

SMALL POTS CO-ORDINATION GROUP: TERMS OF REFERENCE 2021

Context / challenge

Automatic enrolment (AE) has successfully extended pension saving to millions of today's workers. Employers, pension scheme providers and private sector delivery partners throughout the supply chain have been central to its success.

Making workplace pension saving the norm, including for lower earners and people who move jobs frequently, and without active engagement being necessary, created a higher risk that an individual's pension savings would become fragmented in a number of small pension pots. The growth of deferred small pension pots presents significant challenges, in particular for savers and pension providers. Enabling consolidation could help to support greater personal ownership and empower people to understand and maximise their workplace pension savings.

Enabling widespread consolidation of multiple small pots will necessitate complementary solutions to the self-initiated transfers (which may increase given, for example, Pensions Dashboards).

In September the Department for Work and Pensions formed a cross-sector Working Group to examine the issue, prioritise options and provide an interim roadmap, with a package of actions and key considerations to tackle the growth of small pension pots. The final report was published in December 2020. Progress is now needed to implement the recommendations and take this work forward. This Coordination Group is constituted to take some of the next steps on recommendations forward.

Role and purpose of the cross-industry small pots coordination group

The purpose of the Co-ordination Group is to:

- a) co-ordinate work to investigate and identify administrative challenges which will be necessary to underpin mass transfer and consolidation systems that can be delivered at scale within the AE market
- b) co-ordinate the work of administrative working groups looking at different issues, e.g. matching, common data standards and low-cost bulk transfers, and set the objectives of those groups.
- c) discuss the results of industry trials and feasibility study to align efforts on which concepts should be developed further and prioritised
- d) produce a public summary of the above.

Methodology / guiding principles

To engage with interested parties and across sectors, with the aim of implementing the relevant recommendations as set out in the DWP Chaired Small Pots Working Group; and to identify any areas where additional government or legislative support/change may be needed to make progress.

To carry out further analysis of available and upcoming evidence, including consideration of behavioural insights and additional data.

When considering future work and progress, the group is mindful balancing costs and benefits for scheme members, pension providers and employers, and the trade-offs between the following guiding principles:

- Build on the success and behavioural insights of AE, and optimise retirement outcomes
- Promote value and transparency for savers
- Minimise administrative burdens for pension providers and employers (including SMEs)
- Support competition and a vibrant pensions market for members
- Fit with the direction of HMG's existing pension policies and reforms
- Maximise affordability and sustainability for members, employers, pension providers and tax-payers

Outcomes and timing

The Group will prepare an update report in Summer 2021, which reflects the work of the group and progress made in implementing the recommendations in the Small Pots Working Group report.

Resources

The PLSA will provide secretariat support for the group.

The coordination group will meet at minimum once a quarter, with meetings planned in 2021 for March, May, June, September and November. Additional meetings will be determined by participants on an ongoing basis in line with need.

Relevant papers will be circulated at least seven days in advance of meetings and a note of key conclusions will be circulated within seven days following meetings. Formal paperwork will be kept to a minimum to reduce the burden of participation.

Confidentiality

The principles under which information will be shared:

- Each member of the Group will treat any information shared within the group by other members which is not already available in the public domain as confidential and shall not disclose such information to any other person without obtaining the disclosing member's prior written consent, or use the information for any other purposes other than those set out in this agreement.
- The Group may share aggregate data; input/insights and findings from working groups with others in the co-ordination group, or government departments (including DWP and The Pensions Regulator) but where this data relates to provider data this will be combined into an anonymised picture so that no individual provider is identifiable.

Competition law

All the work of the coordination group will be undertaken in line with respective parties' competition policies.