

Rt Hon Sir Stephen Timms MP  
Chair, Work & Pensions Select Committee  
House of Commons  
London  
SW1A 0AA

11 July 2022

Dear Sir Stephen,

### **Stronger nudge to Pension Wise**

This is a joint letter on behalf of the following pension schemes:

- The BT Pension Scheme
- The Universities Superannuation Scheme
- TPT Retirement Solutions
- The BP Pension Fund
- The Mineworkers' Pension Scheme
- British Coal Staff Superannuation Scheme
- The Royal Mail Pension Plan

These schemes together represent around £217 billion of scheme assets and 1.525 million members.

We are writing to you in your capacity as Chair of the Work and Pensions Select Committee regarding our concerns about the application of the 'stronger nudge' requirements brought in on the 1<sup>st</sup> June 2022, specifically as they relate to:

- Defined Benefit (DB) schemes with Defined Contribution (DC) additional voluntary contributions (AVCs), or other small DC benefits such as transfer credits; and
- Hybrid schemes where the majority of a member's benefits are DB.

We believe that giving members with AVCs a strong nudge to Pension Wise is very likely to result in confusion and them making decisions not in their interest as Pension Wise cannot provide guidance on AVC options within a DB arrangement. We are worried that this could result in members making decisions which are not in their interest – such as not taking their AVCs as part of their tax-free lump sum.

We have engaged with DWP on this subject, and they have committed to giving consideration to an additional exemption to cover AVCs/small hybrid DC pots following the collection of data on member reaction. The key points we will look out for are:

- **Confusion:** are applicable members being confused by the Stronger Nudge process (including potentially getting multiple sets of advice from MoneyHelper, an IFA and also

from Pension Wise), and by the fact that Pension Wise cannot provide guidance about the DB scheme option of using their DC funds for the pension *tax free lump sum*.

- **Complaints:** are members making more complaints as a result of delays to the retirement and transfer process resulting from the Stronger Nudge process?
- **Administration burden:** what is the practical impact on schemes of the new Stronger Nudge process? Is it adding to the administrative burden on schemes?

Whilst we will try our best to collect feedback from members, it's more likely that members will feedback to Pension Wise directly on how helpful they found their appointments rather than their pension scheme.

We have suggested that DWP also try to collect feedback from members to ensure they are able to segregate feedback from members with primarily DB benefits from those with primarily DC benefits to help establish whether our concerns are justified. We know that your Committee has taken a close interest in the 'stronger nudge' policy already and has expressed concerns that it will be insufficient to ensure that taking Pension Wise guidance becomes the norm. We therefore wanted to raise this additional concern with the policy from the perspective of DB and hybrid schemes, and would make the observation that while taking Pension Wise guidance should become the norm for those in DC schemes, this approach may not be appropriate for those in DB or hybrid schemes.

As your Committee continues to keep this issue under review, we would encourage you to question Ministers and regulators on the issues raised above and ensure that the impact on DB and hybrid schemes forms part of the scrutiny.

Yours sincerely,

The BT Pension Scheme

The Universities Superannuation Scheme

TPT Retirement Solutions

The BP Pension Fund

The Mineworkers' Pension Scheme

British Coal Staff Superannuation Scheme

The Royal Mail Pension Plan