HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Protecting pension savers - five years on from the Pension Freedoms: Accessing pension savings, HC 237

Wednesday 22 September 2021

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Watch the meeting

Members present: Stephen Timms (Chair); Siobhan Baillie; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

Questions 78 - 139

Witnesses

I: David Fairs, Executive Director, The Pensions Regulator; and Sarah Pritchard, Executive Director - Markets, Financial Conduct Authority.

II: Alex Connolly, Chief Operating Officer, Money and Pensions Service; Carolyn Jones, Head of Money and Pensions Guidance Policy and Strategy, Money and Pensions Service; and Chris Curry, Principal Officer, Pension Dashboard Programme Team, Money and Pensions Service.

Written evidence from witnesses:

APS0044 – The Pensions Regulator

APS0061 – The Financial Conduct Authority

Examination of witnesses

Witnesses: David Fairs and Sarah Pritchard.

Q78 **Chair:** A warm welcome to everybody to this meeting of the Work and Pensions Committee and particularly welcome to the representatives of The Pensions Regulator and the Financial Conduct Authority who have joined us this morning. Thank you both very much indeed. Would you briefly introduce yourselves?

David Fairs: I am the Executive Director of Regulatory Policy Analysis and Advice at The Pensions Regulator.

Sarah Pritchard: I am the Executive Director for Markets at the Financial Conduct Authority.

Q79 **Chair:** Thank you very much for being with us. I will start with the first question. Can you both set out for us what your role is as regulators in helping people decide how to access their pension savings?

Sarah Pritchard: The Financial Conduct Authority operates within the remit set by legislation and by Parliament. As you will know, our three main objectives are to protect consumers, to ensure market integrity and to promote competition. Pensions are clearly one of the most important financial products that many of us will have in our lifetime.

We think our statutory objectives are most effectively met by concentrating in three main areas where we see our role. First, we want to ensure consumers have the right advice and guidance at the right time. Pensions are complex, they involve difficult decisions and we want to support consumers so that they can make active decisions and understand their pension savings and how to draw down their pensions when they reach retirement age. Secondly, we want to see products that are well designed and represent value for money. We think that that is important in ensuring that the market is working well, but also it supports consumers to understand and make active choices around their pensions. Thirdly, and this is critically important too, we want to ensure that the market works and that people are protected from scams. I know that you have heard evidence previously in this Committee on the risk of scams.

The Financial Conduct Authority has publicly stated that it would like to see paid-for advertising brought within the scope of the online harms Bill and we remain in that position. We think it is important that individuals are protected by more active measures through the online harms Bill but also through better informing consumers about the steps that they can take to protect themselves from scams too. On that note, later this year we are going to commence a multi-year digital campaign on the dangers of investment harms. We think that this is about ensuring that consumers can have choice and that they know how to exercise that choice. We believe that it is a market that works well and that is our role as a regulator operating in this space.

David Fairs: The Pensions Regulator regulates occupational pension schemes and we do that by regulating the acts and behaviours primarily of trustees. We have some powers particularly around enforcement of automatic enrolment but primarily we are acting through trustees. In particular, we require trustees, at least four months before a person's 55th birthday, to set out the options that members have and the risks for each of the options and also to point towards guidance and advice that they may get before they make decisions. As Sarah was saying, we also collaborate where we think there is a danger that members may suffer harm where they may be encouraged to transfer out. Where we see a sponsor of a defined benefit pension scheme running into financial difficulty, we write to the trustees and require them to provide information, which is jointly agreed by the FCA, ourselves and MaPS, warning them of the risks of transferring out and encouraging them to seek advice before they do so.

We very much encourage trustees and employers to further support members. Some larger employers provide technology to members to help them understand their own personal objectives, the options they have in front of them and what may be suitable. Indeed, some employers go further than that and provide either an IFA or a panel of IFAs to provide supplementary support. Those are things that we encourage as a regulator, but they are not mandatory. We, jointly with the FCA, provided some guidance earlier this year on what support trustees and employers can provide to members without it straying into regulated financial advice.

Q80 **Chair:** I will ask you about a specific point. It has been suggested to us that decoupling the 25% of a pension that is tax free from the rest might be helpful in reducing the number taking all of their pension in cash. What would be involved in doing that if it was decided that that was a good idea? Do you think it is a good idea?

David Fairs: By way of context, we have something like £1,700 billion of assets in defined benefit pension schemes currently and £218 billion in occupational pension arrangements. A lot of retirement wealth still exists within defined benefit pension schemes and it would be fairly typical for somebody coming up to retirement today that maybe half their retirement wealth is in defined benefit pensions and half is in defined contribution. Individuals drawing their pension from a defined benefit scheme have the option of taking tax-free cash but then they get their pension that will start when they retire. Individuals who are retiring today may find that with their state pension and their defined benefit pension they have enough income to support their needs. The defined contribution element might be a relatively small part of their overall retirement wealth.

Clearly that is going to change as those people who are just being auto-enrolled work their way through. They are likely to have their entire wealth in defined contribution where deciding what you do with the 25%

and the 75% is much more important. In that context, it is important to think that some actions that individuals take today might be perfectly sensible when you look at the entirety of their retirement wealth because of the state pension and the defined benefit pension scheme potentially meeting their everyday needs. They may be looking for their defined contribution pot to pay off high-cost debt or mortgage or pass on to children or whatever. I think we have to look at the context of where we are.

In occupational pension schemes it is pretty much mandatory that when people take the tax-free cash they would also start their pension and they would purchase an annuity. If they want to go into a drawdown product they would typically buy a product that is regulated by the FCA that would facilitate them doing that—and I will let Sarah respond to that—but then they can take the 25% cash and defer taking the 75%.

We see that master trusts are now developing drawdown products within the master trust itself. That then comes within our remit and in the course of next year we plan to look at the development of essentially what were offerings only in the FCA-regulated market that are developing now within our regulatory sphere. We will be working very closely with the FCA on the lessons they have learnt around drawdown but it is a relatively new concept within master trusts at the moment.

Q81 **Chair:** I think it was the FCA who first floated the idea of decoupling. Is it something that you think would be helpful?

Sarah Pritchard: Behind the question lies the concern that many have and that we have about what consumers do with the 75%. We believe that people are focused on accessing the 25% and then not making active decisions about what they do with the remaining 75% of their pension pots. Previous data that we have shows that about a third of people were unaware of where the rest of their pension was invested and the majority is focused simply on accessing the 25%. I don't think it is clear whether decoupling would support consumers taking a more active decision about the 75%, but ensuring that consumers have better knowledge and guidance about the options available with the 75% is very much what has prompted us to introduce investment pathways. They were introduced in February this year, so they are still relatively new.

Investment pathways require that for those who are entering into drawdown and are non-advised, providers ask consumers to choose from four options for what they are planning to do with their money for the next five years. In effect, it is a choice architecture, led through a series of questions that will then direct people to investment providers and solutions for investment, depending on how they are intending to use their money for the next five years. It is early days for investment pathways. We have committed that we will do a post-implementation review after a year, so in February next year. Very early indications from ABI data recently show that people are taking up solutions that are offered through pathways. We hope that that will change consumer behaviour and encourage people to make more active decisions so that they are not automatically put into cash or cash-like investments.

I think your question was also what would be involved in a 25% decoupling. Ultimately there are tax implications for the 25%-75% split, so that would be a matter that Government and other policymakers would need to consider. We hope that investment pathways will start to show a change in consumer behaviour, but it is early days and we need critically to have a look at this in the post-implementation review next year.

Q82 **Chair:** Your conclusion about that would affect whether you thought it was a good idea to pursue decoupling or not?

Sarah Pritchard: Yes. At this stage I don't think we are saying that there is a need to decouple to ensure that consumers take more active decisions about the 75%.

Q83 **Sir Desmond Swayne:** Is there a realistic possibility that collective defined contribution schemes could get to the market as alternatives to annuities? If that is a realistic possibility, what additional risks would there be if they were to be provided by master trusts? Secondly, if indeed these do come to the market, who would they be regulated by, the regulator or by the FCA?

David Fairs: I will start with that and Sarah can add her comments. The legislation that was passed in the Pension Schemes Act clearly was there to facilitate Royal Mail and other single employers who want to introduce CDC schemes. But I think two of the advantages of CDC schemes relative to individual defined contribution are that they pull the longevity risk. The challenge with defined contribution is that you don't know how long you are going to live. Most people don't know how long they are going to live and so there is a concern that you run out of money before you die. There are studies in Australia and America that say the opposite. It quite frequently happens that you are so worried that you will run out of money that you don't spend enough of your retirement pot and, therefore, you don't enjoy the retirement that otherwise you would have been able. CDC schemes have a great advantage that they pull that longevity risk and they give you a predictable amount of pension for as long as you live. That is one advantage.

