Work and Pensions Committee

Oral evidence: The Pensions Regulator, HC 352

Monday 18 May 2020

Ordered by the House of Commons to be published on 18 May 2020.

Listen to the meeting

Members present: Stephen Timms (Chair); Shaun Bailey; Steve McCabe; Nigel Mills; Selaine Saxby; Dr Ben Spencer; Sir Desmond Swayne.

Questions 1-44

Witnesses

I: Charles Counsell, Chief Executive, The Pensions Regulator; David Fairs, Executive Director of Regulatory Policy, Analysis and Advice, The Pensions Regulator, and Liz Hickey, Director of Communications, The Pensions Regulator.

Examination of witnesses

Witnesses: Charles Counsell, David Fairs and Liz Hickey.

Q1 **Chair:** On behalf of members of the Committee, I welcome Charles Counsell, who is the chief executive of The Pensions Regulator; David Fairs, the executive director of regulatory policy, analysis and advice at The Pensions Regulator; and Liz Hickey, who is the director of communications, also at The Pensions Regulator. I will ask each of you to say hello, so that everyone can see each of our witnesses. Charles, do you want to say hello first?

Charles Counsell: Yes. Good morning. Charles Counsell, chief executive of The Pensions Regulator.

David Fairs: Hello. David Fairs, executive director of regulatory policy, analysis and advice.

Liz Hickey: Hello. I am Liz Hickey. I am the director of communications for The Pensions Regulator.

Q2 **Chair:** Thank you all very much for being willing to join us today. We are grateful to all of you for taking part in this session. As you know, we have a number of questions to raise with you. I will start, if I may, with questions about what is happening on auto-enrolment during this crisis. The Pensions Regulator has said that it will take "a proportionate and risk-based approach towards enforcement decisions…with the aim of supporting both employers and savers." Can you explain what exactly you mean by that? What are you going to be doing?

Charles Counsell: Yes, let me do that. Thank you for inviting us to this Committee. May I say a word or two about our overall approach to what has been a huge challenge for us? *[Inaudible.]*

Chair: Charles, can I interrupt? We're losing you. I didn't hear that last sentence or so.

Charles Counsell: I started by saying—*[Inaudible.]* Can you hear me?

Chair: Is it worth trying to get a bit nearer the mic?

Charles Counsell: Can you hear me now?

Chair: That seems better.

Charles Counsell: Let me try again. Sorry about that. Hopefully you can hear me. Our commitment throughout this time has been to protect pensions savers, and as always, to put savers at the heart of things. Everything we have done through this covid-19 period has been with that focus—to be clear, and to be quick in issuing guidance to trustees. *[Inaudible.]* Internally, our focus has been safety of—*[Inaudible.]* In terms of the proportionate, risk-based approach to automatic enrolment, of course—*[Inaudible]*—duties continue to apply. Some employers may of course struggle to meet those duties, and we are working with employers to contact—*[Inaudible.]* Government, through the job retention scheme, has also—*[Inaudible]*—staff that are furloughed. Some of the furloughed payments can be used for employer contributions. We will continue to monitor employer contributions and contribution failings over this period. What we have said to scheme providers is that we normally expect them to report contribution failures after 90 days; we have extended that period to 150 days, to give employers a bit more time.

Q3 **Chair:** Sorry, Charles, I lost a little bit of that. Could you tell me those periods again—the usual period, and the one you are applying at the moment?

Charles Counsell: The usual period is 90 days, and what we have said to providers is that we will give them 150 days. We have also suspended temporarily our enforcement activity in this area—again, to reduce the burden on employers.

Finally, we have asked scheme providers to be flexible in collecting contributions, and we encourage employers to go to their scheme provider about how they may schedule their contributions over a longer period of time. There is an analogy with what the PRA and FCA have done with mortgage holidays, in providing more time for employers.

Q4 **Chair:** Are you seeing much falling away of auto-enrolment contributions at the moment?

Charles Counsell: It is quite early days, but we have not seen that yet. Through our data, we have not seen a great change. Indeed, more broadly, we are also seeing people being automatically enrolled where the duties apply to them. We can see that directly in our data.

With the DWP, we are carrying out a survey of providers to find out more about what has been happening in terms of opt-outs and contributions.

