

PRESS RELEASE

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“Centralisation provides essential support for coping with small pension pots” says Pensions Policy Institute

On Tuesday 12th January, **The Pensions Policy Institute (PPI)** published *How have other countries dealt with small, deferred member pension pots?* The Government is considering policy options to respond to the growing number of small, deferred member pension pots. As part of this process, the PPI was commissioned by the Master Trust Expert Panel, convened by the Department for Work and Pensions (DWP), to conduct an international study, exploring whether other countries have had similar challenges related to multiple pension accounts, and how these have been dealt with.



Daniela Silcock, Head of Policy Research at the PPI said “Many countries, (for example, Australia, Chile, Ireland, Mexico, New Zealand, Sweden and the USA) who have policies designed to minimise the financial downsides associated with small, deferred member pension pots have centralised aspects (through data standards, data platforms and clearing houses) of their pension transfer and management systems.”

“Centralisation plays a crucial role in minimising harm from small pots because policies generally either involve pots needing to move from scheme to scheme (for example, pot follows member) or for employers to pay contributions to many different schemes on behalf of members (for example, lifetime provider). Once multiple pots or payments are being sent between schemes, a level of centralisation becomes necessary in order to avoid lengthy transfer times, significant resources being expended on identification and general administrative errors.”

“While these systems are helpful, they are also expensive and take a long time to develop. However, the UK is on its way towards developing some aspects already via the pensions dashboard which will at least lay the groundwork for a national pensions data standard and could help with development of data platforms. The UK is particularly lucky in that so many other countries are already tackling the problem of small, deferred member pension pots, and can therefore provide valuable lessons regarding the potential benefits and pitfalls of pursuing different approaches.”

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Date of Issue: 12th January 2020

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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. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.
2. The report was kindly commissioned by the Master Trust Small Pots Expert Panel convened by the Department for Work and Pensions. Commissioning the research does not necessarily imply agreement with, or support for, the analysis or findings from the project.
3. The report was kindly sponsored by the following organisations...



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