The other advantage is that the investment decisions, particularly in the retirement phase, are being made by trustees who potentially are more open to risk than individuals. Individuals can have an overly conservative perspective on risk and, therefore, they don't invest their moneys to optimise their retirement wealth. CDC deals with those things.

The legislation that is in place is there to facilitate CDC schemes for single employers. We then need to look at the steps to take for multi-employers, learning from our experience of having authorised single-employer CDC schemes. I think there is an advantage in master trusts being able to provide CDC-type vehicles. We have seen that people have tended to shun annuities because they think they are expensive and they feel a loss of control, but quite often in surveys you read that what people want is predictable income. I think they probably want predictable income with a degree of flexibility, which a CDC scheme potentially is able to offer.

However, as a regulator they present different risks. If master trusts were to use CDC as a drawdown vehicle because you are not guaranteeing an income, you are indicating the income that you get. We would have to understand that the offers that master trusts were making to individuals or to employers were financially sustainable. If master trusts are competing against each other you want to know that there is a realistic prospect that the pensions they say they are paying are going to be delivered, because ultimately the risk is borne by the members of the CDC scheme if those promises are not delivered. We and DWP are very much thinking of the progression from single employer to multi-employer to master trusts providing CDC but there are different risks that we need to think through very carefully before we open the doors to master trusts using those vehicles.

Sarah Pritchard: Currently the legislation enables CDCs in the context of the circumstances that David has described. On the risks being different, I think it is important that consumers understand what a CDC is. There are many advantages with a CDC, for all the reasons of sharing risk and enabling a longer-term view on pooled investment and managing the uncertainties around life expectancy and the decisions that individuals have to make. It is slightly different from an annuity. It is a target pension, there is some risk there and an annuity is more of a cast-iron guarantee of a pay-out. It is important that when CDCs are introduced, consumers understand the difference between a CDC and an annuity, albeit there are clearly some advantages for individuals in comparison with the decisions that they need to make themselves on their own DC pensions.

As David said, we think it is more likely that the first extension of CDCs may be to have a look at the operation of CDCs in the master trust environment. If the FCA was to regulate CDCs that would require legislative change and for Government to determine that there will be use in introducing CDCs in the context of individual personal pensions, which are pensions that we regulate. Of course, we wait to see how CDCs develop and we are, as always, speaking to officials and counterparts and are willing to play our role as a regulator as and when that market develops.

Q84 **Steve McCabe:** I want to ask about the vexed issue of advice and guidance. This Committee recommended increasing the pensions advice allowance and I think the Minister has said that he is going to review it. How much of a difference would it make if the pensions advice allowance was increased? What would it have to be increased to for it make a significant difference?

David Fairs: I think that is quite a difficult question to answer. The degree of complexity that individual pension arrangements have is very much an individual perspective. Individuals who spent their entire lives in a defined benefit pension scheme probably need very little support unless they decide to transfer to a defined contribution arrangement where if their pension is over £30,000 they are required to get financial advice in any case.

Q85 **Steve McCabe:** I am thinking particularly about those people where advice is important and where they are not getting advice and may be suffering adverse consequences.

David Fairs: In the context of where we are at the moment, it is not untypical that individuals reach retirement with 50% of their wealth from defined benefit and 50% from defined contribution. That allowance may become more important in time as individuals increasingly have their wealth within defined contribution, but I think it is potentially a question for Treasury. Individuals with more complex needs may be higher net worth and whether that is a sensible use of funds is probably a question for Treasury rather than for us as regulator.

Sarah Pritchard: From an FCA perspective, it is not clear what prompts the low take-up of financial advice. We know from our financial lives survey most recently that only 8% of adults receive financial advice. That is a very low percentage of the population. We talked about this in our consumer investment strategy that we published last week, that generally outcomes for consumers are better if they receive good-quality advice. We think that together with guidance there is a need for consumers to be supported so that they can more easily understand the complexities of the decision-making that is required under pensions.

I don't think that we are able to provide a view on whether it is the level of financial support that is prompting low take-up of advice or whether it is because consumers are not engaged and have disengaged from pensions because they find them too complex, but it is clear that take-up rates of advice are low. It might be worth recapping what the pensions advice allowance is. As David has said, ultimately the level at which it is set is a matter for Government, but it is set currently at £500 and an individual is entitled to use that three times in the course of their lifetime. It can be used for advice on pensions and it does not have to come from the specific pension pot that you wish to seek advice on.

Pension providers are not required to signpost the existence of the personal advice allowance and many of them don't have the administrative arrangements to support that. If Government wished to take a view on the advice allowance, I think it would be important to also look at how consumers can be supported in understanding that it exists and who it is available to.

Q86 **Steve McCabe:** I deduced from that that if the Minister seeks a view from TPR or the FCA you will be pretty cautious in what you say to him. When we come to the question of guidance, I get the sense that neither TPR nor the FCA seems that enthusiastic about Pension Wise usage. I don't know if that is a fair comment but it is not something that I read a lot about you advocating or promoting or expressing your enthusiasm for. Is that a fair concern on my part? If it isn't, what might you do to demonstrate more enthusiasm for pensions guidance to become the norm that apparently we are all interested in?

David Fairs: That is probably not a fair criticism. We are very supportive and very encouraging of individuals seeking advice from Pension Wise and also the Pensions Advisory Service. We place a requirement on trustees that at least four months before an individual's 55th birthday the trustees write to the member, set out their options, set out the risks in those options but also highlight very clearly that there is support available to individuals from Pension Wise. For the people who are retiring today who may have state pension, defined benefit and a relatively small amount of defined contribution, Pension Wise may not be the appropriate vehicle.

It may be the appropriate vehicle for them to get support if they are looking to retire in the very near term but if they are thinking of retiring in 10 to 15 years there is technology, software and other avenues where they may get advice on whether they are on target to meet their aspirations for retirement. The Pensions and Lifetime Savings Association has done some very good work on retirement income standards, indicating what people might need to provide an adequate retirement and might need to enjoy a comfortable retirement. There is lots of technology that is free on the internet or on the Money and Pensions website that allows people to judge whether they are on track with their savings.

We are very supportive of Pension Wise. The fact that there is a 94% satisfaction survey of those people who use Pension Wise is a great statistic and shows that the people who take it are very well served by Pension Wise and the Money and Pensions Service. Pensions are complex and full of jargon and I think a lot more people would benefit if they approached the Pensions Advisory Service or Pension Wise for guidance and support. It may be that some people are in a position where they understand exactly where they are and they don't need that guidance and support because their income needs are taken care of by the entirety of their retirement savings. But overall pensions are complex, they have jargon and more people would benefit from using Pension Wise, which has a very impressive satisfaction statistic that shows that the people who take it up are very well served by doing so.

Sarah Pritchard: From an FCA perspective, I will repeat part of what David has said in that we are really supportive. We want to make sure that consumers have the right advice and guidance at the right time. I emphasise "at the right time". For the reasons that David covered, Pension Wise is clearly important and has high satisfaction rates for the consumers who access it. We would like to also consider with others whether there is other advice. The Money and Pensions Service provides many different guidance products that individuals can access and we think it is a combination of Pension Wise plus other services that MaPS provides that will be of greatest benefit to consumers.

We think it is really important that people are supported. As David has said, pensions are full of jargon and complicated. Through a combination of guidance and advice consumers will better understand how they can use their pensions. You might be aware that we recently published our "stronger nudge" consultation, which seeks to deliver on the requirements of the Act that came into force in July, where signalling Pension Wise at the point of an individual deciding that they want to access their pension should be introduced. We have gone further in that discussion paper to ask for other suggestions for how we can support consumers in this context.

I know that there has been debate and lots of discussion around whether people should automatically be booked into an appointment with Pension Wise. We have said previously that we don't think it is appropriate for the FCA to step into that space and mandate auto appointments in circumstances where Parliament has discounted it, including very recently under the Pension Schemes Act. Through that consultation we are looking to deliver on what the legal requirements are currently but also ask for suggestions about how we can support a greater take-up of Pension Wise.

Q87 **Nigel Mills:** I will pick up on the point that you think Parliament discounted the idea of auto appointment booking, and I saw you raised that with the Treasury Committee. I am not sure that is a fair understanding of probing amendments and how their not being pushed to a vote works in Parliament. Are you suggesting that if MPs raise something in Parliament and Parliament does not vote it through that means you think the instruction is not to do it? Would you rather we set out in legislation a long series of instructions of what we would like you to do in all situations just so you can't use that excuse?

David Fairs: Maybe if I could jump in on that one, Nigel. I think the challenge with auto appointment at the moment is that appointments could be created, a significant number of individuals would not turn up for those appointments and it would tie up quite significant levels of resource that might be better deployed in other ways. As I said previously, we would like to see more people access the support that is available from the Money and Pensions Service. We are in very early days of stronger nudge and we perhaps have to see whether stronger nudge gets the right response from the people who would gain benefit from Pension Wise and TPAS.