Q5 **Chair:** You mentioned that the normal period you allow is 90 days. If contributions are delayed beyond 90 days, in the normal course of events, what enforcement powers do you deploy?

Charles Counsell: In the first instance, we issue what is called an unpaid contribution notice, which gives the employer a period of time to make the payment that has not been made. Again, we encourage them to contact their pension scheme. If they fail to meet those payments after they receive the unpaid contribution notice, we may then issue a fixed penalty notice, and indeed we may then take further action if they continue not to pay.

Q6 **Chair:** Can you give us an indication of how frequently you use those notices in the normal course of events? How many did you issue last year, for example?

Charles Counsell: I am afraid off the top of my head I don't have that number, but I can certainly come back to the Committee and provide that. Typically the vast majority of employers do pay their contributions, and do pay them on time.

Q7 **Chair:** You said that you are not going to be using those enforcement instruments at all in the crisis. That is correct, is it? If contributions are delayed beyond 150 days, what will you do?

Charles Counsell: There are two things to say here. First of all, we wouldn't typically use our powers around unpaid contributions. However, if an employer is deducting an employee contribution and not paying that over to the scheme, then we would take that seriously. We would find that out through, for instance, whistleblowing reports from employees, so it is not that we would never use our powers at the moment. Where we see really serious failures, we absolutely would. The second thing to say is that we do expect contributions to be made in the end. These are temporary, not permanent, easements, and those contributions should be made. Again, I use the analogy of mortgage holidays. Mortgage payments need to be paid at the end, as will the automatic enrolment contributions.

Q8 **Chair:** Have you indicated what sort of timescale they would have to eventually be paid in?

Charles Counsell: We would encourage employers to talk to their pension scheme and come up with a payment plan that works for that employer and their financial circumstances.

Q9 **Chair:** A last question from me: have you been approached by employers who have got a bit of financial difficulty at the moment, saying to you, "We're really struggling with this; can you go easy on us?"? Have there been such approaches from employers during this crisis?

Charles Counsell: We have had very few approaches from employers and, again, in the first instance we would expect employers to speak to the scheme provider.

Q10 **Chair:** Generally you are not seeing any signs of problems with auto-enrolment contributions being made at present.

Charles Counsell: No, generally not. Clearly we need to keep an eye on this over the next few months, and clearly—*[Inaudible]*— as this crisis unfolds in the next few months—*[Inaudible]*—determine what happens. At the moment—*[Inaudible]*—and equally while one scheme provider has said they are seeing a small uptick in cessations—*[Inaudible]*—not seeing the big increase *[Inaudible.]*

Q11 **Chair:** I am sorry, I lost a little bit of your last couple of sentences. You were referring to one provider, I think.

Charles Counsell: One scheme provider has seen a small uptick in opt-outs or cessations. We are going to look across all the major scheme providers to get a clearer picture. We haven't seen a major uptick.

Chair: Right. Thank you very much. Dr Ben Spencer has the next question.

Q12 **Dr Spencer:** Thank you. You mentioned that the coronavirus job retention scheme, the furloughing, has some provision in terms of contributions; but do you think the Government should have other short-term support to help employers meet their contributions during this time?

Charles Counsell: On helping employers to meet their contributions, the job retention scheme very significantly does that, of course, for staff who have been furloughed; so the job retention scheme allows for the minimum employer contributions to be paid at half—*[Inaudible.]*

Chair: Charles, we are losing you again.

Charles Counsell: I was saying that the job retention scheme goes a long way to help employers of staff who have been furloughed. The furlough arrangements allow for a minimum contribution to be paid on behalf of the pension saver into the pension scheme. Of course, it is the minimum contribution, so for those that may pay above that, we have said in our guidance that employees who have been furloughed—*[Inaudible.]*

Q13 **Dr Spencer:** I am really struggling to hear you. Do you want to try turning off your video stream to see if that works better? This is a critical point, and I want to try to understand it clearly.

Charles Counsell: This is me without the video. Is it any better?

Dr Spencer: That is much better.

Charles Counsell: Oh great. *[Inaudible.]*

Dr Spencer: Unfortunately, it has gone bad again—the wonders of working from home. Chair, what do you suggest?

