

# DC Governance Watch

PASA 

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### The stronger nudge to guidance - a year on

The DWP published regulations to strengthen the nudge to pensions guidance for individuals when they seek to access or transfer their DC Occupational Pension Scheme for the purpose of obtaining pension flexibilities. The aim is to protect savers by encouraging them to make informed decisions when accessing their pension savings, and to help protect against pensions scams - an ever-present challenge across our industry.

It's important to remember members of DB schemes with DC AVCs are included in the regulations. The nudge to guidance is delivered to all relevant beneficiaries, aged 50 or above, who contact a scheme to discuss their options. Relevant beneficiaries are any members or survivors who are entitled to flexible benefits under scheme. While we've referenced savers throughout, this includes survivors.

To comply with the stronger nudge governance framework, when a saver makes an application, or communicates about transferring or accessing DC pension savings, trustees must:

1. Offer to book a guidance appointment with Pension Wise on behalf of the saver and explain the nature and purpose of the guidance
2. Where the saver accepts this offer, take reasonable steps to book the appointment. Where the saver doesn't accept this offer, or where the trustees are unable to book an appointment despite having taken reasonable steps, they must provide the member with details of how to book an appointment directly with Pension Wise
3. Explain to the saver they can't proceed unless they've received (and notified the trustees of having received) appropriate guidance, or the saver opts out of receiving guidance by giving the trustees an opt-out notification
4. Trustees must continue to deliver the 'stronger nudge' in all subsequent interactions with the saver about their application until the saver confirms they've received appropriate pensions guidance, or gives the trustees an opt-out notification

The trustees' obligation to deliver the stronger nudge arises early in the process when a saver contacts the scheme to discuss their options, rather than just when an application is received, which is likely to be later.

There are some exceptions to the requirement to provide a stronger nudge in relation to transfer applications. For example, trustees aren't required to provide a stronger nudge if a saver applies to transfer flexible benefits and has already received guidance, or the saver's transferring to a contract-based scheme with an FCA regulated provider.

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## 1. Record Keeping

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Trustees need to be able to evidence the interactions with savers, including the receipt of appropriate pensions guidance following a nudge and any opt-out notifications. Although several requirements state notification can be given to the trustees either orally or in written form, the obligation to keep records means trustees would be sensible to request all notifications in writing.

Trustees must work with their scheme administrators to ensure they keep a record of:

- ✓ sending the stronger nudge to all relevant savers at the appropriate time
- ✓ saver confirmation they've received appropriate pensions guidance; or
- ✓ opt-out notifications which must be submitted and received independently to any other paperwork relating to transferring or accessing DC benefits

It's important for trustees to work with their administrators to make sure this information's readily available and can be extracted from the administration system efficiently. It will be prudent for trustees to request this information on a regular basis. This will give them visibility of the nudge activity and satisfy the compliance framework. This information could be accommodated by adding a section to their standard administration reporting.

## 2. Outcomes

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The stronger nudge framework is an important initiative designed to protect savers from poor outcomes in retirement by helping them to make informed decisions when accessing their pension savings. These are expected to:

- ✚ encourage the use of the free, impartial guidance available to make informed decisions about the options available
- ✚ make taking Pension Wise guidance a natural part of the saver journey when looking to access pension savings
- ✚ help protect savers from poor outcomes in retirement and prevent harm to those who don't have the information they need to make informed decisions about how to access their pension savings

## 3. Measuring Success

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To understand the success or otherwise of the stronger nudges initiative, the industry needs a form of measurement. This has proven difficult in terms of defining what success looks like and setting a base line. The policy intention was to make savers seek guidance to improve decision making and ensure they take appropriate action. The former is simpler to measure but even this isn't easy. The latter, measuring actions undertaken and whether it was the correct one is perhaps too subjective to measure.

The PASA DC Governance Working Group approached 10 administration service providers and master trusts to ascertain their experiences since the introduction of the new regulation. We asked three simple questions:



1. What % of your DC and DC AVC members are eligible for stronger nudges
2. What % opted out of a Pension Wise appointment
3. What % took the opportunity for an appointment with Pension Wise

We found the following:

- providers administering master trusts and contract based arrangement had a lower percentage of savers eligible for nudges, ranging from 1 to 5%
- just over 58% of savers opted out of a Pension Wise appointment. The results ranged from 2-85%, with the majority of participants around 75%
- just over 13% of savers took up the offer of an appointment

The results of the survey shows a low take up to booking guidance appointments. MaPS publishes its own data on a dashboard at [MoneyHelper pension take up dashboard | The Money and Pensions Service \(maps.org.uk\)](#)

Within the data collated and published by MaPS, it's clear there are issues with evaluation. Initial data was collated during the pandemic, when many face to face appointments were cancelled. This made setting a meaningful baseline impossible. Other issues include appointments being marked as incomplete where a saver declines to listen to certain information not deemed relevant and appointments sometimes made by ineligible people, i.e. those under 50.

MaPS has seen an increase in the making of appointments both via telephone and face to face. In the last quarter to March 2023, there was a 34% increase in face to face bookings and a 6% increase in telephone bookings. However, MaPS doesn't publish the number of appointments attended verses the no shows and cancellations. It's difficult therefore to judge how successful DWP has been in its policy intent to push savers to seek guidance.

## 4. What's next for stronger nudges?

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The Work and Pensions Committee published its report [Protecting pension savers—five years on from the pension freedoms: Saving for later life: Government, Financial Conduct Authority and Money and Pensions Service Responses to the Committee's Third Report of Session \(parliament.uk\)](#) in January 2023.

Its first recommendation within the report is relevant to stronger nudges:

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“We recommend that by March 2023, DWP, the FCA and MaPS publish the metrics they intend to use for evaluating the stronger nudge. These should cover issues including take-up, the timing and the extent of behaviour change resulting from it. The evaluation should be completed no later than the end of July 2023. In addition, DWP should commission research to look at other initiatives trialled in the meantime, such as automatic appointments.” (Paragraph 13).

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Publishing and understanding the metrics will help in understanding whether stronger nudges are having the desired outcome. In the meantime, the industry will continue to work towards ensuring savers get the best outcomes they can.

Visit us on Stand 702 at PLSA 17 - 19 October 2023, members of the DC Governance Working Group will be available to chat to during the conference.

We'll be sharing our thoughts on this subject on our next podcast. Keep an eye out on social media for when it's available!



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