Q88 **Nigel Mills:** What percentage of people do you think should be taking guidance or advice so you can know whether stronger nudge has got you there?

David Fairs: I think that is a very difficult question to answer because people's retirement wealth at the moment is made up of a mix of different types of pension arrangements. For individuals right now it is quite hard to understand exactly what the constitution of their retirement wealth is. I am conscious that I have Chris Curry behind me and the Pensions Policy Institute is doing some very good work to try to understand and develop a picture of that. I can't give you an answer on that percentage.

Q89 **Nigel Mills:** It seems that you think there is not enough now, you hope stronger nudge gets us where we ought to be, but yet you can't tell us any idea of roughly where you think we ought to be. Is that going to be a hard thing for you to measure?

David Fairs: Anecdotally, I have helped my sister who—I won't give her age away—has gone beyond the age of 60 and from the complexity she was faced with, a number of options from defined benefit arrangements, six or seven choices from each defined benefit arrangement and so on, one can understand the benefit that people would get from going to Pension Wise to help them through those decisions. At the moment, we don't have an accurate picture of each individual's retirement savings. I think that it is very clear that take-up rates for Money and Pensions Service and Pension Wise could be higher, but I can't give you a precise percentage of what that would be.

Q90 **Nigel Mills:** Would you back a trial? Maybe I should be asking Sarah these questions. Would you back a trial of the auto appointment booking for a few thousand people to see how it works? We would not be overwhelming them but we could see whether the take-up was much better.

Sarah Pritchard: I know that there have been ongoing discussions. We are open to considering the possibilities of a trial. We would need to do so in conjunction with others. I think it would be a poor outcome for consumers if there are different rules in one environment compared with the next.

Going back to your question on the stronger nudge and is that going to be sufficient, as David has said, it would be useful to see how that stronger nudge delivers and whether or not it significantly increases the take-up rates for Pension Wise. I think it is very difficult at this stage to put a target for a figure on what "good" would look like for take-up of Pension Wise. The previous behavioural testing showed a significant increase, albeit still at very low rates. We are hoping that through the stronger nudge, which effectively asks pension providers to signal Pension Wise to consumers to offer to book them an appointment and then to record what the consumer did in response to that engagement, that will drive up levels, but we need to see how that works in practice. We would clearly need to work in conjunction with others if we were to go down the route of supporting a trial scheme, but we are open to considering that as part of the discussion and considerations that we have now that our stronger nudge consultation has closed.

You will have seen in the stronger nudge that we asked for ideas and thoughts on potentially introducing a cooling-off period. For the reasons that David has described, there is a concern that mandating Pension Wise might cause consumers to disengage because it might be seen to stand between them and their ability to access their pension. One alternative we suggested is a cooling-off period so that discounting a Pension Wise appointment is not the quickest way of accessing your pension savings. That is another alternative that is in the mix.

Q91 **Chair:** The Minister did say in Parliament that taking up a Pension Wise appointment should be the norm. One of our witnesses suggested to us that the norm would be about 70%. Is that a view that you endorse? Do you think that is where we should be heading?

David Fairs: I think at this stage it is quite difficult to say. The people who are retiring today have a very different make-up from those who will be retiring in future years, although I think it will be more than 15 years before the total assets in defined contribution exceeds the total assets in defined benefit, so defined benefit will be with us for some time yet. I don’t know what the right percentage is. I think that to some degree we have to see the experience that the stronger nudge develops and whether that meets the need of those who require and would benefit from greater guidance and support.

Q92 **Chair:** Do you think it should be the norm?

David Fairs: I think it is quite challenging, because for some people retiring right now the options in front of them are relatively straightforward, they have a very clear idea of what they are doing and they probably would not get enormous benefit. I think that will change over time as more people build up their entire retirement wealth in defined contribution. What may be appropriate today may not be appropriate in the future and I think it will change, but it is quite a hard question right now to say what is the right percentage.

As I said earlier, there are a number of employers who provide technological support, so that helps individuals understand what their aspirations are, when they want to retire, the amount of money that they need—what is essential to pay the bills—and then what they might want on top of that to have the sort of retirement they enjoy. There is technology that helps people understand those things and understand whether their retirement wealth is on track to deliver that and, if not, what they need to do to increase savings to meet that aspiration.

Some of this is being done by large employers who are providing that technology. Sadly, it is something that probably requires scale and, therefore, is only sensible for larger employers to provide. We are also seeing large employers and trustees have either an individual IFA or a panel of IFAs who are providing individual support to members. There are some employers, primarily larger employers, who are providing greater support to members to try to make sure that they make the right decisions at retirement and make the most of their retirement savings.

Sarah Pritchard: From an FCA perspective, we support making this the norm. I don't want to comment on what the norm would mean in percentage terms, but we support making it the norm. We have also said that we think that more active intervention is likely to be needed to get to that point. We want to see how the stronger nudge plays out and possibly a cooling-off period or any other suggestions that could encourage take-up rates in that space.

Q93 **Chris Stephens:** I see colleagues are very keen to pinch my questions, but I do have some more on this point. The Committee inquiry has been told that the stronger nudge is too weak and it is too late and that efforts to get people to Pension Wise should be made much earlier. Do both of you agree with that? Is there a specific point at which people should be encouraged to get to Pension Wise? I think we have been told the age of 50, which I was fascinated with because I am two years away from that. Should people at 50 be encouraged to get to Pension Wise or is there any other point that you think people should be enabled to get to Pension Wise?

David Fairs: I am conscious that I have colleagues from the Money and Pension Service sitting behind me. Individuals may benefit from a midlife MOT check to make sure that they are on track with their aspirations for the income they want when they want to retire and if not they can adjust their savings to do that. I think there is value in an interaction earlier in life, a midlife MOT, for individuals to understand whether they are on track. The decision that they may make five, 10, 15, 20 years later on how they access their pensions and in what way might be too early at 50 to focus on those sorts of considerations, but I think that understanding whether you are on track for your retirement is worthwhile early. Pension Wise has a specific scope and whether that is the right vehicle to do that at 50 or whether an interaction with the Money and Pensions Service, more broadly The Pensions Advisory Service, rather than Pension Wise might be more appropriate.

Q94 **Chris Stephens:** Sarah, do you have any thoughts on whether the stronger nudge is too weak, too late, and at what point should we encourage people to get to Pension Wise?

Sarah Pritchard: If I go back to the beginning of the session where I was talking about the FCA role, and the fact that one of our key priorities is ensuring people have the right advice and guidance at the right time, we think there are a number of different moments in someone's life where they need greater guidance and support on pensions. I support what David said about earlier access to guidance at the point of a midlife MOT. At that point, you would be in the period of saving your pension.

We also think it is important for people to access Pension Wise, which is a very specific service that I understand is available to people from the age of 50. That is an appointment that explains to people the options that are available to access defined contribution pots. If that comes too late people may have already made their decisions about what they want to do, so we think it is important that this is looked at in the round and that consumers are supported at various different stages of their lives, including much earlier, perhaps through the concept of a midlife MOT.

Q95 **Chris Stephens:** I suggest that the FCA's recent consultation on the stronger nudge proposals makes it clear that Pension Wise take-up is likely to remain low even after the stronger nudge is implemented. What other measures do you think should be explored to drive up take-up? I think you have answered Nigel's question about trialling automatic appointments, which is something you are looking at. Are there any other vehicles that you think could be done to encourage take-up? The point has been made that people who use Pension Wise have a very high satisfaction rate from using it. How do we drive that take-up?

Sarah Pritchard: In the consultation itself, as part of the discussion element of the consultation paper, we talked very much about the cooling-off period that we think could be of some value, so that declining a Pension Wise appointment is not the quickest way of accessing your defined contribution savings. There are discussions on whether people should have to opt out through enhanced mechanisms and more active communication. To clarify my response to Mr Mills's question earlier, we are open to all other options, but we need to discuss with our partners whether an auto appointments trial would be sensible or not. We have said that the stronger nudge alone is not sufficient to drive up take-up rates so that it becomes the norm, but we want to see how stronger nudge, potentially cooling-off periods or any other responses that we have had into our consultation develop. We are aiming to publish our policy statement on this before the end of the financial year.

Q96 **Chris Stephens:** The FCA's own consumer research has found that most savers have a limited understanding of what Pension Wise actually does, but once they understand it they are more inclined to use it. Is it the case that savers who may benefit most from Pension Wise are probably at the greatest risk of not taking up their appointment and risk the worst outcomes going forward?

Sarah Pritchard: We think Pension Wise is a really good service. It has high levels of customer satisfaction. The testing that others carried out last year showed that if you signpost Pension Wise, make it seen as part of the normal consumer journey, your pension provider itself is signalling it, people take it up and have a greater level of understanding. We are concerned overall that pensions are complex and people are not supported as they need to be to help them make their decisions.