Chair: Charles, have you got any headphones?

Charles Counsell: I don't, I'm afraid. *[Inaudible.]* I could dial in from *[Inaudible.]*

Chair: That is probably worth a try.

David Fairs: Could I pick up on what I think Charles was trying to say? The furlough scheme reimburses the employer minimum contributions under automatic enrolment, so, to some degree, it goes towards meeting that burden on employers. Employers who pay more than the automatic enrolment minimum are permitted to reduce their contributions to the level that is just reimbursed under the job retention scheme.

Q14 **Dr Spencer:** Thank you. How about for the employers who aren't furloughing? That is something that my constituents have contacted me about. Clearly, there are a lot of people who are furloughed, but there are also a lot of businesses that are running exceptionally lean and are not furloughing staff. They tell me they are in trouble, and that contributions are a place where they feel there may be room to manoeuvre. What are your reflections on that?

David Fairs: I think there is a balance to be struck here, because contributions that are paid at times like this may turn out to be particularly valuable contributions, if markets turn back to normality. We have to balance the interests of those members in making sure that contributions are paid in on their behalf at what might be a particularly auspicious time, with the burden on employers. We took the decision that we would allow contributions to be reduced for furloughed employees. For employers who are paying higher levels of contributions for non-furloughed employees, we would require them to go through the normal statutory 60-day notice period to reduce contributions, or, if they are on defined benefit schemes, to change accrual. That is something we are monitoring and will change, if we think it is appropriate to do so.

Charles Counsell: I have rejoined by telephone.

Q15 **Dr Spencer:** I am going on to my next question. We have heard that many people are having difficulties covering their basic costs because of coronavirus. Could the Government support people by letting employees take a break from auto-enrolment, allowing them to opt into a short-term suspension of contributions?

Charles Counsell: Let me pick up on that.

Chair: Charles, we now have a serious echo on the line. Are you still on the Teams video as well?

Charles Counsell: I was; I'm not anymore. Is that better?

Q16 **Chair:** Yes, that sounds better. Great.

Charles Counsell: Many apologies for that. The legislation already allows for employees to opt out. We have to recognise that over this period, household finances will be in real difficulties. An employee can opt out for a period of time and then, when it is right for them, they can opt back into the scheme. The employer should allow them to come back into the scheme. If they don't opt back in at the triennial re-enrolment point, an employee will be put back into the scheme in any case.

Q17 **Dr Spencer:** Who is best placed to communicate this to employees, in terms of their options?

Charles Counsell: The guidance that we have on our website sets all of that out. What an employer cannot and should not do is encourage their employees to opt out. It must be the employees' choice.

Q18 **Dr Spencer:** Do you think there's an issue here? Let's say that you've got an employer who is in trouble and they are looking at balancing the books, and one area where they may be able to keep their business going would be for their staff not to pay contributions for a period of time, but they are restricted from having those discussions with their employees because of the current NIC position. What do you think about that?

Charles Counsell: Again, I would encourage every employer to talk to their scheme provider. What we are really talking about, if the employer is in difficulty, is the employer contributions, not the employee contributions. I would encourage the employer to talk to the scheme provider and seek a payment plan that will allow them to get through this very difficult period.

Dr Spencer: Thank you.

Chair: Nigel Mills.

Q19 **Nigel Mills:** Have you made an assessment of what the impact of this crisis and the economic shock might have on defined benefit schemes?

Charles Counsell: Let me kick off, and then I will pass over to David. The immediate crisis has absolutely seen deficits overall widen. For instance, the PPF estimate that the total deficits at the end of December 2019 were £35 billion. At the end of March that had widened to £136 billion. In truth, the deficits had not widened as much as they might have done because a lot of schemes have put in place hedging arrangements since the financial crisis. David, do you want to talk about this in a little more detail?

David Fairs: Charles, you talked there about the Pension Protection Fund liabilities. In terms of technical provisions, as you know, schemes are required to conduct actuarial valuations every three years. For the three-year period ending in January, that had been relatively good for the pension schemes, so some 85% of schemes have seen an improvement in funding level. As at January this year, we think schemes would be 97% funded on a technical provision basis, and that amounts to a deficit of about £65 billion. Between the beginning of January and the end of March, in total the average funding level fell by 9%, from 97% to 88%, giving a total deficit at that time of £233 billion.

