

The PDP published a briefing note entitled 'What to consider when merging personal data from multiple providers' which may provide useful information applicable to the small pots work of the future. This work has identified three essential areas that need to be considered when working across multiple providers and their data to successfully deliver an amalgamated database of member data. These headline findings include:

- Governance – clearly documented processes, documents and timelines,
- Data – how the data will be formatted, anonymised, merged, analysed, stored and the importance of testing and testing again, and
- Teamwork – how the people involved in the project can make all the difference to its success.

Of particular interest to future small pots work, the PDP have found the following specific points that must be considered for any similar project:

- understanding and agreeing where liability sits among and between the various participants is essential,
- test, test and test again the data definitions and formatting with an initial trial project that is more limited in scope than the ultimate goal, including using both dummy and real data, and
- ensure that the necessary resources are in place for all participants, ahead of being needed, specifically from the data, legal and policy team.

Further information on other evidence, such as DWP's work on preferences of savers, NINOs and potential scale and barriers to consolidation can be found in Chapter 4.

CHAPTER FOUR: RELEVANT GOVERNMENT AND REGULATORY INITIATIVES AND WIDER RESEARCH

GOVERNMENT AND REGULATORY INITIATIVES

GOVERNMENT & REGULATORY INITIATIVES	POSITION AS OF INITIAL UPDATE REPORT – SEPTEMBER 2021	CURRENT POSITION[23]
Pension transfers and scams red flags	Though this intervention is designed to protect members from scams, industry representatives noted it does require and therefore place an additional burden on schemes where they must undertake additional checks (where the receiving scheme is not covered by Condition 1), against the conditions for transfers, and members where they must provide evidence of employment where the transfer is not to a scheme identified as a low-risk scheme.	Implementation of the final regulations was on 31 October 2021 and initial findings on the effectiveness of these regulations (and any transfer challenges) are still being collated. However, depending on which model is adopted some interpretations lead the Group to believe this will have little to no impact at all, as flags should affect only the statutory right to transfer and not automated transfers.
Same scheme consolidation	It was a recommendation in the Small Pots Working Group Report for providers to make progress on consolidating multiple pots within charge-capped default funds for the same deferred members over the next 3-4 years. Where it is possible, providers have been making progress on this. Same "scheme" consolidation is unlikely to occur for contract-based providers. This is because even where it can be identified that it is the same person in two different employments, different employer schemes may have different charges applicable to them, have different default funds and could not be brought together without member consent unless there is the support of new legislation. Further analysis is needed to understand how far same scheme consolidation can go to resolve part of the small pots challenge. The Group will work with DWP and FCA to monitor progress on this.	DWP undertook a data collection on same scheme consolidation from pension providers and schemes and are currently analysing the results. A summary of this can be found later in this Chapter.
The £100 de minimis	Some of the industry representatives on the Group noted that the introduction of the £100 de minimis level below which fixed fees cannot be levied also complicates small pots consolidation at the lower end of the scale (as highlighted in Chapter 3). Further consideration is needed to consider circumstances in which it will be appropriate to consolidate a pot which is not subject to a flat fee because it is worth £100 or less where a flat fee will be applied to the	The new rules came into force on 6th April 2022. This has also been considered in the Member Exchange pilot and an update of this is in Chapter 3.

[23] This table reflects industry perspectives and is not based on DWP's view or legal analysis at this stage.

