PRESS RELEASE

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“Consensus between providers, employers and legislators will be necessary to deal with the problem of small deferred pension pots” says Pensions Policy Institute

The Pensions Policy Institute (PPI) report *Policy options for tackling the growing number of deferred members with small pots,* sponsored by **Now: Pensions**, examines the growing problem of small deferred pension pots and how it might be addressed.

Mark Baker, Senior Policy Researcher at the PPI said *“The number of deferred pension pots in the UK Defined Contribution (DC) master trust market is likely to rise from 8 million in 2020 to around 27 million in 2035. Member charges often erode small, deferred member pots over time and small pots can be uneconomic for providers to manage. Much of the debate around deferred members to date has concentrated on charges. However, all charges erode small pots to some extent, meaning that there is a need for a more holistic and strategic policy change if the problem is to be addressed meaningfully.”*

“PPI looked at a number of policy options, for greater pot consolidation, that all reduced the number of deferred pots, the charges that members pay, and the costs paid by providers to some degree. However, the policies cannot be judged solely on their economic impact. All policies involve trade-offs and some present potential market difficulties such as giving some schemes a competitive advantage or encouraging cherry picking of members who appear most profitable.”

“Most of the options would involve some overhaul of current practices, and any change would require strong consensus amongst providers and legislators. A combination of several approaches, supported by pensions dashboards, might help members and industry to achieve potential benefits, while avoiding some of the potential pitfalls involved in the different approaches.”

“What is certain is that change is needed and needed soon if savers are to receive the full benefits from workplace pensions, and this report aims to contribute to a much-needed debate about how best to achieve necessary reform.”

~~ ENDS ~~

Issued under embargo on: Wednesday 22nd July 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. This report has been kindly sponsored by **NOW: Pensions**, Gold Supporting Members 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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