The experience of individual schemes is variable. Some 2% of schemes would have seen an improvement in funding level over that three-month period, and 21% would have seen a less than 5% fall in funding level, but it is true to say that 12% of schemes would have suffered a reduction in funding level of greater than 15%. So one of the challenges for us as a regulator is that some schemes are coming through this crisis in relatively good shape and some will have seen quite significant shortfalls. The nature of the easements that we have provided is to say that for those schemes that can continue to meet their deficits in a timely way, they should do so, but for those schemes that are in significant financial trouble and that may have seen a significant increase in their deficits, we have put measures in place to help those companies and those schemes.

Q20 **Nigel Mills:** Thank you. Are you expecting a short-term impact that reverses pretty quickly once— hopefully—life gets back to normal, or are you planning for this to be a longer-term problem that will take some time to reverse?

David Fairs: That is quite challenging. It is difficult to know what will happen to long-term interest rates and asset returns, and, more importantly, it is difficult to know the rate at which individual sponsoring employers will come out of lockdown and how quickly their business recovers. What we said in our annual funding statement this year is that schemes and employers should look at a range of scenarios, whether things return to normal quite quickly or whether there is a prolonged impact, set the valuation of their liabilities, and put in place a recovery plan that looks at a range of scenarios so that as certainty improves they have a funding plan that is appropriate for them.

Q21 **Nigel Mills:** And is that a plan that the Pension Protection Fund would agree with you on, or do they have any concerns about that approach?

David Fairs: No, they think this is the right approach. As I say, they recognise that some employers are coming through this in relatively good shape. Some schemes are coming through this, and we want them to keep to their long-term target. The Pension Protection Fund recognise that, for employers that have severe, short-term financial pressures, it is appropriate that the scheme allows them to suspend or defer contributions for a limited time, because ultimately having a strong, profitable, sustainable employer is in the best interests of the scheme. It is about balancing that short-term financial pressure with the need for a long-term, profitable, sustainable employer.

Q22 **Nigel Mills:** Would you agree that those sorts of discussions are best done as part of a constructive early exercise to try to make sure the sponsor can survive? You wouldn't encourage gun-to-the-head discussions the hour before liquidation, and saying, "Either we don't pay this pension contribution or we go bust." It should be a constructive relationship, or the contribution should be paid.

David Fairs: Absolutely. We said in our annual funding statement this year that, this year more than ever, we expect employers and trustees to work together on setting a financial plan that works for the sponsor but recognises the potential threat to security of members' benefits. We set out in our guidance that employers should provide trustees with full information about the challenges they are facing so that trustees can make an informed decision. We allowed trustees to grant the employer a suspension or a reduction in deficit contributions for a period of three months while they are putting the information together, but with an overriding requirement that the scheme is treated equitably, compared with other stakeholders and lenders.

Q23 **Nigel Mills:** Does this mean that your relatively new mantra of "clearer, quicker, tougher" now needs to be "clearer, slightly more flexible, a little bit weaker", or is life not quite that easy?

David Fairs: No. I would argue that we are still being clearer, quicker and tougher. We were quick to respond to the challenging market conditions. We recognise that the long-term best interest of a pension scheme is to have a profitable and sustainable employer. To the extent that the pension scheme can help the employer through the short-term difficulty, we think it is right to do so.

Q24 **Nigel Mills:** Are you confident that the Pension Protection Fund has enough reserves—enough money—to stand behind all this if we were to see a really horrible economic scenario in the next months or the coming years?

David Fairs: It is probably not for me to speak on behalf of the Pension Protection Fund, but it is very conservatively funded. It is looking at scenarios, and it is confident that it can meet claims going forward.

Q25 **Nigel Mills:** A final question: you were going to have a consultation on DB funding. I think you launched it earlier this year. Are you continuing with that, or might it have to get delayed until we are through this crisis?