	consolidated savings under the receiving scheme.	
Protected pension ages	Where a small pot benefits from a protected pension age (either under the current protected pension age regime or the regime which the government is planning to introduce when the NMPA age increases to age 57 in April 2028), industry representatives noted that a saver would lose the valuable options associated with this protection if their pot is transferred into a pot which does not benefit from a protected pension age, unless the transfer benefits from the protection afforded on block transfers, or they have another pot which benefits from a protected pension age. However, if savers were permitted to retain their protected pension age following a small pot transfer this could create additional administrative difficulties for schemes and providers if they are required to ring-fence the transferred in benefits as proposed under the April 2028 protection regime. A transfer may not be in the saver's interests if they cannot accrue benefits in the transferred, protected pot in the new scheme. This is because the amount they can access at 55 will be limited by ring-fencing it. In addition, savers with a small pot that benefits from a protected pension age would also have the option of transferring savings from other schemes which do not benefit from a protected pension age into the fund which benefits from the protected pension age in order to access those funds earlier. This option would be lost if a small pot which benefits from a protected pension age is transferred into a pot that does not benefit from this for any amount that is not ring-fenced, and the saver does not have any other arrangements which benefit from a protected pension age. In addition, ring-fencing within the receiving scheme would prevent within scheme consolidation and any benefits for the customer of that approach will not apply.	The final NMPA rules have been enacted, and while some of the complexity has been removed (this was to prevent people from transferring their pot after 4 November 2021 and acquiring a protected pension age of 55 in the receiving scheme), complications that could affect the suitability of small pots transfers do remain. These issues have been identified during the Master Trust Exchange pilot, and are detailed in Chapter 3. This pilot indicates that voluntary solutions are likely to be severely restricted due to Trustees' concerns on a range of issues, including on the impact of the increase in the NMPA and the transitional regime. To address some of the issues associated with this the industry representatives from the Group believe that any future legislation on small pot transfers should make clear that small pot transfers are block transfers.
Protected Lump sums and tax protection	Transfers are assumed to be block transfers in future small pots solutions, and it will be important to facilitate this to avoid the savers' loss of their lump sum protection.	No further changes.
Stronger Nudge	Under the Stronger Nudge proposed approaches (both DWP and FCA), all members will end up being nudged to guidance, regardless of the size of their pension pot. In line with the requirements of the Financial Guidance and Claims Act 2018, the DWP and FCA have proposed	The DWP and FCA final rules have been confirmed, and the potential impact on a small pot transfer solution remains. It could be argued that small pots transfers would not be in scope of the Stronger Nudge rules, as they are not transfers for the

	those who are transferring for the purpose of accessing their pension savings should be nudged to Pension Wise. Industry representatives noted that this could add another layer of cost to every pot and saver if a scheme/provider needs to carry out the nudge and undertake a check to ensure that the nudge has happened. It would also undermine the concept of implementing an efficient, low-cost automated small pots solution.	purpose of taking benefits. The industry representatives from the Group believe that any future legislation on small pots transfers should be implemented in such a way as to ensure they are excluded from Stronger Nudge requirements, to remove any ambiguity.
Future of DC Consolidation	It is important to note that the industry representatives in the Co-Ordination Group thought that the consolidation of schemes will not necessarily result in pot consolidation. In many cases administration for different employers remains separate even after transfer to an authorised master trust or group personal pension plan. Moreover, where pots have guarantees or special characteristics they may not be able to be consolidated (without losing these highly valuable benefits for the member) with other pots already held within the receiving scheme or by the receiving provider. However, having an eventual smaller number of DC schemes may make it easier to implement an industry solution for small pots where this relies on bulk transfers of significant scale to reduce the per-transfer cost to the saver.	TPR has published further analysis of the rate of consolidation in the DC market. The number of master trusts has fallen from 38 to 36, memberships in trust-based schemes increased by about 10% from 18.8 million to 20.7 million, and the number of deferred memberships increased by 15%. The PPI Data Project may be able to provide further evidence of the degree to which DC consolidation may reduce the number of small pots automatically. It remains the Group's view that this will have minimal effect.
FCA/TPR VfM and Consumer Journey	Small pots can undermine the engagement experience and consumer journey, and other initiatives should be considered with savers experience of small pots in mind.	The FCA/TPR have published their feedback statement on a new VfM framework with related metrics, to promote clear and consistent assessments of VfM (including investment performance, costs and charges and service standards) across the providers and schemes they regulate. The DWP and regulators recently announced the intention to further consult on this framework later in 2022. This framework, once finalised, could have significant implications for which schemes/providers are included in the scope of automatic small pots transfers; for instance, it may be determined that those providers/schemes who are not seen to meet a Value for Money benchmark should be excluded from receiving
LTAF and Illiquids	Transfer times for small pots may be impacted by increased holding in illiquid funds with infrequent redemption dates or increase change of gating. Work is ongoing to consider whether re-registration and in specie transfers could form part of the new proposed structures, and this will impact on the degree to which low-cost transfers are possible.	Position remains broadly the same. LTAFs will be designed to ensure a portion of the fund is invested in more liquid assets so that transfers are not overly impacted.
FCA Consumer Duty	The FCA has consulted for a second time on proposals for a new Consumer Duty, to set a higher standard of consumer	The FCA's consultation on the Consumer Duty has now closed, and they are considering respondents' responses. A

	protection in retail consumer markets. The FCA's stated aim is to ensure that firms adequately consider the needs of their customers and prioritise good consumer outcomes as an objective of their business activities.	proposed new Consumer Principle would require firms to act to deliver good outcomes for retail customers, which may have implications for how regulated firms deal with small pots.
Pensions Dashboards	Potential synergies between dashboards and small pots were noted in the previous Initial Update Report.	The Group's position on potential synergies remains the same. While learnings can be derived from the pensions dashboards programme, it is likely that additional infrastructure will be necessary for a small pots automatic transfer solution. Pensions dashboards regulations have now been consulted on, and the final regulations are due to be published later this year. The long-term plan for the PDP is being considered within the project, and this could plausibly include oversight of other industry-wide projects, subject to ministerial input and further legislation. There is a need to consider how small pots that have been transferred to a new provider under a small pots solution will be shown on the dashboards.

