



DWP consultations

Deferred small pots call for evidence

The Department for Work and Pensions (DWP) has published a [call for evidence](#) on the growth in the number of deferred small pension pots and possible solutions for how these could be consolidated. The consultation closes on 27 March 2023.

In part because of the success of auto enrolment, individuals are now more likely to have a number of small pots from previous employments. The Government's ambition is to reform the pension system to ensure that the market functions more efficiently and allow individuals to plan effectively for retirement. The call for evidence focuses on areas such as encouraging member engagement, the period of inactivity before a pot is considered for automatic consolidation, and the relative merits of the various consolidation models being explored. Broadly speaking, the potential industry-wide models focussed on are 'pot follows member', where eligible small pots are transferred automatically to the member's new scheme when they move jobs, and the 'default consolidator', where such pots are transferred to a separate consolidator scheme, possibly chosen by the member.

DC value for money framework

The DWP, in conjunction with the Pensions Regulator (TPR) and Financial Conduct Authority is also [consulting](#) to gather views and evidence on their proposed Value for Money (VFM) framework for defined contribution (DC) pension schemes. The key elements of the framework are investment performance, costs and charges, and quality of services. The framework intends to encourage a 'cultural shift' in focus from only costs to overall value for money. It also aims to increase transparency of the value and performance of schemes, allowing the comparison of consistent metrics across schemes.

The framework is designed to build on and eventually replace the 'value for members' assessment already required for occupational DC schemes with less than £100 million in assets under management (as covered in [PATHways 128](#)). It is proposed that it will apply to most 'default arrangements', i.e. the arrangements which automatically enrolled members are invested in by default. The consultation closes on 27 March 2023.

HMRC Pension Schemes Newsletter 146

HM Revenue & Customs (HMRC) has published [Pension Schemes Newsletter 146](#). This includes, amongst other items:

- confirmation that event reports for the tax year 2023/24 onwards will need to be submitted via the Managing Pension Schemes service in due course
- notification that pension scheme returns for the tax year 2023/24, where required, will also need to be submitted on Managing Pension Schemes and will require more detail than the current returns
- details of a recent change allowing HMRC responses to enquiries about the registration status of receiving schemes for the purpose of assisting with pension transfer due diligence to be sent by email

Legislation update

The draft [Guaranteed Minimum Pensions Increase Order 2023](#) provides that the rate by which post-5 April 1988 GMPs must be increased from 6 April 2023 is 3% (the maximum increase permitted under legislation).

The draft [Social Security Benefits Up-rating Order 2023](#) sets out that, amongst other things, the full rate of the 'new' state pension will increase to £203.85 a week on 10 April 2023.

TPR guidance statement on supporting DC savers

TPR has published [guidance](#) for DC trustees and their advisers on how schemes should communicate with and support members in the current economic climate. TPR suggests that members may require reassurance, depending on the impact of recent economic conditions on their pension savings. If they do not receive the right support, they may be vulnerable to making hasty decisions which could lead to poorer outcomes and leave them open to scammers.

TPR's guidance on how trustees should support their scheme members includes:

- reviewing communications to ensure members can make informed decisions about their options, for example by including specific messaging related to changing market conditions in annual benefit statements
- signposting members to guidance services such as MoneyHelper and Pension Wise
- managing members' expectations of investment performance relative to their investment strategy and their proximity to retirement
- considering what additional information can be provided aside from the annual benefit statement to assist members with their retirement planning and encourage them to inform the scheme if their plans change

The guidance also covers the steps trustees can take to develop an action plan to review their governance and investment arrangements, for example:

- considering whether the right structures and resource are in place to support DC governance
- checking that their investment adviser's remit does not focus solely on costs and charges, and regularly review the advisers' performance
- ensuring their members better understand the risks of holding cash investments in a high inflation environment
- using data and behavioural insights to inform better scheme design and decision-making
- reviewing investment strategies and default arrangements in light of current market conditions

PASA publishes pensions dashboard guidance for master trusts

The Pensions Administration Standards Association (PASA) has published [additional guidance](#) on pensions dashboards. While primarily aimed at master trust schemes it may also be of interest more generally. This covers three practical areas to consider, relating to data, technical considerations and legal requirements. These are some of the key areas for planning in preparation for the launch of pensions dashboards, with the final regulations and standards expected to be produced later this year.

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