David Fairs: The funding consultation that we have is about schemes setting a long-term funding target and a journey plan on how to get there and how to deal with bumps in the road on the journey. We think it is absolutely right that schemes have a long-term objective and a journey plan for how they get there. It is quite interesting that the schemes that already have those things in place are coming through this crisis in significantly better shape than those that don't. This first consultation is very much about principles, what is a sustainable investment risk, and horizon of covenant—strength of covenant. Those things are absolutely pertinent, given the situation we are in. We very much think that it is right to continue this consultation, and that the principles behind it are the right ones.

When we get to the second consultation, where we look at some of the particular terms that we might set—for example, within the fast track regime that we are setting up—we must very clearly take account of the economic position that we are in at the time. We recognise that we will have to adapt some of the detail, reflecting the particular situation that we are now in. Overall, we think that the objectives of this funding consultation are right and very much pertinent.

Steve McCabe: I would like to ask a couple of questions about deficit reduction contributions for defined benefit schemes. As I understand it, you have issued some fairly clear advice on this. How many schemes have currently applied for a reduction in their contributions?

David Fairs: They may have a reduction in contributions through one of two approaches. They can keep the current recovery plan that they have in place, but trustees could agree to suspend or defer contributions in the short term, with those contributions being made good but within the integrity of the recovery plan being in place. The employers that are going down that route do not have to notify us that that is what they are doing. The second route is that the recovery plan could be renegotiated. Typically, that might mean having a longer recovery period, and we have had 60 notifications of employers that have gone down that second route.

Q26 **Steve McCabe:** Can I just check a point? You broadly recommend that this should be for three months. Is that right?

David Fairs: We say the trustees can allow for a suspension or deferral of contributions for three months. We do allow trustees to agree to a longer period than three months, but there are some conditions attached to that, principally that banks and other lenders are equally supporting the sponsoring employer. We do not expect the pension scheme to take the entirety of that burden, but when all banks and lenders are working together, we permit a period longer than three months.

Q27 **Steve McCabe:** There are 60 schemes that you know about that are deferring in some way or other, but there could be a whole lot of other schemes that you would not have any knowledge of. Is that right?

David Fairs: We are talking constantly to professional trustees and advisors, including employer covenant advisors. That intelligence says to us that about 5% to 10% of trustees have received an application from an employer to reduce or suspend contributions. As lockdown continues, we expect that percentage to increase, but it is currently at 5% to 10%. Some intelligence is emerging that it may just have crept over 10% and be heading towards 10% to 15%.

Q28 **Steve McCabe:** If I understand correctly, one of the clear bits of advice that you have given to trustees is that where they are seeking this change in their circumstances, the employers should not be paying share dividends or large bonuses to senior staff, and that should be subject to a legally binding agreement. Is that right?

David Fairs: That is right, yes. We would not expect dividends to continue if deficit contributions are being deferred or suspended.

Q29 **Steve McCabe:** Right, so if the employer is seeking that deferral, they should not be making those payments. Do you know how many of the people who are applying are complying with a legally binding agreement to that effect?

David Fairs: My understanding is that legally binding agreements are being put in place. They seem to vary in form. Some are relatively short and straightforward; some are quite long, technical documents of 50 pages or more. Individual schemes and employers are taking advice on their own situation and putting in place appropriate legal documentation.

Q30 **Steve McCabe:** I suppose what I am really asking is, do you have confidence that these agreements are in place and that they are legally binding?

David Fairs: Yes, I think our guidance is clear, and all the indications from talking to lawyers and advisers is that they are being put in place.

Q31 **Steve McCabe:** The only thing that troubled me when I read about this was that that there is a caveat that says there can be exceptional circumstances where you can continue to pay bonuses and share dividends. Could you explain to me the kind of exceptional circumstances that would wipe out the protections you have put in place?

David Fairs: Not so much in terms of dividends, but where there are agreements to gather excess cash and put that into cash pools, we are saying that, generally, we would see that as weakening the covenant and we would not anticipate that that is the case. But it could be that there is some sort of overall group guarantee, back to the sponsoring employer, which might give the trustees confidence that if they did need that additional cash, it would be made available to them. So there are those quite exceptional circumstances where we think it might be appropriate, where there are, for example, guarantees or broader support from a larger organisation.

Q32 **Steve McCabe:** Will there be some way of monitoring that to make sure it doesn't become an opportunity to drive a coach and horses through the protection you are trying to put in place?