Q97 **Chris Stephens:** David, do you have any thoughts on increasing Pension Wise take-up?

David Fairs: I have nothing really to add to what Sarah said, no.

Q98 **Chris Stephens:** Sarah, to what extent could investment pathways replace advice or guidance or both?

Sarah Pritchard: I don't think it is a direct replacement for either. It is what is described in horrible terminology as choice architecture, so that it encourages individuals to think more actively about what they want to do with their investments for the next five years. People are guided through to investments that can be offered by their own pension provider, or there is a comparator tool that MaPS provides where people can compare investment provisions. It is more akin to guidance than advice, but I don't think it is a full replacement for either. It is a guided set of questions to encourage people and to explain what the potential options are for the 75% that they may have available in their funds. It is also worth explaining that it is only offered to people who are non-advised drawdown customers. It is not required to be offered if you are already obtaining financial advice.

Q99 **Chris Stephens:** David, should trust-based schemes consider replicating investment pathways, and are there any drawbacks to that approach?

David Fairs: Individuals coming up to retirement moved from our regulatory perimeter into the FCA's if they were looking at a drawdown product. The FCA has had to deal with things like vulnerable customers and investment pathways, and that didn't happen in occupational pension schemes. Master trusts are now developing drawdown products that they are offering within the master trusts and I am aware of one or two large defined contribution schemes that are also providing that facility.

It is not something that we have had to deal with, because it didn't happen within our regulatory sphere. It is now, so we are thinking about the considerations that the FCA have had to do around investment pathways, vulnerable customers and so on. We are in discussions with DWP on whether investment pathways are appropriate to bring in to the schemes that we regulate as well.

Q100 **Chris Stephens:** My final question is to Sarah. Some written evidence that has been provided to the Committee suggests that investment pathways do not help those who have already decided to take out their money in full and that there is, therefore, a risk of unspent balances being left on deposit in accounts with ultra-low rates of return. How serious a risk is that in your view and how could it be mitigated?

Sarah Pritchard: It is right to say that investment pathways are offered only to non-advised customers—consumers who wish to access flexi drawdown. Overall, we think investment pathways are an important mechanism for supporting those consumers but there is a broader support that consumers need for which pension option to access, whether to go down the flexi access drawdown route or not. Investment pathways don't deal directly with that issue. Some of the stronger nudge proposals and the discussion that we have just had about increasing take-up rates of Pension Wise could provide the answer to that.

We are concerned, and we introduced the cash risk warnings at the same time as the investment pathways, so that if people are withdrawing and then holding more than 50% of their assets in cash they are given a warning about the consequences of doing so. When we come to look at the post-implementation review next year, when the year has passed from when investment pathways were introduced, we will be looking overall at outcomes in the round that investment pathways have driven.

Q101 **Nigel Mills:** It slightly worries me when we have two different regulators in the pensions sphere, and it looks like savers in very similar situations, yet the way you behave is different. David, you were saying that if a master trust moves into some sort of managed drawdown you are now talking to DWP and thinking about whether investment pathways might be a possible sort of thing that you could look at at some point. Wouldn't it make more sense just to copy what the FCA has done on investment pathways and apply them to people in a pretty similar situation if they are a saver in a master trust that is now doing a non-advised drawdown? Why do you need to reinvent the wheel and talk about it? Can't you just make it look the same?

David Fairs: We do work very closely together. Where it is appropriate for us to take common approaches on things, we work very closely together and we try to deliver a consistent approach. That is why last week we had a joint call for evidence around value for money. That is why we work very closely together to try to prevent scams. It is why we had a joint call for evidence on the consumer journey. There are very clear areas where it makes absolute sense for us to do exactly the same thing within both spheres, but we have a remit over public sector schemes in a way that the FCA doesn't. Some aspects of defined benefit schemes are very different from the world that Sarah regulates in the FCA, which has a broad range of other things to look at. In 2018, we had a joint strategy and we work very closely together at all levels between TPR and the FCA, from the chairman and chief executive down to working levels.

Absolutely, we will look at what the FCA has done and try to take all the learnings from them and make sure that they are appropriate for our regulatory space. However, I think we have to do that consciously and thinking about whether they are absolutely appropriate to be exactly the same or whether there would be good reasons for them to be tweaked and made a little bit different. We would be foolish not to learn from the experience that the FCA has on vulnerable customers and other areas if those same products are beginning to operate in our regulatory space.

Q102 **Nigel Mills:** That sounds a little more encouraging than, "We are starting to talk to DWP about it". If I had been auto-enrolled into a contract-based scheme and into a master trust, depending who I am employed by, I am not going to know that there is any difference between a contract-based scheme with a governance board and a master trust. I am not going to quite appreciate why I am going down an investment pathway when I retire from one and left to my own devices if I retire from another. It seems like we are in a strange regulatory position that somehow we have drawn a line between your two organisations for what looks like a pretty similar situation and perhaps that line is not drawn in the right place, but I guess that is a debate for another day.

If I switch to the thorny issue of a different line—that between guidance and advice—and whether there is any way we can slightly move that line and create a bit of a grey area and help people a bit more. You either get guidance that is not specific to your circumstances or you get quite expensive advice that people can’t afford to or don’t choose to afford. There must be quite some scope for inching that line along a bit so that you can give somebody suggestions that are relevant to their situation without having to go through a very expensive paid advice situation. Is there any scope for enhanced guidance or limited advice to become a little easier under the regulatory frameworks?

Sarah Pritchard: Without changing the line, I think there is a lot more scope for firms to do more in providing guidance to consumers. David referred earlier to some of the joint work that we have done. In March this year we published some guidance for employers and trustees on steps that they could take to provide more guidance without straying into the advice space. We think that even without changing the line, more can be done and we are working with firms. We will work with firms individually, sometimes through the advice unit that was set up in the FCA in 2016, which is looking at provision of guidance and advice in more automated circumstances.

It is important to recognise that the advice/guidance boundary, which is a matter for policymakers and Parliament, is there for a reason and we have seen the consequences if people have poor advice. Where the boundary sits is for others. We think that more can be done without shifting that boundary. Investment pathways don’t replace advice, they are more akin to a form of guidance, but we are hoping that by looking at some more of those nudges and behavioural choice set of architectures we can encourage people to provide more guidance in that space.

David Fairs: As a regulator, we are very supportive of employers and trustees wanting to provide support and help individuals with what is a complex subject with technical jargon. We are very keen that that support is provided, but there are some outcomes that can be more favourable to the employer and less favourable to the individual. While we are encouraging of employers and trustees providing support, making clear options and helping employees with the decisions that they make, there has to be a line. That is why we work very closely with the FCA on the guidance that Sarah described to identify that there is a line that goes beyond that support and strays into advice where it needs to be regulated to make sure there is no harm to individuals.

Q103 **Selaine Saxby:** Good morning. I am going to ask about pension dashboards. Should people be able to consolidate small pension pots through pension dashboards in your view, David?

David Fairs: The short answer is no. I think there are potential harms that arise if individuals can just press a button in the dashboard and consolidate without—returning to a theme—guidance and support on whether that is the most appropriate thing for them to do to end up in a scheme that is appropriate, has good investment opportunities and reasonable costs and charges. I think it is quite right that that sort of decision is done outside of the dashboard rather than within the dashboard.

Sarah Pritchard: From an FCA perspective, we would be concerned about the risk of scams or the risk of individuals making inappropriate decisions through such consolidation. I am aware that that is not what is proposed at this first stage of the pensions dashboard programme. I know that there are colleagues here who know more about the programme than I do, but at this first stage it is very much about consolidation, consumers being able to see the various different pots that they have, the contact details for the schemes that they are invested in. We hope that that will increase consumer engagement in the minefield of pensions that can assist people.

If it was to move to a safe consolidation, we would clearly work with others. It would be a matter for policymakers and Government to get to that step. There are very real risks for consumers that would need to be addressed if consolidation was to be allowed.

Q104 **Selaine Saxby:** Do you think there is an opportunity to bridge the gap between advice and guidance using the dashboards?

David Fairs: I think the dashboard is going to be very useful in reconnecting individuals with pensions that they may be unaware of or have lost touch with. It will be very valuable in understanding the quantum of retirement saving they have and whether they are on target for the lifestyle in retirement that they are aspiring to. I think it provides a very good foundation of understanding where people's retirement pots are and how much they have saved. It will facilitate guidance and advice, but I think that is a step further.

Q105 **Selaine Saxby:** Do you have anything to add, Sarah?

Sarah Pritchard: Not a huge amount. I don't think it is a replacement, but it has the real potential to drive consumer engagement. If you can drive consumer engagement in this complex area, I hope and expect that you would see a greater take-up of guidance and advice would follow.

