



# **PASA Consultation Response**

**DWP Consultation:  
Stronger Nudge to pensions guidance**

**September 2021**

# Acknowledgments

This response was drafted by the PASA DC Working Group. We're grateful to the authors of the response and their employers.

David Pharo (Board Sponsor)	<b>PASA Board Director</b>
Rosie Lacey	<b>De La Rue</b>
Gillian Bell	<b>Hymans Robertson</b>
Tony Brown	<b>Fidelity</b>
Andy Cheseldine	<b>Capital Cranfield</b>
Stephen Coates	<b>Mercer</b>
Jonathan Sharp	<b>Baker McKenzie</b>
Sue Pemberton	<b>Premier</b>
Lesley Carline	<b>KGC associates</b>
Catalina Esler	<b>Evolve</b>

## About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure to set, develop, guide and assess administration standards and raise the profile, development and perceived value of pensions administration, a previously undervalued sector of the pensions industry.

PASA acts as a focal point and engages with the industry and government to create protocols for understanding good administration - but also appreciates there's no one size fits all. PASA develops evidential accreditation practices which allows benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the standard and profile of pension administration generally, PASA focuses on three core activities.

1. **Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers**
2. **Publishing Guidance to support those standards**
3. **Being an independent accreditation body, assessing the achievement of good standards by schemes (regardless of provider)**

PASA is the only organisation providing such services across schemes, yet there's a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, scheme members and regulators.

## About PASA Accreditation

PASA Accreditation is open to all corporate members of PASA providing administration services (DB, DC, trust-based and contract-based schemes).

PASA Accreditation is granted following an independent evaluation and assessment process, which includes on-site visits and the review of documentation to evidence controls, procedures, process, staff development and contractual positions with clients.

Full details on PASA can be found by visiting [www.pasa-uk.com](http://www.pasa-uk.com)

### Question 1

**Do you agree with our proposed approach to defining when the Stronger Nudge should be delivered?**

**If not, what changes do you consider necessary?**

While we agree with the principle of helping consumers making informed decisions, it would be better for the trigger to be earlier, probably when the consumer is issued with their first (and subsequent) open market options statement. This is the best time for the consumer to be given a stronger nudge to make an appointment with Pension Wise because, having taken the guidance, they can start to make informed decisions before finalising what to do with their pension savings. It is not helpful to leave it to consumer discretion to decide when to take guidance in the process.

### Question 2

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

We don't agree with the proposed approach of providers booking appointments on behalf of consumers.

Providers won't have access to consumers' diaries and the process of agreeing and booking appointments could be lengthy and time consuming. This would add delays to the transfer or retirement process at the point when the member has already decided what they want to do with their pension savings, or where they need access to guidance quickly.

It would be more efficient for consumers to be given all the relevant information to book appointments themselves. This would also help if consumers wanted to book or rearrange appointments in the future, as it's much simpler for them to book the appointment directly rather than coming back to the original provider (who may no longer hold benefits for the consumer).

In summary, we're supportive of the desire for consumers to use the Pension Wise guidance but the current proposals would result in:

- Increased administration in terms of booking appointments and record keeping for opt-outs leading to increased costs which providers will inevitably look to pass on to consumers
- Consumers letting providers book appointments for them with no intention of actually keeping the appointment
- An additional party involved in the process can lead to increased timescales. Any delays in the transfer process would conflict with the Minister's request for transfers to be speedier

### Question 3

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

We don't agree providers should be recording opt-outs. The appointment booking system would operate more efficiently if consumers are given all relevant information to book appointments themselves, and if they do,

providers wouldn't know if the consumer had opted-out. If providers are required to record opt-out information they would need to amend processes and systems to accommodate this, which would have a cost and thus increase costs to providers without any guarantee of benefit to consumers.

#### **Question 4**

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

We do not agree with the proposed approach where the responsibility sits with the trustees or manager. In line with our comments above, the process and responsibility should sit with the individual.

We suggest:

- responsibility sits with the consumer for whether they take up or opt out of pensions guidance
- a separate centralised website or portal to record consumers decisions, which trustees and providers could access as part of their process, would be a more efficient way to approach this

#### **Question 5**

**Are the proposed exemptions sufficient? If not, what changes do you consider necessary?**

We don't have any comments on the proposed exemptions, although in line with our earlier comments we are concerned about the administration requirements associated with these. Managing the recording of exemptions through a centralised portal would seem to be the most efficient way of ensuring these are monitored and managed effectively, with the responsibility sitting with the consumer to self-certify.