DWP RESEARCH

DWP has been working to fill some of the evidence gaps, as identified by the Group in the previous report, to support decisions around what a future consolidation model might look like and to develop the evidence base for change.

One of the gaps highlighted was the preferences of savers. DWP has commissioned research with automatically enrolled pension scheme members to better understand their preferences on pension pot consolidation. Unlike previous research, this is qualitative and will give insights into saver's engagement and understanding of their pension to support the future design, rather than just quantifying preferences. DWP is progressing with this research and is likely to publish the full findings later in 2022.

The Group was also interested in the life journey of the NINO and where errors might arise in relation to matching. Robust identity checks are undertaken when a NINO is created, ensuring the validity of the record has been confirmed and the number is unique. There are over 120 million unique NINOs in DWP's Customer Information System, which contains a record of anyone who has ever been allocated a NINO. National Insurance numbers are unique, and any combination of NINO plus other variables will therefore also be unique and appropriate for data matching.

The group's input will be required to understand the current nature and scale of issues industry experience with NINOs and their use as part of a data matching process, in particular the frequency with which these may have been incorrectly recorded on their systems. We are hopeful that the PPI Data Project will also be able to give some additional insight into this.

DATA GATHER – SAME SCHEME CONSOLIDATION

Over Autumn 2021, DWP conducted a data gather with providers to inform the work exploring consolidation solutions to help address the challenges posed by small pots. In particular, DWP had identified gaps in our evidence base around the potential scale of and barriers to same scheme consolidation.

<u>QUALITATIVE FINDINGS</u>

DWP received responses from 11 providers in the automatic enrolment workplace pensions market, covering roughly 28 million pots in charge capped default schemes; of which, nearly 16 million belonged to members in 'Pot for Life'[24] providers.

Across the entire sample, 4% of members held multiple pots within the same scheme. However, when excluding providers who operate a 'Pot for Life' approach, this figure increases to 9% of members with multiple pots within the same scheme. Of those members who have multiple pots within a single scheme, around 85% have two pots, 12% have three, and 3% have four or more. If all providers in our sample were to have a single pot per member, it would lead to consolidation of over one million pots and slow the growth of small pots.

QUALITATIVE FINDINGS

DWP also asked providers about their activity around member-led consolidation, barriers to internal consolidation and what steps are being taken to enable consolidation. Questions on member engagement found that most providers do make members aware of their ability to consolidate multiple pots internally through a variety of means, including: on their websites, through general communications, annual statements, touchpoints or when a member changes jobs, as well as informing them upon initial enrolment.

However, DWP found that less than 2% of members with multiple pots had requested their existing pots in a provider's default scheme be consolidated in the past year. Some providers explained that they are unable to proactively target members in possession of multiple pots in the same scheme due to data protection and direct marketing rules.

Barriers mentioned to same scheme consolidation extended beyond a limited capacity to inform owners of multiple pots, with providers also listing concerns over member consent issues, and it not always making financial sense for a member to consolidate if they risk losing bespoke charges or benefits.

When DWP asked providers what steps they were taking to enable internal consolidation, solutions being considered included amending scheme rules, enhancing online portal facilities to include consolidation prompts, and improving customer engagement. However, some providers felt that members having multiple pots within the same scheme was not a significant enough issue for them to warrant further action being taken. Providers indicated that the cost of administering each pot did not change on the basis of the pots size, or by the number of pots held by a member. But the overall admin cost will be higher for members with multiple pots as it's that cost multiplied by the number of pots they have.

CONCLUSION

DWP has concluded there is no currently identified single fix to the small pots problem and multiple solutions will likely be needed to address the issue. Wider same scheme small pot consolidation within the Automatic Enrolment market could act as a foundation measure to help narrow the issue and slow its growth. Addressing these multiple pots could make it easier to implement a cross-provider solution, as well as improving member engagement with their pensions.

[24] 'Pot for Life' describes an approach where a member has a single pot with a provider regardless of how many times they're enrolled. Each time a member is enrolled, their new enrolment is normally merged onto their existing pot.