David Fairs: One thing we are acutely aware of is that when easements were put in place after 2008, some employers—a very small number of employers—took advantage of the easements that were there, when, perhaps, they didn't need to do that. We very much learned from that in terms of preparing the advice. We think our guidance is very clear. It is designed to enable those employers that need short-term help to have that short-term assistance, but not to put in place easements that can be abused by those looking to take advantage. Our intelligence is that, where trustees are seeing employers asking for a deferral or suspension of contributions where that may not be necessary, trustees are rejecting those requests.

Q33 **Steve McCabe:** One last question on that. If you do find evidence of abuse or attempted abuse of those arrangements, what will you do about it?

David Fairs: The usual powers that we would put in place, such as a financial support directive, would come into play.

Steve McCabe: Thank you.

Chair: Thank you, Steve. We now come to Sir Desmond Swayne.

Q34 **Sir Desmond Swayne:** Comrade, I want to come back to the code of practice consultation on funding for defined benefit schemes. Our former colleague, and the former Pensions Minister, Professor Steve Webb, was quoted in the *Financial Times* saying, "It was a document written in a different era. This isn't just a three-months blip and everything goes back to normal. We are in a different world". Does it make sense for the world that we are now moving into?

David Fairs: As I said, I think it is really important that pension schemes have a long-term objective and a clear plan on how they will fund member benefits. Those principles still apply. Those schemes that already had long-term objectives in place and a journey plan for how to get there are the schemes that are absolutely coming through this crisis in better shape than those that don't. That overarching principle is right.

Q35 **Sir Desmond Swayne:** I think the point he is making is that they need a recovery plan that will be a lot shorter.

David Fairs: We have to recognise the economic situation that we are in. Some of the elements of the consultation talk about sustainable investment risk—so, pension schemes should not be taking investment risks that, if they do not play out in the way that they foresee, mean they will be unable to increase contributions to then meet the higher levels of deficit.

At the moment, we are seeing some schemes—a small number of schemes—that have perhaps taken a higher level of equity investment to help fund the pension scheme, rather than put contributions in. It is exactly those schemes that may have seen the highest level of falls in deficit. The principles and details set out in the consultation—with great foresight, one might say—are exactly the concerns and issues that need to be thought about when we are in situation like the one we are in now.

Q36 **Sir Desmond Swayne:** Twelve per cent. of defined benefit schemes were open to new members at the end of 2019, I think. Isn't the reality that this is the last nail in the coffin of defined benefit schemes in the private sector?

David Fairs: I think the reality, as I said, is that defined benefit schemes are coming through this crisis with very different experiences: 2% of schemes have seen an increase in their funding level, and 21% have seen a drop in funding level of less than 5%. Where schemes took to heart the guidance that we put out about integrated risk management, they are coming through this crisis in reasonably good shape, so they are able to sustain economic shocks like the one we are seeing at the moment.

Where large employers think that that is the right type of pension provision for their employees and continue to are continuing to offer it, as long as they have got in place appropriate integrated risk management, then they will come through this. So, I think we will continue to see a number of employers continue to provide defined benefit schemes for their staff where they think it's the most appropriate type of pension arrangement for their particular employees. We may see some reduction, that's true. But I think for some employers they will continue and will not have been significantly impacted in their scheme by the current crisis.

Q37 **Selaine Saxby:** My question is about communication with scheme members. How should trustees, in particular those in defined contribution schemes, communicate with members who are looking to access pension savings to help with a short-term fall in income?

Liz Hickey: I can take that one, if that's helpful. On defined contribution schemes, in particular, we are asking trustees to highlight to members what the current economic volatility might mean, particularly for those close to retirement, and to think carefully before switching funds.

We are also incredibly mindful of the potential for scam activity. We know that scammers prey on uncertainty and that our members may be vulnerable to that. *[Inaudible]*—the target age bracket of 45 to 65, so with our partners we are focusing very much on raising awareness of the risk of scams at this time. We have a—*[Inaudible]*—group set up with the FCA, the PPF and the Money and Pensions Service. We have been working together for a long time to share intelligence and to co-ordinate our activities. Something we have done together is to issue a joint statement warning people of the risk of scams at this time.