Q106 **Siobhan Baillie:** This is slightly off-piste but, Sarah, you mentioned that only 8% of people seek financial advice, which is a really low figure. Quite a lot of the answers that you have both given today, and also in other evidence sessions on pensions, tend to refer to the need for trusted and quality information to reach consumers. We know it is complicated, as you have mentioned a couple of times, David.

Drawing on your role at the NECC, how important do you think it is that the online harms Bill is amended to include the clauses that you were talking about with economic harm? If the changes are not made in that Bill, do you see other legislation coming down the track that could include protections for the economic harm and the misinformation that is flying around? We are very much in the social media world. We know that quite a lot of people are drawing their learning about pensions and their own finances from social media. That worries me and has worried quite a lot of our witnesses as well.

Sarah Pritchard: As I said right at the start, we consider it important that the online harms Bill is amended to capture paid-for advertising. We think that is the best way of reducing the risk that consumers see misleading adverts and suffer harm as a result of investment decisions that may turn out to be scams. In the context of fraud and the scams that we see, particularly with my previous role at the National Economic Crime Centre, prevention is key. Taking action to stop this information reaching consumers will be one of the most significant ways that we will be able to reduce that harm. We also need to educate consumers and we will be launching a much more digitally targeted campaign to warn consumers of the dangers of investment harm, targeted at the 18 to 40 population. We think it is very important. If not the online harms Bill, it would be for others in Government to identify the most appropriate legislative slot.

Q107 **Chair:** Sarah, you have made the point to us that your consultation on the stronger nudge has closed. Am I right that the particular form of nudge that you have consulted on has not yet been tested on people, or have I misunderstood that?

Sarah Pritchard: Making access to Pension Wise seem part of the consumer duty was the subject of some limited testing in 2020, which showed that if you make it seem like part of the consumer journey you can increase take-up rates. We have not conducted any separate testing other than that testing that was carried out in 2020 by others.

Q108 **Chair:** What you have consulted on goes further than nudges that were tested, is that right?

Sarah Pritchard: In the consultation paper itself, we have consulted on the stronger nudge proposals to make it seem part of the consumer journey. We have also asked some questions that we have not tested, such as the potential for introducing a cooling off period.

Q109 **Chair:** Should those things that you have consulted on now be tested so that we know what the benefits will be?

Sarah Pritchard: If we go further than the proposals on the stronger nudge that is required to be implemented through legislation, we would need to do a cost/benefit analysis. Testing is obviously something that can support that. We are actively considering the responses that we received to the consultation paper and, at this stage, I would not want to say anything further about where we might come out in terms of a final position.

Chair: Thank you both very much indeed for the very helpful answers you have given us to our questions. Thank you.

Examination of witnesses

Witnesses: Alex Connolly, Carolyn Jones and Chris Curry.

Q110 **Chair:** We are now joined by our second panel who I think have all been listening to the discussion we have had with the first. Thank you for being with us as well.

Welcome, everybody, to the second panel this morning in this meeting of the Work and Pensions Committee. Can I ask each of our witnesses in the second panel very briefly to introduce yourselves to us, starting with Alex?

Alex Connolly: Thank you. Alex Connolly, chief operating officer at the Money and Pensions Service.

Carolyn Jones: Carolyn Jones, head of pensions and money guidance policy and strategy at the Money and Pensions Service.

Chris Curry: Good morning. I am Chris Curry, principal of the pensions dashboard programme at the Money and Pensions Service.

Q111 **Chair:** Thank you all very much for being with us. Can I put some questions at the start, picking up the discussion we have been having about Pension Wise? I am not sure whether this is a question for Alex or Carolyn, but what level of Pension Wise take-up are you aiming for? Is your corporate plan going to specify a level of take-up and when can we expect that plan to appear? If we do see a significant increase in take-up, the capacity of Pension Wise would need to be increased. Is that something that could readily be done, do you think? Do you think Pension Wise could help people with defined benefit pensions as well?

Last point: since the first lockdown, almost all the Pension Wise appointments have been over the phone, rather than face to face, as many of them were previously. How has that worked out and is that a permanent change or are you planning to return to face-to-face appointments in the future? A range of questions there. I leave it to which of you would like to respond.

Alex Connolly: I will start. First, let me set a little bit of context. Within the Money and Pensions Service we provide a series of services. We commission debt advice. We provide money guidance. We provide pensions guidance and we provide Pension Wise, which is a subset of broader pensions guidance.

To the point about the volumes and our expectations, since we launched Pension Wise back in 2015 the volumes have grown year on year. You will have heard from earlier attendees that satisfaction levels are very, very high. We are actively working with our DWP colleagues, as we speak, on the resourcing and the budgets for next year, conscious that stronger nudge launches at the beginning of the next tax year and we expect to conclude these conversations, I would think, by the end of the calendar year.

There are a number of points around moving towards telephone delivery. We moved quite quickly to switch to telephone delivery following the onset of Covid. That has worked very well. I think we have significant learnings there that we will incorporate in what we are calling our pensions transformation strategy, with MaPS looking at all of its pension services—pensions guidance, Pension Wise—and thinking about how we can make them better, more effective, and do a better job for customers. Carolyn, is there anything you would like to say on the pensions transformation strategy at this point?

Carolyn Jones: Yes, Alex just made the point that Pension Wise is a subset of our overall guidance service. I know that the panel before have listened to examples of our scam calls as another service we offer. Pension Wise is quite a narrow focus. It is about the six options people have when they access their DC pot. It is available to people with a DC pot who are over 50. It excludes DB. It excludes people who may have other queries and specific pension concerns and queries at other times in their lives.

That is where our pension guidance comes in, so our pension guiders answer the phone to people and at the end of that phone can be any question that people have on their pension. That might be scams-related. It might be divorce. It might be becoming self-employed or just, "How do I plan for the future? What should I do next?"

Looking at our services as a whole, the key outcome for our pensions transformation guidance strategy—a bit of a mouthful—is making sure people get the right guidance for their needs first time if we can do that. We think we have a great range of pension guidance services, but people self-selecting which service to go to can sometimes go a little bit wrong, so if we can get people to the right guidance first time they get a better outcome. It is also more effective for the levy payer because we are answering their questions first time.

To put some context around that, we have had increasing Pension Wise take-up over the years. Last year, we serviced 220,000 people with specific pension queries who came through to our pension guidance service, which was the Pensions Advisory Service. It is now all under the single brand. We also supported more than 500,000 people with their retirement planning with our digital tools. We had over 500,000 completions of our digital tools. We are reaching a wide range of people.

What we want to do under the pensions transformation strategy is do that more effectively, so we are looking at creating a single pension front door so that, when people come into us, in effect we triage them and understand what service they need and try to get them to that service, whether that is digital support, whether it is our scams line because it is a really urgent call, or whether it is Pension Wise, we make sure they hit that right service first time. Then hopefully they will come back for more when they are ready for Pension Wise or they do need something else.

That way, we can help a much wider range of people than just Pension Wise, but we can also look at the context of their circumstances a little bit more. David talked about a lot of people retiring now still having DB and Pension Wise not necessarily being appropriate. We do have services that will help DB and we are in the middle piloting DB to DC transfer guidance appointment for that group of people.

Hopefully, our pension guidance strategy will make our services more effective for the consumer but also more effective for the levy payer.

Q112 **Chair:** Are you planning to go back to face-to-face appointments for Pension Wise?

Alex Connolly: I am happy to take that. We will resume face-to-face appointments. We will develop the specific channel mix based upon learnings from the Covid period. We have clearly demonstrated that it is practical to deliver very effective sessions over the telephone in circumstances where previously we would have delivered face to face. It would be more efficient for us to deliver more over the telephone but we need to make this customer orientated, so where customers need face to face they will get face to face. Where we can deliver over the telephone we will seek to deliver over the telephone.

Q113 **Chair:** When will you make that decision about going back to face to face?

Alex Connolly: That is actively under consideration at the moment.

Q114 **Chair:** Do you share the view of the Minister that having a Pension Wise appointment should be the norm and, in your mind, what is the level of take-up that we should see?

Alex Connolly: Carolyn, would you like to cover?

Carolyn Jones: Yes, sure. Similarly, to our colleagues at FCA and TPR, we don't have a target percentage for the take up. We are really focused on the people who have taken Pension Wise getting value from Pension Wise. As David alluded to, people with DB pensions are still a significant proportion of people accessing DC pensions and they won't get the benefit from Pension Wise.

Our concern is making sure people understand what Pension Wise is and what it isn't, and understand the benefit to them of taking that appointment. To put some context around that, approximately 12% or 13% of people who come to a Pension Wise appointment don't complete that appointment. When we ask them why that is, generally it is not meeting their needs because they have a specific pension query. They don't want to hear all of the pension options that we are required to give under Pension Wise, or they wanted something more specific that we could have offered through pension guidance.