LESSONS FROM AUSTRALIA

The ABI and PLSA consulted counterparts in Australia to get a greater understanding of the solutions that were implemented there. Given the similarities in the way the compulsory defined contribution market has developed in Australia to the UK's Automatic Enrolment system, it provides a relevant case study to learn how we might address the challenges which we now face in the UK.

<table>
<tr><th colspan="2">AUSTRALIAN SYSTEM</th></tr>
<tr><td>KEY CHARACTERISTICS THAT MAKE THE AUSTRALIAN PENSION SMALL POTS SYSTEM EFFECTIVE</td><td>

Compulsion – There is now a legal requirement for:

Pension funds to transfer small, deferred pots to the Australian Tax Office (ATO). Initially this was on a voluntary basis but was not effective in reducing the number of small deferred pots as take up was low.
Savers to be automatically "stapled" to their original provider unless they opt to transfer.

The Australian Tax Office – the ATO is at the centre of small pots system, and is responsible for holding pots of less than $6,000 AUD (c£3,300) until they are 'claimed' and can be transferred to an active pot.
Transfer efficiency – the speed and cost of transfers in the Australian system are essential to the effectiveness of this system. Transfers are fully automated and can be done online in less than three minutes (3-day legislated timeframe) at a cost of around $20-30 AUD (c£11-17).
Data standards – The Australian system uses the superstream data standard which was designed to ensure transfers are more efficient and quicker[25].
</td></tr>
<tr><td>HOW THIS DIFFERS FROM THE UK</td><td>

In the UK transfers cannot generally be made without the express consent of members. A transfer without member consent normally requires trustee approval or a legal exemption in contract-based schemes.
HMRC does not fulfil the same centralised role as the ATO in terms of facilitating pension transfers and there is no centralised body to hold small pots.
Pension transfers in the UK are subject to more onerous regulatory requirements and sometimes financial, actuarial and/or legal advice is required. This means the average transfer takes over 13 days[26] and can cost significantly more than it does in Australia.
</td></tr>
<tr><td>THREE WAYS SMALL POTS WERE TACKLED IN AUSTRALIA</td><td>

Stock: Cash refunds given for trivial pots of less than $200 AUD (c£110), and held by members over 65. (This is still the case even after the 'Stapling' legislation was introduced).
Stock: ATO became the default consolidator for pots of <$6,000 AUD (c£3,308).
Flow: 'Stapling' results in savers being attached to their initial pension provider for the rest of their career unless their owner actively makes a choice to move provider, i.e. the "lifetime provider" model. This is a very recent model, introduced in 2021 and there will be opportunity to learn how effective it will prove. This legislation also introduced provider league tables on investment performance, and relies on member engagement to avoid risks to savers being who are "stapled" to poor performing funds.
</td></tr>
</table>

[25] https://www.pensionspolicyinstitute.org.uk/media/3691/20210112-ppi-small-pots-international-report-final.pdf
[26] Origo Transfer Index

FURTHER INFORMATION ON THE AUSTRALIAN APPROACH TO SOLVING THE PROBLEM OF SMALL POTS	
MATCHING	• There are few accounts without a tax file number, which is the primary form of identification used for matching in Australia. Matches are not made on surnames but Date of Birth is used as an additional check to tax file number. Mobile phone numbers are being used as an additional check as these tend to be held for longer than addresses (which are not used). This results in a low rate of matching errors.
ECOSYSTEM	• There is a twice-yearly sweep of inactive and lost pots, which are then transferred to the ATO. • If an active pot cannot be found, then the inactive pot stays with the ATO where members receive interest and pay no charges. • Savers can opt for member-initiated consolidation through MyGov account. • If members turn 60 and do not access their ATO pot, funds become government consolidator revenue. Foreign workers make up a significant proportion of lost accounts. As in the UK Dormant Assets Scheme, a member does not lose the legal right to claim this money in the future. • The system requires a well-run IT data system which the ATO modernised in the early 2000s. A modern admin system is also needed to connect funds.
COSTS	• As the regulations prohibit exit fees on customers, the cost of transfers is all paid by the providers. • None of the pension providers were forthcoming in running the matching function so the ATO is the entity that does this. The infrastructure itself is paid for through levies on the industry.
DATA QUALITY	• Certain sectors are more prone to poor data quality such as those with temporary or guest workers. • However, there is an incentive for schemes to report the tax file number correctly; if an invalid number is used, the highest possible tax is paid by the employer. • Issues occur where new or different information is requested, but this is due to system design rather than the underlying information or data. • There are strict protocols for data fields. • The ATO benefits from real time reporting of transactions, so it knows the value of contributions going into pots.
CONSOLIDATION	• The number of Australian superannuation funds has halved from 389 to 179 since 2010. The Productivity Commission's 2019 report into the competition and efficiency in the market has sped up the consolidation that was already taking place. This means that Australia's 10 largest superannuation funds are expected to represent 80% of the market by 2025. The "stapling" and Value for Money reforms which came into effect last year are anticipated to continue to drive this tread[27]. • 13 million "unwanted" multiple pots have been reduced since 2015[28]. However, as of February 2021, there remained 5.2 million unclaimed pots

