



Workplace Savings

An Isio blog

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Small Pots – what's the answer?

Who's this for: Trustees, HR Directors and Pension Managers

Small Pots have plagued the DC landscape for quite some time, and the success of auto enrolment comes with a surge in the number of small, or 'stranded', pots. These are minimal pension entitlements, usually from very short service at the employer. In a recent ONS survey, the Office estimated some 18 million preserved pension entitlements – Small Pots – up from 6.5 million in 2012, and this is set to only increase further. These pension pots are easily left behind when you change jobs, and a shift in the way we work has meant fewer people remain with only one employer their entire lives. This leaves trustees, employers, and providers to oversee and administer an increasing number of pots that are valued less than a peak time ticket to Euston.

So what's the solution? Change the entire UK labour system to force individuals to stay with their employer their whole life? Although this may seem reasonable to those who work in the pensions industry, I have some doubts.

The long awaited Pensions Dashboard, with news of a digital marker tied to your pension pot, sounds too good to be true. Long gone are the days of tracing services, postcode searches and eventual despondence when the inevitable 'not found' bounces back, coupled with a bill for services rendered. No longer will retirees struggle to remember the name of 'that one employer with the funny name and green logo' they worked for over 30 years ago, only to find the company went bust in '08 and their pot went somewhere else. With bated breath, we wait for Opperman's next move.

Or perhaps a call back to the Government's 'Pot Follows Member' – imagine a world where your pension pot moves from employer-to-employer with you, imagine not needing to call up your pension provider to consolidate your pot. Surely a worker in the gig-economy's dream, assuming a pot exists for them in the first place. With continued downward pressure on the charges members pay, is a solution that was once considered impractical worth revisiting? Living in a tech-enabled world, perhaps we are nearing the answer.

Alas, a solution set to remove one of the biggest headaches in the pensions industry is still forthcoming, but we're hopeful that tech developments could hold the answer. Perhaps blockchain, already a potential solution for everything from currencies to music royalties, could too hold the key to unlock this long standing problem. In the meantime undertaking default reviews and product health-checks go some way to ensuring value for those pots, so get in touch to find out more.

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