From our perspective, a stronger nudge will increase take-up to Pension Wise. We think that is probably the group of people who will benefit from Pension Wise because they have actively shown an interest in taking their DC pension but, as for a broader range of people and getting to people earlier, we need to be outcomes driven and understand what services we should be offering and how we best meet the needs of people, with all the different guidance we have.

It is very difficult, without knowing which people accessing their pension would benefit from Pension Wise to set a target, but we will be working with FCA and DWP to monitor volumes and understand the impact and that is not just volumes of people who come to the appointment, but volumes of no shows and cancellations, so that we can monitor take up.

Stronger nudge is not happening in isolation. In Pension Wise we already do paid-for-advertising and we are doing a lot of work with providers on better signposting and smoother signposting to Pension Wise, to our pension guidance service and to our pension planning tools, to make sure that our services are more open to people and people understand all the different services they can access and what would suit their circumstances.

Q115 **Chair:** When can we expect to see your corporate plan?

Alex Connolly: We expect that to be published by the end of the year.

Chair: The calendar year?

Alex Connolly: I believe so.

Q116 **Chris Stephens:** Following up on that and on some of the questions that were asked earlier, I think the concern that most people have is that Pension Wise has high satisfaction ratings—very high—but its take-up is very low. You have told the Chair about increasing advertising and things like that, but from the written evidence we have had, some people think that even with stronger nudge the take-up rate will still be low. Should we look at the added valuation trial of auto appointments? Is that something you are looking at to drive up the usage of Pension Wise?

Carolyn Jones: The role of MaPS in any trial would be to deliver the guidance that that trial is testing. For us, an important part of any trial would be to assess the effectiveness of that guidance for the different range of people that would come, to make sure that any guidance that we deliver is effective and cost effective, but also works for the people who are coming. As I have mentioned, our goal is to provide the right guidance at the right time and it is very difficult if you automate an appointment to know what that right guidance is.

If I look at examples of people who come to us, let us say three 54-year-olds come to us. One might be thinking about accessing their pension. They have had a wake-up pack from their provider. They have seen that Pension Wise is available and they come to Pension Wise. They will get great value out of the Pension Wise appointment. They will not be one of the 12% or 13% who leave the appointment before it is finished and it absolutely meets their needs.

Another 54-year-old might be getting divorced and have specific questions about how they rebuild after divorce, what they should do with divorce. We have an appointment for that and we would want that 54-year-old to come to that appointment.

Then a lot of 54 year-olds are unfortunately just waking up to the fact that they have to plan to retirement and are thinking, "Well, I've got 12 years until state pension. I am 12 years away from retiring. What should I be doing now? What could I do to improve my potential outcomes?" Again, that is something we can help with, with our guidance tools, our budgeting tools and in the future the retirement planning hub that we are going to wrap around the pension dashboard. That 54-year-old coming to Pension Wise would not get value because Pension Wise is focused on the six options of withdrawal, not about planning for the future.

If FCA and DWP trial auto appointments, we would absolutely support them in that trial. We would take the role of making sure not only does the automated appointment get more people to us but are they getting the outcomes they need? Both FCA and TPR talked about mid-life MOT and how that can help people in that earlier stage of life with the planning aspects of retirement. That is something we are also looking at.

Alex Connolly: If I might add—because I think it is relevant—as Carolyn said, Pension Wise serves one particular purpose. Our broader pension guidance services are relevant in many other situations as well, but knowing where to go, knowing what you are going to get from apps is really important. That is why our recent rebrand, pulling our brand together under MoneyHelper to give a common front door, an easy-to-understand, easy-to-access place to go, I think is very valuable and helps the common cause.

Q117 **Chris Stephens:** You mentioned 54-year-olds, Carolyn, which I thought was interesting because other people have mentioned 50. Does MaPS have a view as to when someone should have a Pension Wise appointment?

Carolyn Jones: The feedback we get is that Pension Wise is valuable when people have started thinking about how they are going to access their pension, not when they have started accessing their pension necessarily, because they may have preconceived notions of how they are going to take it, but they are at the stage of thinking, "I am going to take some pension out". There isn't an age for that, because someone can take their pension from 55 right through to whenever. We have 80-year-olds coming to Pension Wise who have DB pensions but are just about to access DC pots.

The sweet spot for Pension Wise is getting to them before they have made any decisions but when they are actively thinking, so that they can make sense of all the information they get from the providers. Other people at that same age may not be thinking about access. They may be thinking strongly about how to accumulate. That is a very different guidance service that we need to give those people, so it is very difficult to pinpoint an age when you don't know what circumstances or where in their planning journey somebody is.

Q118 **Chris Stephens:** I have one more question: does Pension Wise have the capacity to provide adequate guidance to anyone accessing the pension for the first time?

Alex Connolly: We work very closely with DWP on the future volume requirements, so we very much rely on DWP as the pensions policy team to steer us as to what capacity is required. We will then make sure that we meet the demand that comes through the door. I can say that we currently meet all of the demand that comes to Pension Wise and we deliver great service, but I think it is for DWP to comment on the broader question.

Q119 **Chris Stephens:** DWP mentioned the new norm as they see it: 70% take- up. Does Pension Wise have the capacity at the moment to meet that demand and, if not, presumably you would work with DWP to make sure that it does have the capacity?

Carolyn Jones: You will be aware that we are going through a Comprehensive Spending Review and we are working closely with DWP to understand the potential resource requirements we will have for Pension Wise, given that stronger nudge regulations will come in. We don't know what effect the stronger nudge regulations will have because, in reality, we don't know how many people are accessing pensions in a given year. We know how many pots are accessed but not how many individuals that relates to.

We are building scenarios with DWP to try to understand the impact. I cannot comment on the outcome of the CSR. We will happily come back to you when we know that outcome, but what we are doing with industry, with FCA and with DWP, as those regulations come into force, is closely monitoring what impact that will have on our volumes, what impact it will have on our no shows and our cancellations, and we will adapt those scenario planning circumstances accordingly.

Q120 **Steve McCabe:** Good morning. I suppose the term "stronger nudge" is very clever if you are a Thaler and Sunstein fan. The problem is that too many people are retiring without getting adequate guidance on their pension decisions. What exactly does "stronger nudge" mean?

Carolyn Jones: Stronger nudge was proven as a way of—without mandating an appointment—making sure that people understood the value of the appointment. The trials that the Single Financial Guidance Body, as it was then, conducted with the behavioural insights team looked at how, without mandating an appointment, in the conversation with someone you could make the appointment seem the norm: it was something that people like them did and was valuable, with key language in there about "free", "impartial", "delivered by a Government agency", to give people the confidence that it was a safe and secure service, that it was independent of their provider but, also, to see it as a norm and understand what that service could give them. That is what the trials tested and that tripled the take-up compared with the normal wording that a provider would have used. It wasn't testing mandation. It was very much about it still being a choice for people who felt the need of that guidance for their DC pot.

There will always be people who are confident and do not want that help. There will always be people who already take advice, so 36% of people who are accessing their pension are currently taking advice. There will be people, as David said, who have DB. DC is a different option for them and Pension Wise doesn't help those people. It was about making it clear who and what it can help with so that those people can then choose to come to Pension Wise and, importantly, taking away the friction from the journey.

Previously, when a provider would talk about Pension Wise to a customer they would say, "You can contact Pension Wise and make an appointment. This is what the service does". What the nudge did was get the provider to say, "Would you like me to make that appointment for you?" and the provider made that appointment there and then. You have a lot of people thinking, "That sounds like a great idea". They put the phone down, life intervenes and they never get round to it and suddenly they are accessing their pot. The important aspect of that trial was taking away that friction so it was done for them there and then. That is why the stronger nudge had the success it did and it remains to be seen how that translates when the regulations come in.

Q121 **Steve McCabe:** Thank you. I notice that Baroness Altmann is the latest person to come out in favour of automatic appointments, which sound to me like they go a bit further than stronger nudge. If we move to automatic appointments, how would you counter the concern or the criticism that it will end up with multiple appointments with people and be a bit of a bureaucratic nightmare for people? Are you taking that into account and are you sure that that could be addressed?

Carolyn Jones: As I said, the role of MaPS in any trial would be as the deliverer of the guidance, and making sure that that guidance is fit for purpose, value for money and meets the needs of the individuals. We don't hold any consumer data so, if DWP and FCA are going to trial automated appointments, they will need to consider how you get to an individual rather than how you get to a holder of a pot because, as you say, someone might have five pension pots and they don't want five appointments being made for them.

Q122 **Steve McCabe:** Do you think that is a real risk? Is that a worry from the point of view of MaPS?

Carolyn Jones: It would depend on how a trial would be run. If you can use individual status and disregard the fact that they have pension pots you are giving an appointment to an individual. You then have an issue about who holds that data because you don't know who has a DC pot, who has a DB pot, and some people may have no pots at all; that is the complexity.

