



Workplace Savings

An Isio blog

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DWP consultation to encourage consolidation

When “nudge theory” turns into a shove

Who is this for? HR Directors, Head of Pensions, Reward and Benefits Managers

As a transition coach I am fascinated by the different tools that can be used to drive change. As a pensions consultant I have been reading – with equal fascination – the DWP consultation on improving member outcomes in defined contribution (DC) schemes.

For small schemes the ask is clear. If you have assets under £100m you must compare value for members to at least three other schemes. And publish the results.

This might feel like comparing yourself to an apparently smarter, more sophisticated sibling – and then being forced to tell everyone about it.

Here is one of the most effective behavioural change techniques in action – peer comparison. A powerful tool proposed by the DWP to persuade smaller DC trust-based schemes to consolidate.

And if you find yourself lacking? Provide a clear plan for how you will rapidly improve or come under pressure to wind up. The nudge just becomes a shove.

The proposals are due to take effect from 5 October 2021. Some schemes will need to start preparing for more work and added hassle, some may consolidate before they get to that date.

It is not a secret that both the DWP and The Pensions Regulator (TPR) are keen to see smaller trust-based DC schemes consolidate. TPR has conducted research concluding that the majority of smaller schemes do not meet its governance standards with average charges in smaller schemes nearly double that of the largest schemes.

The heat has just been turned up.

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