

Keeping an eye on the policy ball

✓ Phil Brown urges consideration for how the DWP's burst of policy activity will fit together

At the start of the pandemic there was a fear that it might prove problematic for short-term workplace pension savings.

However, the sector has come through the past 17 months in better shape than was expected, thanks mainly to the decision of the government to support workplace pension saving through the furlough scheme. Participation levels have remained high and the recovery of the markets following the historic crash of last March has exceeded all expectations. It looks like much of the progress government, employers, providers and savers have made since 2012 has been preserved.

It has been an intense, sustained period of activity for many providers, including ourselves, as we swiftly changed the way we operated whilst dealing with increased queries from both members and employers. That has not always been easy and we are grateful to employers and members for their support.

On the policy side, there is an increasing need to take stock. Pension policy change has been a growth industry for much of the past 15 years and we're currently going through a particularly intense phase of activity with the DWP. Much of this is material, sensible and needed – there are few who would disagree with greater safeguards on transfers in order to combat fraud for example.

Indeed, when viewed in isolation, many of the proposals the DWP is currently making are individually

reasonable but we all need to understand how these can all be made to work practically and in tandem.

Take for example simplified annual benefit statements. We don't disagree that more people need to read and understand their statement – why would we, it makes great sense, but what's less clear is why this is needed now especially as our collective ambition is to deliver dashboards showing the same information and in near real time. We only need to look at the banking sector where customers online viewing habits have all but replaced the need for statements as a means of keeping up to date with their current account. So, is it sensible to devote large amounts of resource now providing information in a format that will be superseded quickly, when our collective industry focus needs to be on providing dashboards in a format already favoured by customers?

We also need greater collective clarity on what we want people to achieve when they engage with their pension savings.

As providers, we see a range of initiatives that are required but also recognise the need for them to be joined up. One example would be the industry's work on small pots consolidation and DWP's view of charging. Both initiatives overlap and both ask the same question: what is the destination for the workplace pensions market?

The small pots issue causes us to ponder "how many pension pots does any person need to provide a good pension outcome?" Lessons from Australia suggest that by providing a system that automatically gathers

individual saver's tiny pots together on their behalf during their working lives, means that over a decade they end up with a single workplace savings account. The difficulty the UK pensions industry has in answering the question "how many" is clearly tied up, not just with the vast technical difficulties of supporting a small pot consolidation system such as Australia's, but also in being able to fairly answer the question of which providers win and which will need to lose if it were to adopt this form of consolidation.

Similarly, DWP proposals looking at what sort of charge structures are permitted in the future will have major market impacts in terms of how many providers can serve particular sectors of the market. In turn this will affect competition in the workplace pensions market and ultimately how many providers there are serving different types of customer.

Currently, the charging issue is being addressed largely through the lens of charge transparency. That really matters but it's one element alongside a range of factors that all matter to the management of a well-functioning market. Any review of pricing should, in our view, have the achievement of value for members and the impact on competition at its heart, alongside an examination of charge transparency.

So, there's a lot to agree with in DWP's current intense burst of activity. But, equally, there is a need to take stock and look at the bigger picture and the kind of market and experience for the saver that each of these initiatives is contributing to.

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