



Work and Pensions Committee

House of Commons, London, SW1A 0AA
Tel 020 7219 8976 Email workpencom@parliament.uk

From the Chair

31 July 2020

I write to ask you, together with others in the industry, to consider contributing ideas and evidence to address the current problem of proliferating small pension pots.

At the end of June, the Department for Work and Pensions opened a call for evidence reviewing the default fund charge cap and standardised cost disclosure for pension schemes. It is welcome that the Department has responded positively and relatively quickly to recommendations of the previous Committee, including:

We recommend that DWP review the level and scope of the charge cap, as well as permitted charging structures, in 2020. The review should consider preventing flat fee charging structures being applied to dormant pension pots and revisit measures to proactively consolidate smaller pots.

...

We recommend that the Government bring forward legislation to make the disclosure templates mandatory for both defined contribution and defined benefit schemes.

The number of very small defined contribution pension pots has increased since the introduction of auto-enrolment. The consultation recognises the interplay between the growth of small dormant and deferred pots and the impact of flat fee charging structures on people's savings. Flat fees are concerning mostly for those with small pension pots. Consolidating small pots might form a major part of reducing the total cost of saving to individuals, whilst enabling a sustainable, competitive market for lower paid employees.

The call for evidence asks:

Are you aware of any issues that would make it difficult to implement this kind of mechanism to limit flat fees, in particular, in relation to the broader issues around the desirability of consolidating small dormant/deferred pots?

The Committee would urge those responding to the call, and others, to propose to the Department workable solutions for consolidating very small pension pots. We would also welcome solutions being sent to the Committee, as we intend to consider this topic further early next year. Correspondence sent to the Committee will be published on our website.

With best wishes,

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee