PRESS RELEASE

EMBARGOED UNTIL 0001 WEDNESDAY 24TH NOVEMBER 2021

PENSIONS POLICY INSTITUTE
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"By attempting to keep decisions simple, savers may not consider additional benefits available and may be worse off with higher charges." says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing: *What is the impact on member outcomes of different non-capped charging structures?* authored by Tim Pike, PPI Head of Modelling. It sets out the proportion of pension scheme membership subject to capped charges and the scale of uncapped charges in the market; differentiates between the features available within non-capped arrangements and capped arrangements; analyses the at-retirement impact on members; and considers how the market may evolve as a result of charge cap development.

Tim Pike, Head of Modelling at the PPI said, "The Government responses following the DWP consultations Review of the Default Fund Charge Cap and Standardised Cost disclosure in January 2021 resulted in several proposals about future policy on charges in qualifying schemes.

The charging gap between automatic enrolment schemes and those outside the scope of the charge cap has reduced in recent years primarily driven by competitive pressure, the role of regulators and improved oversight by with independent governance. However, there is still significant variation in the charges levied by schemes outside of the cap.

Schemes outside the scope of the charge cap may offer a wider variety of benefits, such as increased investment options. However, consumers will attempt to keep decisions simple rather than engage in the trade-off between benefits and charges. If they do not realise these benefits, they will only be worse off with higher charges."

While the Government has not taken any policy decisions regarding the proposal to introduce a single permissible charging structure, they are considering their next steps. Such proposals for a single charging structure for automatic enrolment ought to introduce greater simplicity and easier comparisons across that market. However, it will widen the dichotomy within the wider DC market between schemes designed to serve automatic enrolment savers and schemes operating outside of the charge cap which are designed around existing savings being transferred in. This will alter the balance of how different schemes provide value for money for their members."

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Date of Issue: Tuesday 23rd November 2021

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Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution, and we are not a think-tank taking politically influenced views. The PPI is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. News and other information about the PPI is available at www.pensionspolicyinstitute.org.uk and via Twitter: @PPI_Research.
2. **20 Years of shaping Pensions Policy** – 2021 is the PPI's 20th Anniversary Year. We have now been analysing policy and future trends for 20 years.
3. This report has been kindly sponsored by **B&CE,** provider of The People's Pension, Gold Supporters of the PPI. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.

A Pensions Policy Institute report

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