[27] Rainmaker Information, 2021
[28] https://www.superannuation.asn.au/ArticleDocuments/359/2107_Multiple_balances_Paper.pdf.aspx?Embed=Y

	with the ATO, worth $3.6 billion in total (average $692 per pot, (c£350)). It is estimated by the Association of Superannuation Funds of Australia that the new “stapling” legislation will only lead to a further reduction in the number of unwanted pots of 500,000[29].

CONCLUSIONS AND RECOMMENDATIONS

The following is therefore a summary of the industry’s perspectives on the potential impact of relevant Government and Regulatory initiatives on any small pots solutions and learnings from other research both conducted by the Group, on behalf of the Group, in the wider industry and DWP:

Recommendations:

1. Multiple solutions are likely to be needed to ensure the maximum reduction in the number of existing deferred small pots, and to prevent future small pots from emerging.

2. The industry representatives view is that legislation will be required regardless of the solution identified:
    - to compel all in-scope providers to take part in any solution(s),
    - enable contract-based providers to carry out without consent transfers,
    - to define the deferred pots and schemes in scope,
    - to identify eligible receiving schemes, and
    - to define the liability model.

3. If a PfM model is prioritised to be taken forward, existing PA14 legislation may be able to be adapted. However, default consolidators would likely need new primary legislation to be introduced.

4. **Protected pension age:** The industry representatives from the Group believe that any future legislation on small pot transfers should make clear that small pot transfers are block transfers.

5. **Stronger Nudge:** The industry representatives from the Group believe that any future legislation on small pots transfers should be implemented in such a way as to ensure they are excluded from Stronger Nudge requirements, to remove any ambiguity.

[29] https://www.superannuation.asn.au/ArticleDocuments/359/2107_Multiple_balances_Paper.pdf.aspx?Embed=Y

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

WHAT PROGRESS CAN BE MADE BY THE INDUSTRY IN THE SHORT TERM

In the short-term, the industry can continue to make progress with reviewing the transfers process to improve efficiencies, working on same scheme consolidation, improving saver engagement to help encourage member-initiated consolidation and preparing for dashboards readiness. However, there are limitations on what the industry is able to do alone to resolve the problem of small pots, within current legislative and regulatory parameters. Learnings from the Member Exchange pilot as summarised in this report demonstrate the challenge of meaningfully reducing the number of small pots using existing legislation. In addition, the current legislative framework does not allow for a whole of market solution to be implemented. Therefore, legislation will be needed if this is to be achieved.

Analysis is also required to understand the likely movement of small pots under different models and the potential impact on the automatic enrolment market. This analysis will need to be comprehensive and, for example, assess whether the likely movement of small pots under pot follows member or default consolidators models differ significantly. It will also need to consider the impact this has on the financial sustainability of the whole Automatic Enrolment system. A solution will need to represent a benefit to those being auto transferred and bolster the financial sustainability of the Automatic Enrolment system and maintain choice for employers.

RECOMMENDATIONS

The Co-Ordination Group hopes that the outcome of the next phase will prioritise a model (or models) to take forward and make progress on understanding what changes are needed to implement it. In order to be in a position to identify a preferred solution, the following steps will need to be taken:

1. A consumer-focused cost/benefit analysis needs to be undertaken on Pot follows Member, multiple Default Consolidators and Member Exchange; all costs as well as benefits will ultimately be borne by members and so it is crucial that this stage is reviewed thoroughly.

2. Analysis is needed of where small pots are in the existing system, the key reasons for their proliferation, and the wider systematic benefits of removing small pots for savers and schemes. The output from the Pensions Data Project (PDP) will help to provide this. This should also include analysis of the potential movement of small pots under the different models still under consideration.

3. Analysis is needed of the impact of different models on the financial sustainability of the AE market and the resulting impact on the consumer. This has yet to be commissioned but is considered to be a key element in identifying a preferred solution.