From the perspective of MaPS, if we ended up with five appointments for an individual in the system, that would be complex and would be difficult to manage because, inevitably, that individual is only going to turn up once, so we have four appointments that are wasted. Therefore, understanding how we get to an individual and not five pots that that individual may belong to would have to be part of any trial

Q123 **Nigel Mills:** Can I just go back to the mid-life MOT that I think was mentioned a few minutes ago? Do you have a service that offers that, Carolyn? If I ring up MoneyHelper and say, "I am 45 and I have no idea what I should do with my pension", do you help people through that journey at that point?

Carolyn Jones: At the moment, if you rang up MoneyHelper—and please do—and asked that question our guiders would help you understand what to do, where to go for that help. They would point you to the tools that are available and, if you have any concerns, they would talk you through. You would get that service but it is not wrapped up as an appointment currently.

In the UK strategy delivery plans, one of the recommendations is a mid-life MOT. We are sitting on the mid-life MOT board that has been convened by DWP as MaPS. We are looking at our role in the mid-life MOT as the financial pillar. Mid-life MOT is about how in mid-life you need to think about how your health is going to change going into retirement and later life, how your career might evolve and what impact that has on your health and finances and, also, financial guidance.

Retirement and pensions are obviously a significant part of that, but there is other money help we would need to put in that, and MaPS is focusing on what we can do to support that financial pillar, working with industry and the board to get that wider context, and really wrap it up as something more of a proposition than it currently is. That is not to say you would not get that help now.

While we are there, I know the Committee has listened to scam calls before, but if you would like to listen to some of our more general pensions calls and the things that people come to us about we will happily arrange that for you.

Q124 **Nigel Mills:** Thank you. Would it be fair to say that that mid-life MOT service would be a lot more expensive than Pension Wise? Because you have a broader subject and there seem to be a lot more complex areas you could get into? It is going to be a more expensive service to deliver than Pension Wise, isn't it?

Carolyn Jones: Not from the financial pillar perspective. We have a lot of the guidance already and, as I say, if you called now we would walk you through that, so for us it is wrapping up that guidance and making sure we get it to people and that we join in with the other pillars that will be delivered by other people.

Pension Wise is an hour and a quarter of somebody's time, so it is quite an expensive service. That is not to say it is not a valuable service, but spending an hour and a quarter with an individual is a relatively expensive service. If we can wrap up mid-life MOT guidance in a way that is part digital, part telephone and direct, we can make that quite an efficient service and it is guidance that we already have on the MoneyHelper site.

Q125 **Nigel Mills:** Okay. So, it would be repackaging stuff that is there for people to access in a different way. Are you envisaging this being done at scale some time soon? Are we expecting millions of people a year to get an invite for this or is that a bit more ambitious than perhaps the Government are being?

Carolyn Jones: It is at very early stages. We are just starting to work in with industry and the mid-life MOT board about the realms of possibility, and we will be trialling something hopefully this fiscal year, but I don't think it will be millions, as much as the pensions Minister would like me to say yes.

Q126 **Nigel Mills:** How many do you think you will be doing a year?

Carolyn Jones: We haven't got to that level of detail yet.

Q127 **Nigel Mills:** But we are talking thousands, rather than tens or hundreds, are we?

Carolyn Jones: We will need to talk to DWP about the general roll-out and how the mid-life MOT board will work together.

Q128 **Nigel Mills:** Can I switch to pension scams and the pensions advice allowance, that was touched on in the first session? Do you have any views on whether we need to change that allowance, make it higher, or is it the right thing to do that people can access a small part of their pension to try to get some advice?

Alex Connolly: The cost of advice is a barrier and the advice allowance is potentially an option for people to get around that barrier. Our vision within MaPS is everybody making the most of their money in pensions and therefore we would fully welcome anything that can be done to help more people to get advice. Any change to the advice allowance will need to be evidence-led and would need to come out of the DWP policy team.

Q129 **Nigel Mills:** I am sure if someone rings you up you could give them enough information that they could spot a scam and not be a victim. That would be something you would be very keen to be able to do, would it not?

Alex Connolly: Very much so. We do have a service at the moment. We will help people who have been subject to a scam and we work very closely with the broader regulatory family to feed individual instances and thematic trends back into their thought process so they can take appropriate action.

Q130 **Nigel Mills:** How do you work out when you should signpost people to go for further paid-for advice? Presumably you have protocols where someone's situation is so complicated or their needs are such that you have to say we cannot go any further. Do you do that quite regularly as a way of signposting people on?

Carolyn Jones: In all our guidance services we signpost to advice and we have a retirement advisor directory on our website that people can use to find an advisor. We make sure we talk to people about the value of advice. We find, as Alex alluded to, people are deterred by the cost of advice and they come to guidance, and quite often we will get to a stage with someone and they will say, "That is really good, you have explained all the options now, but I want you to tell me what to do." Inevitably people want to be told what to do and we obviously cannot do that.

We will reinforce advice at that point and would point them to the retirement advisor directory. We see people who have been through guidance starting to understand the value of that advice, not that we make it more complicated for people but they realise they want to go further than guidance can take them and they want somebody to hold their hand and tell them what to do. From our perspective it is not an either/or. Quite often guidance leads to advice and it increases in people's minds the value of that advice.

Q131 **Chair:** You make the point that a Pension Wise appointment takes an hour and a quarter. Is it the same over the phone as it is face-to-face?

Carolyn Jones: I think the average time is 59 minutes, but we give our guiders an hour and a quarter because they have wrap-up to do and administrative tasks, so a guider can do a maximum of five a day and it is exactly the same on the telephone.

Q132 **Siobhan Baillie:** There is no settled definition of enhanced guidance or limited advice yet. How would you define that and how would you explain if there is a difference between the two?

Alex Connolly: The role of MaPS is to deliver within the defined framework. I do not think MaPS is well placed or able to comment on changes to the boundaries.

Q133 **Siobhan Baillie:** There is a mixed smorgasbord of views on whether MaPS should be giving enhanced guidance and limited advice. Standard Life is saying that MaPS providing enhanced guidance and limited advice would come at increased cost funded by advisor levies, which would widen the advice gap as advisors increase their prices. They said that MaPS should be providing advice or personalised guidance as an unregulated entity. Scottish Widows—you have probably seen quite a lot of these comments before. What is your view? Do you think MaPS can provide advice if that is something we can change, define or assist you with? Is that something you would want?

Alex Connolly: This is a very complex space and some of the comments you have read out demonstrate the degree of complexity. MaPS is not able to provide advice. The regulatory framework prohibits that. Changes would be required to primary legislation were MaPS to be given the capability. That is probably back in the Government policy space.

Siobhan Baillie: I am not going to get much further.

Q134 **Dr Ben Spencer:** When will the first pensions dashboards be launched and will yours be the first one?

Chris Curry: Before I can answer that question directly, it is worth putting into context what the pensions dashboards will do. It is very relevant to a lot of the answers that have been given in this session and the previous session because pensions dashboards will be the place where individuals can find information about all their pensions online, securely and in one place. The rationale for doing that is to aid better planning for retirement and feed into a lot of the services that have already been discussed and hopefully increase people's financial wellbeing so they can have better outcomes in retirement.

The last time I appeared in front of this Committee, over 18 months ago, we committed that we would produce a timetable in what we call our regular progress update report, where we talk about when we are likely to deliver pensions dashboards. I am pleased to say that update, originally in April last year and the follow-up in October last year, we were able to publish and stay with the broad timelines we set out then and I am expecting the next publication in October to tell everyone that we are still on track to meet that broad timeline we set out in those publications.

There are a number of things that are happening now and will happen over the next year or so that will help determine exactly when pensions dashboards can be delivered and made accessible to the public. You may have read that we have recently awarded the contract for the construction of the central technical architecture, the pension finder service, to Capgemini and Origo and we are now working closely with them.

We are expecting throughout 2022 to work very closely with the industry as well, so we will have a working prototype and will be doing testing, initially with seven participants, but then broadening it to a wider market of providers, and also doing testing with pensions dashboard providers, include the dashboard being constructed within the Money and Pensions Service as part of that but also with other commercial dashboards to make sure the system works well with all those.

The key date will be confirmed when the DWP publish its draft regulations for the Pension Schemes Act towards the end of this year or early next year. It is likely to set out when pension schemes will need to start providing their data to the pensions dashboard ecosystem and infrastructure. We set out a call for input earlier this year that suggested that would start in April 2023, that we would focus on bringing in the largest pensions schemes first, so the large master trusts, the large insured defined contribution providers and the largest defined benefit providers throughout 2023 and early 2024.

