PENSIONS POLICY INSTITUTE
PPI

PPI Roundtable

Lost Pensions 2022: What's the scale and impact?

Roundtable write up:

The Pensions Policy Institute held a Roundtable on Thursday 27th October 2022. The objective of the Roundtable was to launch and discuss **Briefing Note 134: Lost Pensions 2022: What's the scale and impact?** The Briefing Note explores the progression of the lost pots challenge between 2018 and 2022, factors that may have exacerbated the problem, and the expected impact of pensions dashboards. This project has been kindly sponsored by the **Association of British Insurers (ABI)** and **Punter Southall Aspire (PS Aspire).**

Over twenty people attended the event, with representatives from across government and industry. Kathryn Fleming, (Hyman's Robertson LLP) and PPI Council Member, chaired this Roundtable.

Presentation of key findings and responses to the report

John Upton, Policy Analyst, PPI, presented the key findings from the research:

There are various interpretations of a 'lost pot' and no current strict definition. Discussions remain over when a pension pot counts as lost, and what a provider can do to ensure the owner is reunited with the pot. The PPI's Lost Pension's surveys in 2018 and 2022 use the definition of 'gone away', meaning the provider is not in touch with the member. 'Lost' can mean the connection between pot and owner is cut off, rather than the pot being lost forever.

Aggregate assets held within lost pots has grown from £19.4 billion in 2018 to £26.6 billion in 2022, while the number of lost pots has increased by nearly three quarters (73%) between 2018 and 2022. The average size of individual lost pots has declined over the last four years for all age groups apart from those aged between 55 and 74.

While automatic enrolment has been successful in increasing pension participation, it may have contributed to the lost pensions challenge, as some people are not aware that they have a pension or who manages it. Providers may lose contact with members due to people moving jobs and ceasing to contribute, which automatically defers the pension. The job-to-job move rate was the highest it has ever been in the history of automatic enrolment during the first quarter of 2021. The membership of master trust schemes grew from 3.9 million in 2015 to 8.7 million in 2021, which could lead to an increase in the number of lost pots.

Current solutions to the lost pensions challenge include tracing services and awareness campaigns. The government's Pension Tracing service allows savers to find out who their old employer's pension provider was and contact them directly. Although the service has seen some success, it requires a lot of direct work by the member themselves to reunite with their lost pot. Awareness campaigns include National Pension Tracing Day (30 October 2022) and the Pension Attention campaign, both of which aim to increase engagement of pensions more broadly and encourage savers to trace their lost pots. A number of master trust providers are working on a member exchange pilot, a potential solution to the growing number of small, deferred pots. There are also private services available that help people to track down their lost pots, as well as help with transfer and consolidation.

Pensions dashboards, which are currently in development, will provide a single point of access for people to see all their pension pots and State Pension entitlement in one place. The consensus around the dashboards among respondents to the Lost Pensions Survey 2022, is that they will have a positive impact. However, respondents expect there will be an increase in administrative burden following the introduction of dashboards. A sustained campaign to promote engagement with dashboards is likely to be required in order to be most effective and for the number of lost pots to be reduced in the long term.

Panel discussion and Q&A

The following points were raised in the panel discussion. The session was held under the Chatham House Rule and the views expressed do not necessarily reflect the views of the Pensions Policy Institute or the panelists.

Engagement with the dashboard: The introduction of the pensions dashboards, expected to be tested next year, allows for an opportunity to rethink communication with members. The industry must consider how customers will access the dashboard and how they will view their pensions data. It is the responsibility of providers to create an environment for people to engage with the dashboards. However, there are regulatory issues with pushing people to engage with the new initiative. Engagement with the dashboard might be increased by storing the pensions data in a place people already visit frequently online. For example, pensions information could be viewed alongside a bank statement or connected to popular search engines such as Google.

Dashboards in Australia: Success stories of dashboards in other countries might provide lessons for UK dashboard programmes. In Australia, pensions dashboards are centralised with customer reactions to the database monitored. UK pensions dashboards could replicate or at least adopt similar strategies when launching the programme for public use. However, the pensions system in the UK is more complex due to varying types (DB and DC schemes) and this should be considered.

Significance of the dashboard launch: In announcing the launch of the dashboard, it is important the industry conveys the appropriate messages to the public. New strategies are required for customers to engage with it, as opposed to techniques utilised by previous initiatives (Pensions tracing Service has been described as tedious). It is also important to spotlight how much over 55s have in pensions wealth, thus prompting more customers to access the dashboards. Additionally, the launch presents an opportunity for providers to improve customer engagement. There are questions about industry readiness for the introduction of the dashboard.

Issues with membership details: Providers have been experiencing difficulties in gathering basic details for their members. Younger people tend to move addresses more frequently during university years and often do not inform providers on this change. Alongside this, a lack of verifiable email addresses and National Insurance numbers remain an issue for providers.

Can employers encourage engagement with pension pots? Engagement with pension pots could be further encouraged by employers, as providers struggle to maintain strong relations with their members. Due to a higher level of trust between people and their employer, emphasis can be shifted away from the role of the provider in stimulating pension engagement. Employer activity may involve the promotion of conferences and awareness campaigns on the prevalence of lost pension pots.

Considerations for the next Lost Pensions report: The next report may include a model to anticipate how economic crises affect lost pension pots. Such analysis can then underpin targeted policies for different sections of the population. An examination into Defined Benefit pension pots, accompanying gone-away DC pots, may also become a key facet and broaden the scope of the next project. More data on how much households may gain from being reunited with lost pots, as referred to in the report briefly, would create a greater sense of urgency amongst members. The inclusion of case studies, particularly success stories of people being reunited with lost pots, may also exalt the next project. Finally, the next project should include a robust evaluation of the impact the pensions dashboard has had on lost pensions once it is open for public use.

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