We have also worked with trustees of all schemes, so that whenever a member requests a transfer out of a defined benefit scheme, they will now get a letter jointly signed by all of us asking them to stop and think. A worrying stat is that one in four people make the decision to transfer out of their pension in less than 24 hours. We want people to take their time, to take advice and not to do that.

Q38 **Selaine Saxby:** Building on that point, what is The Pensions Regulator's role in protecting savers from making those short-term decisions with longer-term negative impacts?

Liz Hickey: Early on, we set up a covid-19 hub on our website. We have been posting all our guidance there, and trying to make sure that it gets out to as many people as possible. We have done about 12 webinars, which have reached 5,000 people, and there have been 190,000 views of the guidance, which is great. As part of that, as I said, trustees are absolutely crucial in communicating and providing reassurance to members, particularly when it comes to scams.

More broadly, we chair a cross-organisational group called Bloom, which brings together the Serious Fraud Office, the National Economic Crime Centre, the DWP and the Treasury, looking at scams in particular. We are sharing intelligence across that group and thinking about how we work together to get our message out really strongly.

One of the things we have had success with in the last couple of years is a multimillion-pound campaign with the FCA to highlight ScamSmart and to drive people to the website to seek financial advice. That drove a 28% increase in people going to the ScamSmart website before they took decisions about their pensions. Now more than ever, that is really important, so we are doing what we can to really get the message out to people that now is not the time to make rushed decisions about your pension savings.

Chair: Thank you, Selaine. I think you have another question, which you will ask in a moment. First, we have a question from Shaun Bailey.

Q39 **Shaun Bailey:** I want to drill down a bit more into the scams element of this. I have been reading recently that there is a possibility that the rate of pension scams has increased—some reports have suggested by almost 400%—since the start of this crisis. I just want to see whether, from your perspective, you have noticed a significant increase since the covid crisis began. And how are those pension scams manifesting themselves? Have you any data around that at all?

Liz Hickey: I think the figure of 400% related to covid-related fraud that spanned a broader spectrum than just pensions. We have not yet got concrete evidence across our partners that demonstrates a significant increase in scams, but one thing that we know with absolute certainty is that this is exactly the kind of environment that unscrupulous people would seek to take advantage of. That is why we are trying to get ahead of it by issuing the warnings and getting the letters out to everybody who is thinking about making a decision about their pension, stressing the importance of taking advice before they do it. And we are monitoring on an ongoing basis. As well as Bloom, which I mentioned earlier, the Department for Work and Pensions is leading a cross-Government group that is gathering intelligence across the market so that we can see if there are any worrying spikes in activity and act quickly together.

Q40 **Shaun Bailey:** That's great. I also want to touch a bit more on the wider culture around what may trigger pension scams. Sir Desmond made a really good point before about the changing world that we are heading into. I was recently reading a report that that around 21% of 18 to 34-year-olds would consider withdrawing from their pension. I know they can't do that, but what it seems to suggest is that there is this culture of thinking, "Well, I might take that risk at some point," so I am wondering what communication pieces are going out not just about scams, but more widely about the risk element of that and why it might not be a good idea, with some of the considerations that trusts and individuals have to have in mind when making those decisions.

Liz Hickey: Absolutely. We attempt to communicate with savers through trustees, but also through our partnerships with more consumer-facing organisations, like the Money and Pensions Service and the Financial Conduct Authority. I think you are absolutely right: there is often a worry during uncertain times that people take short-term rather than long-term decisions. Obviously, a pension is a long-term investment.

We see our role in trying to help us all recover and rebuild after this crisis as maintaining some good financial resilience for people, and making sure that everybody who has been saving throughout their working life has something to fall back on. That is what is driving us at the moment—making sure that those people do have some retirement fund so that they can see the value of saving even when it's hard, even if it's just a small amount. We are working with our partners across the Money and Pensions Service and the Department for Work and Pensions offices to make sure that those messages are joined up and clear to people.

Q41 **Shaun Bailey:** That's great. Finally, we don't know when this crisis will end, but do you think there is a risk of another spike or potential increase in the number of pension scams as we go towards the tail end of the crisis and people still feel slightly unsure, or do you think it's going to be a steady stream?