The reason I mention that is because when dashboards go live to the public will depend on what that final staging timeline looks like and how quickly we can get those largest pension schemes into the pensions dashboard infrastructure. We have committed to when we have those providers providing data, we will then be able to take a view as to when there is enough pensions information—so when people can find enough of their pensions in that space to be able for us to launch a pensions dashboard service that will be of use to those individuals and not a disappointment to them. Our user testing shows quite strongly that if individuals access a pensions dashboard service and do not find what they are expecting to look for, it is very unlikely they will come back at some point in the future.

When we make dashboards available to the public will depend on those key dates and the key regulations. We are expecting that onboarding to commence probably some time after April 2023 when the regulations are laid, and at some point after that we will be able to say when pensions dashboards will be made available direct to the public. There will be some public access during that testing as we go through on a very limited basis with selected individuals to make sure the system works, but at some point after we have onboarded those larger schemes we will be able to make the service public.

Q135 **Dr Ben Spencer:** There has been much debate in this and many sessions about this vexed issue between advice and guidance. Can pensions dashboards help with this?

Chris Curry: Pensions dashboards are very much a step and help towards advice and guidance. In the iteration we are constructing at the moment, they provide information, allowing individuals not only to find their pensions and make sure they are aware of all the pensions they have built up over their working life, but also to have that important information about where their pensions are held and what their value might be.

The dashboards will not give any guidance or advice themselves, but they are an input to the guidance and advice process, and as such they should be helpful for any type of guidance and advice. I might ask Carolyn to come in to talk about the retirement planning hub she mentioned earlier that the Money and Pensions Service are putting around their pensions dashboard. It is a way to make sure that any advice or guidance people receive is more efficient so the information will be much better, much more comprehensive and more easily available and accessible before people get to that level.

It is important in that context that we put the right signposting and information around pensions dashboards. We are working very closely on it with the Department of Work and Pensions and the financial regulators to make sure individuals, when they find that information, know the best ways to use it and what they can and cannot do with that information going forward.

Carolyn Jones: We are working on the MaPS pensions dashboard, and we see it as an integral part of our guidance service that can make our guidance much more personal, because people will know their numbers and can use tools to get a very personal number that they would not necessarily get in the Pension Wise appointment where we cannot talk about their personal numbers.

The dashboard of itself answers the question, "What do I have?", which is not very useful in terms of a planning journey because people tend not to know what they will need, what to do about any gap and what might send them off track. We are building what we call the retirement planning hub to wrap around the dashboard, to answer those questions around that is what you have currently, this is what you might need in retirement, here are some tools about budgeting for people like you, and here is a plan of action on what you can do about it, so people can go from the dashboard through a planning journey.

We are also doing user research around when people see the data on the dashboard, what they might want to do and how we build guidance journeys into that retirement planning hub to allow them to do that safely. For example, in our first round of user research, when we said, "What would you do with this data?", people said, "Do I need to bring it all in one place?" Straightaway we know we need to build a guidance journey that helps people safely understand the pros and cons of consolidation and if they want to consolidate, how to go about that safely. Our aim with the retirement planning hub is to smoothly take people from that—once we have brought them in by having a dashboard and understanding what they have—into a guidance journey that meets that need.

The other thing we will look at is how our guiders utilise that information in improving our telephone guidance and other guidance interactions. The dashboard is great. It will help us improve our guidance services, but on its own it cannot create that. Our goal is to have 5 million more people feeling able to plan for later life. We see the retirement planning hub as a key lever to getting to that goal, but the dashboard of itself is only part of the picture.

Q136 **Dr Ben Spencer:** How will you protect or support people from potential scamming or making unwise decisions at points of crisis? I absolutely support data transparency and the principles behind the pensions dashboard make total sense. People need to see what is going on. However, on people opening up their dashboards, there will be some who will wake up and think, "I need to plan for my future". However, I am sure there will be a cohort of people who are in some sort of financial crisis and open the dashboard, and I worry about that then becoming an easier and least-resistive path to people seeing what assets they have that they can cash out, which might not be necessarily a wise decision at that point in time.

Chris Curry: Absolutely, and this is one of those examples where there is a big opportunity and it comes with a risk attached to it. It is a risk that we are very aware of on the pensions dashboard programme and an integral part of what we are doing, as well as constructing the digital architecture to allow the system to operate, is building this governance and regulatory framework around it to make sure that the benefits people get from the transparency, the better information, knowing much more about their position, is knowledge they can use safely.

One of the ways we are doing that is making pensions dashboards purely information-based. There is no transactional capability planned within pensions dashboards, and that is not part of the architecture being built under the current contract. It also means that, whereas in some cases you might want to design a frictionless journey, we want to make sure that anything that happens outside dashboards is not frictionless, so there is a consent and authorisation approach that will make it really clear to people when they are within the dashboard environment and when they can see their information what they need to take into account and think about when that information goes outside the dashboard environment.

Part of that is already covered by existing regulation—so making sure people have access to the guidance and advice they have in dashboards is no different from having the information if you get that information yourself. We know it will be a much easier path for people to go down, so we want to make sure people are very clear and have to give their consent for that data to be used in any form outside the dashboard. That is why we are making sure it is not easily storable, it is not stored centrally and no one else can see that information apart from the individual, unless they give express consent for that to happen.

We cannot be complacent. We know this is likely to be more of a target for scams, so the context of the information we are placing around pensions dashboards is important—not just the numbers but explanations about the numbers and guidance and signposting what people can do, and also importantly, what we think they should not do, will be a part of that. We are working very closely with the DWP and the FCA on that to make sure dashboards are well-regulated, but there is also a very good interaction and interface between the dashboard regulated world and the world of guidance and advice as it currently exists.

Q137 **Chair:** There are some poster adverts around at the moment that appear to advertise something like a dashboard, with members of the public saying things like, "It was really easy to consolidate my old pensions with this service." What is it? Is it using infrastructure that you have been involved in setting up?

Chris Curry: That is not something we are doing. I have seen a couple of different examples of things. Some of those are by commercial pension providers who are able to do pension consolidation, and there is a national pension tracing day coming up soon in October as well. The difference between those and pensions dashboards is you need to have information to use those services. For example, if you are going to an existing consolidator you need to be able to tell them where your pension is or who you have worked for. It is the same with the national pension tracing day and there are tracing services that exist and some providers run their own. You need to provide information to them about where you think you might have a pension and where it might have been for them to start tracking it down.

The big difference with pensions dashboards is you do not need any of that information. All you need is something that will verify your identity and then someone else will do that searching on your behalf in a much quicker way than is currently possible and all that information will come back. Reconnecting people with pensions that either they have forgotten they had or maybe never realised they had in the first place is an important part of dashboards and is quite unique in this instance.

Q138 **Selaine Saxby:** My question is the same as to the earlier panel. Should people be able to consolidate their smaller pension pots through a pensions dashboard?

Chris Curry: As I just mentioned, we do not think dashboards are the right mechanism for consolidation, purely because we think, and the Government agrees, that there needs to be protection around individuals.

That is not to say consolidation is not a good thing, but consolidation is a very individual thing and depending on the circumstances that people find themselves in, which pension they are currently with, what types of pensions they have had in the past, whether there is any potential guarantee attached to anything like that, are all very important. It is very hard and could be potentially very dangerous to allow individuals to go through that journey without much information or guidance or help around it. Some research the other parts of MaPS have done suggests that people think quite quickly about whether this should all be in one place and would be easier. The answer to that is very often, it depends. We would not want people to go through that process without ideally going through some very rigorous and well-designed and in this case personalised guidance and advice services to make sure people end up in the right place.

Q139 **Selaine Saxby:** Thinking about what you are doing already with the dashboards, what would be your vision of what the dashboard could do in the future?

Chris Curry: That is a very good question and a difficult one to answer. The first iterations of dashboards will focus on information provision and allowing people to find their pensions, to know where they are and to have that information. The user testing we have done so far suggests people place a high importance on knowing the value of their pensions, so we are currently working with the industry, the regulators, the Government and the actuarial profession to make sure we can come up with a robust and comparative set of figures that will allow people to see information from defined benefit and defined contribution schemes and the state pension all in one place in a way that will make sense to them and they will be able to understand it.

Beyond that we would like probably to open up, depending on the user testing we do, to include other pieces of information in there. We know people find the charges they are facing to be useful, or the types of investment they are using. Potentially you could see, if it becomes more of an interest in where pension schemes are invested, for example, looking at ESG type consideration, that sort of information that may eventually be of use to people on pensions dashboards.

We know from overseas experience, from a number of different countries that already have pensions dashboards, that development is never over. Even those that were started at the end of the last century or the early 2000s are still evolving and developing now, so there will always be opportunities, depending on what we think and what we find from testing that users find helpful to make sure there are opportunities for dashboards to deliver that in the future.

Chair: Thank you very much indeed. That concludes our questions for this morning. Thank you for the answers you have given us and, as you will know, we want to continue to follow with great interest all the subjects you have been talking to us about this morning. Thank you for your help. That concludes our meeting.