4. A clearer understanding of the views of Defined Contribution (DC) savers and employers on the priorities for any potential solution. This should be provided by the research which has been conducted by DWP.

5. Decisions about the preferred model will need to be accompanied with a direction for delivery, governance and funding of the project. The pensions dashboards project, for comparison, has centralised standard-setting and procurement of technical architecture at the Money and Pensions Service (MaPS), which has access to levy funding and is subject to public accountability. It has a bespoke governance arrangement with some industry input, although these arrangements are currently under review with a range of working groups and more planned as the programme develops.

6. The industry representatives view is that legislation will be required to enable any new framework and to implement a solution addressing the proliferation of small pots. In particular this will be needed to:

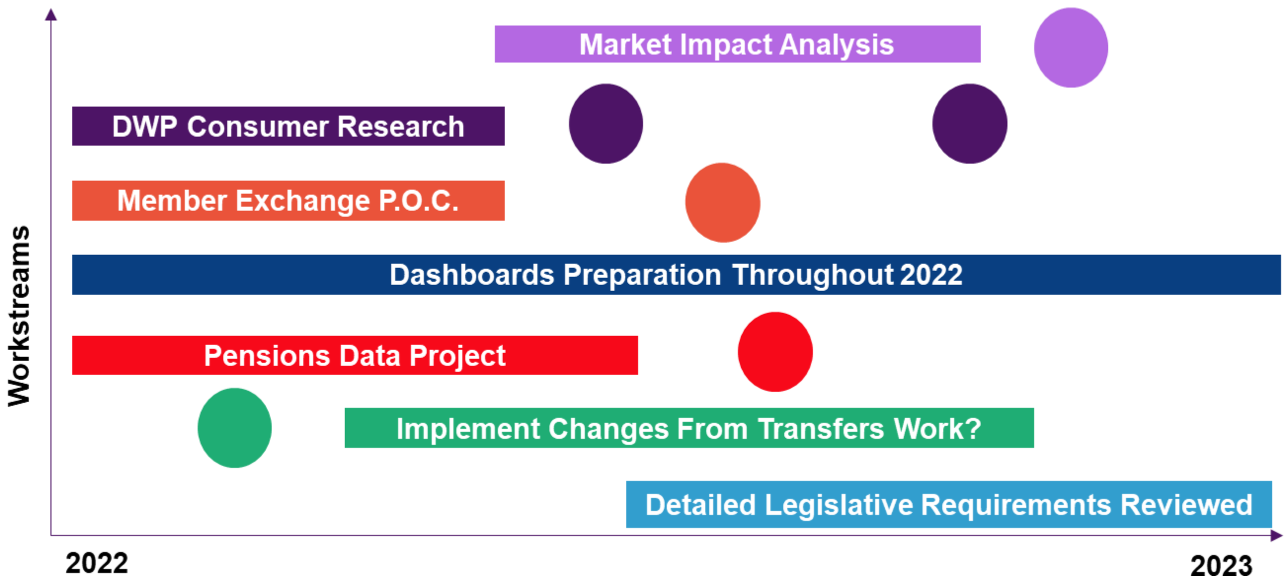
- compel all in-scope schemes and providers to take part in implementing the preferred solution,
- enable contract-based providers to carry out transfers without member consent and to broaden the scope for transfers without consent from occupational pension schemes,
- define the deferred pots and schemes in scope,
- set standards to identify eligible receiving schemes, and
- define the liability model for trustees, providers and others involved in the relevant processes.

CONFIRMED NEXT STEPS:

- An update on consumer preferences based on DWP research which is due to be published later this year.
- An update on the feasibility study of a low transfer cost system.

Once this data has been collected the Group will review it and see what additional questions can be answered. All parties believe that the Coordination Group could continue to provide a valuable role in assessing evidence, consensus building and prioritising specific models and, ultimately, advising on the design of the administrative procedures and policy detail required to implement these.