Liz Hickey: That is a really good point. We would probably look back to the intelligence and information we had from the financial crisis. As my colleague David said earlier, we have learnt an awful lot from people's behaviour during that crisis and the way in which schemes reacted and behaved. Because we now have those really established sources of intelligence sharing across our partners, we know we will get good realtime information about what is happening, and we have established rapid response and action plans so that we can swing into action together and respond together, which is so important, because we all have different bits of the pension landscape that we look after. We are most effective when we are bringing all of that together and responding together—however long that takes—because, as you rightly point out, when the urgency is there, people are more aware. If this goes on for a long time, and people's stress and anxiety is present but they are not hearing so much about it, that is a potential danger zone and one to which we would want to ensure that we were reacting quickly.

Q42 **Chair:** Just before we go on, you made the point that in a period like this, one might expect there to be more scams or attempts at scams, and perhaps more vulnerability to scams. What is it about the current circumstances that creates that risk? What are the features that currently make scams perhaps more likely and more common that they would otherwise be?

Liz Hickey: Something that we have experienced before, through intel sharing across our partners, for example, is that if a scheme features heavily in the media or if an employer features as being potentially under stress or in trouble, we can see an increase in the numbers of people who want to transfer out of that defined-benefit scheme because they start to become concerned and worried.

Something that we have been doing for the previous 18 months anyway is issuing a "Stop and think" letter from our partners. If a scheme reached those triggers, we would immediately start working with the trustees, saying, "If people are requesting transfers, please send them this 'Stop and think' letter." For some people, transferring out might be the right decision, but for lots of people it will not be. I suppose that what we are seeing at the moment is a much more general sense of uncertainty and concern about everybody's business and employer. Our concern is that that is likely to drive rushed decisions—with people worried about household finances or losing their savings—and the increased focus might mean that people make decisions under stress that they would not normally make if they had time and calmness to consider *[Inaudible.]* advice.

Q43 **Selaine Saxby:** How are you working with the FCA and the Money and Pensions Service to give a consistent message to savers, and how are you working with trustees and pension providers to get that message to the savers?

Liz Hickey: In the aftermath of the British Steel pension scheme, this Committee conducted a really helpful review and inquiry that made some recommendations to us and our partners to—to put it bluntly—work better together across the piece so that we were a lot more joined up. We have acted on that and have our core groups of senior people who at the moment are meeting on a regular basis, as well as the cross-Government activity. As a result of that, we can make decisions and act quickly. The transfer letter is one good example, and the joint statement that we issued is another. We have further scam activity, with trustees in particular, for which we are speaking to trustees about different kinds of scam-aware hallmarks that they can put on their literature so that when they are speaking to savers, they have—*[Inaudible.]* We are also planning some further avenues of activity with the FCA and the Money and Pensions Service, with which we work really closely as well.

For trustees, we have finished by sending nudge emails to a variety of schemes, depending on their own circumstances—we have had 25 of those. We have had a number of newsletters, and they go out to some 30,000 contacts. We know that people are downloading the guidance—we have had 190,000 downloads of the guidance—and we are seeking every opportunity to drive media coverage and to speak to journalists to get the message out to people as clearly and as quickly as we can.

Q44 **Chair:** That concludes the questions that we prepared beforehand; thank you very much for answering them all so clearly. Let me just check whether anyone on the call wants to put any other questions that we have not already covered—does anyone want to chip in further?

In that case, Charles, to conclude our evidence session, is there anything that you would like to say that we have not already touched on?

Charles Counsell: Clearly, as this crisis continues to unfold, our focus must remain on being alert to the risks that it is presenting. As I said at the beginning—unfortunately, I am not sure that it was so easy to hear me—what we will do and have done is keep the pension savers right at the heart of the continued response as we go forward. Hopefully, you have seen that through the answers to your questions today. We will continue to maintain that approach.

Chair: Smashing, thank you—that was loud and clear. Thank you very much, Charles, David and Liz, for joining us today. There may well be other things that we would like to ask you over the next few weeks, depending on what happens, in which case we will be in touch. You have given us a very useful evidence session to run through the major concerns that the Committee has had. Thank you all very much for being with us.