#### **Question 6**

**Is an exemption for small pots necessary? If so, how should a small pot be defined?**

Including an exemption for small pots would be sensible and pragmatic.

We would suggest an associated definition should be set in conjunction with any guidance arising from the current industry led small pots initiative.

#### **Question 7**

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

We agree this is appropriate.

### Question 8

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

In line with our earlier comments we strongly disagree with the approach being taken. Responsibility for the making of appointments should sit with the consumer and the recording of associated actions would be more efficient if made and recorded through a separate portal, from which trustees and providers are able to access for information.

### Question 9

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

In line with earlier comments we feel that:

- the nudge should occur at an early and defined step, and not left to providers to decide
- the process would be more effective if greater responsibility is placed on consumers to organise (or opt out of) appointments, which trustees and managers having access to resulting data from an associated portal

### Question 10

**Do you foresee any problems with the interaction between the Stronger Nudge and existing signposting provisions? If so, what changes do you consider necessary?**

The proposed approach seems to over complicate existing practice. The current approach would remain effective if employed alongside our proposal for appointments and the recording of associated exceptions to be managed via a standalone portal.

### Question 11

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

No. The proposed process will add additional layers to the current process and is likely to lead to transfers settlement taking longer to complete. This issue would be lessened if our proposed alternative approach is adopted.

### Question 12

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

There will be a one off impact to implementing the Stronger Nudge, with trustees and managers needing to update processes to reflect associated changes. The costs incurred will vary by provider based on the actions

needed and also how these can easily they be incorporated into existing practices. As such while we are unable to quantify these specifically our early assumption is these would be considerable.

### **Question 13**

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

Again there will be an impact to ongoing costs resulting from the implementation of a Stronger Nudge based on the approach proposed. While we are unable to articulate these costs specifically, our early assumption is that we would anticipate that the costs associated would both be expected to be considerable and importantly disproportionate higher than the benefit that would appear to be generated (should the experience referenced by the pilot undertaken be seen in practice).

### **Question 14**

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

Increased administration in terms of booking appointments and record keeping for opt-outs will lead to increased costs which providers will inevitably look to pass on to consumers

### **Question 15**

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

While we do not perceive any direct benefits being realised by our members, we do recognise the positive association with encouraging members with make informed decisions.

### **Question 16**

**Do you anticipate any wider non-monetised impacts from the Stronger Nudge?**

We recognise the importance of improving consumer education in assisting individuals in making informed decisions.

As such, we welcome the introduction of any initiatives aimed at both raising the awareness of seeking appropriate advice in general and also specifically access to the support and resources made available by Pension Wise.

### **Question 17**

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

There would be a benefit to including a statutory review to validate the aims of proposed regulations have been met.

However it's more important to consider the impact of implementation and associated costs now before the proposals goes ahead. In line with earlier comments, there is a better way to approach the objective and would

prefer to see this option explored fully before managers and trustees go to the expense of implementing a solution.

It's worth noting the trial undertaken is not representative of the TPAs and EBCs model of administration/service delivery. We would suggest future trials include a more representative group of providers to fully reflect the whole supply chain.

### **Question 18**

#### **Do you consider the proposed regulations achieve the policy intent?**

Notwithstanding our other comments as to the appropriateness of the proposed approach, the regulations would appear to be appropriate in achieving the policy intent.

### **Question 19**

#### **Do you foresee any unintended consequences in our proposed approach?**

Several unintended consequences may result from the proposed approach:

- as process are introduced, there could be short term impacts to the consumer experience and the time taken to effect the consumer request
- as the proposal stands, it is possible different providers may introduce the step to take guidance at different points in a process. As a consequence this could result in an inconsistency of consumer experience where dealing with more than one provider at the same time
- while recognising the expectation is members will make more informed choices, the current proposal will result in increased costs, which are expected will be passed on to the individual, either directly or indirectly

### **Question 20**

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

We have no comments in this regard.





Get in touch:

[info@pasa-uk.com](mailto:info@pasa-uk.com)

[www.pasa-uk.com](http://www.pasa-uk.com)