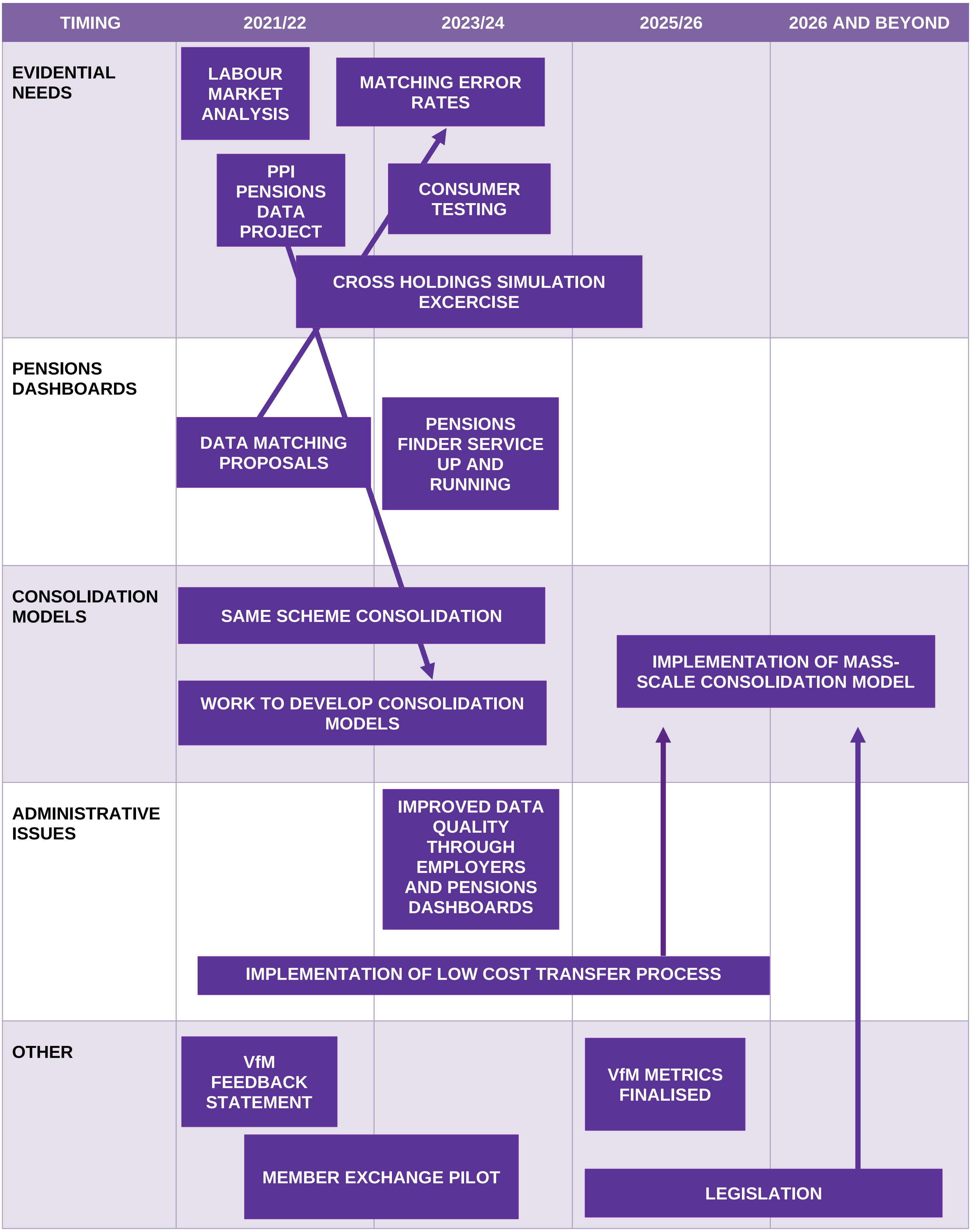
Below is a stylised and indicative timeline, to illustrate the industry work and government work (rectangles) and likely delivery points (circles) of that work.



Once the minimum necessary work has been completed, and a model has been selected and prioritised, further work can be completed on developing a small pots eco-system. This will include but is not limited to:

- A detailed review of legislation and other legal requirements needed to implement a mass automatic transfer system,
- Exploring the implementation of a mass automated matching, transfer and consolidation solution may be possible after Dashboards have been implemented, and
- Further consideration will also be necessary to place the new structures within a suitable governance and control environment, as this will be crucial to successfully and safely implementing a new model and the supporting infrastructure.

CO-ORDINATION GROUP TIMELINE



ANNEX

FURTHER INFORMATION ABOUT DWP RESEARCH INCLUDED IN THIS REPORT

Data on the number of pots held by members among DC charge capped default schemes was requested by the department and shared by scheme providers. In total, eleven providers were contacted and shared their data. These were a combination of trust and contract-based providers, selected for the exercise based on their large size (estimated total number of accounts) and significant Automatic Enrolment customer base. The data gathered should not be interpreted as a comprehensive or representative view of the whole DC pensions market. It provides an indicative view of the scale and distribution of multiple pot ownership within the same scheme at a single point in time for some DC scheme providers only. All individual level scheme data was shared with the department on a confidential basis due to its commercial sensitivity and will remain anonymous. The data is unable to be quality assured by the department, as the figures have come from an external source. Therefore, the data relies on the transparency of the self-reporting providers.

The data refers to October 2021. In total, the data encompasses roughly 28 million pots in charge capped default schemes; of which, nearly 16 million belonged to members in ‘Pot for Life’ providers. Approximately 1 million members in the sample had multiple pots within the same scheme.

Table A - Proportion of members in sample of DC providers with single or multiple pots in the same scheme.

Members with:	All providers:	Excluding ‘Pot for Life’ providers:
Single pots	96%	91%
Multiple pots	4%	9%

Table B - Distribution of pots in sample of DC providers for members with multiple pots in the same scheme.

Members with:	Proportion of Members:
Two pots	85%
Three pots	12%
Four or more pots	3%

CO-ORDINATION GROUP MEMBERS

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Rob Yuille	ABI
Gemma Mullis	Chartered Institute for Payroll and Pension Professionals (CIPP)
Rob O'Carrol	DWP
Jasmine Smiley	Fidelity
Tim Smith	Herbert Smith Freehills
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Adrian Boulding	NOW:Pensions
Kim Gubler	PASA
Sarah Luheshi	Pensions Policy Institute
Joe Dabrowski	PLSA
Ronnie Morgan	Royal London
Matt Burrell	Standard Life, part of Phoenix Group
Philip Brown	The People's Pension (TPP)
Carol Knight	TISA
Stephen McDonald	Which?
Observers	The Pensions Regulator (TPR) and Financial Conduct Authority (FCA)

WORKSHOPS

DECEMBER 2021 WORKSHOPS

Consumer Issues

This workshop was conducted on 9 December and the below individuals participated:

NAME	ORGANISATION
Stephen McDonald (Chair)	Which?
Ben Infield	ABI
Tom Davies, Mike Moore & Rob O'Carroll	DWP
Jonathan Hewitt	Financial Services Consumer Panel
Tim Smith	Herbert Smith Freehills
Adrian Boulding	NOW Pensions

Tim Gosling	The People's Pension
Kate Boulden & Alyshia Harrington-Clark	PLSA
Sarah Luheshi	PPI
Ronnie Morgan	Royal London
Darren Philp	Smart Pensions
Matt Burrell	Standard Life, part of Phoenix Group
Carol Knight	TISA
Lisa Leveridge & Gillian McNamara	TPR

Ecosystem Operational Issues

This workshop was conducted on 15 December and the below individuals participated:

NAME	ORGANISATION
Hetty Hughes (Chair) & Ben Infield	ABI
David Poynton	Altus
Richard Smith	Independent
David Reid	MaPS
James Storton	Mercer
Karen Hughes	Origo
Kim Gubler	PASA
Alyshia Harrington-Clark & Kate Boulden	PLSA
Vikki Wroot	Smart Pension
Carol Knight	TISA/TeX
Karren MacKenzie	Which?

FEBRUARY 2022 WORKSHOPS

Design Principles

This workshop was conducted on 2 February and the below individuals participated:

NAME	ORGANISATION
Hetty Hughes (Chair) & Ben Infield	ABI
Kate Smith	Aegon

David Poynton	Altus
Vicky Thompson-Hill	Baker McKenzie
Andy Cheseldine	Capital Cranfield
Nick Green	Criterion
Mike Moore & Tom Davies	DWP
Tim Smith	Herbert Smith Freehills
David Reid	MaPS
Adrian Boulding	Now Pensions
Matt Burrell	Standard Life, part of Phoenix Group
Kate Boulden	PLSA
Ronnie Morgan & Ian MacIntyre	Royal London
Darren Philp & Vikki Wroot	Smart Pension
Renny Biggins	TISA

Consideration of Stock and Flow

This workshop was conducted on 8 February and the below individuals participated:

NAME	ORGANISATION
Alyshia Harrington-Clark (Chair) & Kate Boulden	PLSA
Hetty Hughes & Ben Infield	ABI
David Poynton	Altus
Dale Critchley	Aviva
Vicky Thompson-Hill	Baker McKenzie
Andy Cheseldine	Capital Cranfield
Matt Parkinson, Mike Moore and Tom Davies	DWP
Tim Box	LCP
David Reid	MaPS
Kim Gubler	PASA
Matt Burrell	Standard Life, part of Phoenix Group
Sarah Luheshi	PPI
Ian Macintyre	Royal London

Darren Philp	Smart Pension
Renny Biggins	TISA

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