

<p style="text-align: center;">TITLE:</p> <p style="text-align: center;">THE OCCUPATIONAL, PERSONAL AND STAKEHOLDER PENSION SCHEMES (DISCLOSURE OF INFORMATION) (AMENDMENT) REGULATIONS 2010</p> <p style="text-align: center;">LEAD DEPARTMENT OR AGENCY: DEPARTMENT FOR WORK AND PENSIONS</p> <p style="text-align: center;">OTHER DEPARTMENTS OR AGENCIES: NONE</p>	Impact Assessment (IA)
	IA No:
	Date: 01/10/2010
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
<p>Contact for enquiries: Tim Found 020 7449 7375</p>	

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Existing regulations dealing with pension scheme disclosure of information requirements make no provision for schemes to use modern methods of electronic communication. A move to such methods of communication has the potential to save schemes significant amounts of money. In the absence of specific provisions on electronic communications, as provided by the current proposed regulations, schemes would not be able to realise the full benefits of communicating in this way.

What are the policy objectives and the intended effects?

To assist schemes to adopt more efficient and cost-effective means of communication with their members.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

An earlier consultation sought views on moving to a more principles-based approach to regulation in this area, but responses highlighted significant problems. Such a reform has therefore been rejected in favour of making the specific change described above.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?

It will be reviewed
04/2017

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

Ministerial Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Steve Webb

Date: 01.11.2010

Summary: Analysis and Evidence

Policy Option 1

Description:

PRICE BASE YEAR 2010	PV BASE YEAR 2010	TIME PERIOD YEARS 10	NET BENEFIT (PRESENT VALUE (PV)) (£M)		
			LOW: OPTIONAL	HIGH: OPTIONAL	BEST ESTIMATE: UPTO 200

COSTS (£m)	Total Transition (Constant Price) Year	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	Negligible	Nil	Negligible

Description and scale of key monetised costs by 'main affected groups'

If a scheme chooses to make more use of electronic communications, there may be some one-off set-up costs in moving to an electronic system but these should be negligible on the grounds that the vast majority of employers will already have some form of IT infrastructure in place. Furthermore, any move to electronic communications will be voluntary and is likely to be made only if there is a financial benefit to the scheme. No data exists that allows an estimate of any set-up costs to be made.

Other key non-monetised costs by 'main affected groups'

Scheme members without ready access to a computer could find it harder to access information on their benefits. However, the regulations require schemes to inform members if they propose to move to electronic communications in future and to ask whether the individual member prefers to receive information by post. If a member elects to continue to receive information in this way, the scheme must honour that preference.

BENEFITS (£m)	Total Transition (Constant Price) Year	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	Up to £27m	Up to 200

Description and scale of key monetised benefits by 'main affected groups'

The figure here represents the annual savings to employers by moving from paper-based communications to electronic communications. The annual savings would be realised for as long as a pension scheme continues to use electronic communications. Given the uncertainties around how long-lived pension schemes are it seems sensible not to impose an arbitrary time period over which benefits are realised. Instead it is more appropriate to recognise that the benefits accrue on an ongoing basis.

Other key non-monetised benefits by 'main affected groups'

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

This indicative estimate is based on all schemes moving from using postal to electronic communications, thereby saving significant printing and postage costs. Lower take-up would lead to lower savings, but there is no data on which to base an estimate of take-up. The savings therefore represent an upper bound estimate of the benefits. In addition, no allowance has been made for future levels of pension scheme membership, which are hard to predict; but it is reasonable to assume that the level of the benefits will be affected by future changes in pension scheme membership.

IMPACT ON ADMIN BURDEN (AB) (£M):		IMPACT ON POLICY COST		IN
NEW AB: 0	AB SAVINGS:	NET: -27	POLICY COST SAVINGS:	Yes

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/12/2010				
Which organisation(s) will enforce the policy?	The Pensions Regulator				
What is the annual change in enforcement cost (£m)?	Negligible				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	N/A				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A		
Does the proposal have an impact on competition?	No				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties ¹ Statutory Equality Duties Impact Test guidance	No	7
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	7
Small firms Small Firms Impact Test guidance	No	7
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	7
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	7
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	7
Human rights Human Rights Impact Test guidance	No	7
Justice system Justice Impact Test guidance	No	7
Rural proofing Rural Proofing Impact Test guidance	No	7
Sustainable development Sustainable Development Impact Test guidance	No	7

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No. Legislation or publication

- 1 **Consultation document 2009:** <http://www.dwp.gov.uk/docs/pen-scheme-disclosure-reqts-consultation.pdf>
- 2 **Consultation document 2010:** <http://www.dwp.gov.uk/consultations/2010/pen-scheme-disclosure.shtml>
- 3 **Consultation 2010 impact assessment:::** <http://www.dwp.gov.uk/docs/disclosure-impact-assessment.pdf>
- 4 **Government response:** <http://www.dwp.gov.uk/consultations/>
- 5

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs		neglig								
Annual recurring cost		0	0	0	0	0	0	0	0	0
Total annual costs		neglig	0	0	0	0	0	0	0	0
Transition benefits		0								
Annual recurring benefits		27	27	27	27	27	27	27	27	27
Total annual benefits		27	27	27	27	27	27	27	27	27

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Background

1. As part of the rolling deregulatory review of private pensions legislation, the Department for Work and Pensions has reviewed requirements relating to the disclosure of information by occupational, personal and stakeholder pension schemes. A public consultation exercise was conducted between January and March 2010 on proposals to introduce an "overarching principle" in the relevant legislation, at the same time stripping back on the detailed, prescriptive requirements set out in regulations. Consultation responses raised concerns that the proposed reform could have unintended and unwelcome consequences for schemes. In light of this, the intention now is to carry out further work on possible consolidation and other changes to the relevant legislation, in the meantime making a number of specific changes which are considered necessary or desirable. These specific changes are contained in these amending regulations. This is an assessment of the impact of the amending regulations.

Contents of the amending regulations

2. The changes fall into two categories: (i) amendments to facilitate the use by schemes of electronic means of communication and (ii) some changes to the legislation covering the detailed information which must be included in annual benefit statements and statutory money purchase illustrations.

3. Item (ii) - changes to annual benefit statement requirements - is intended to make statements shorter and more user-friendly for the reader. Any savings for schemes from these changes are likely to be negligible. (The use of electronic means of providing these statements is however a matter within the scope of item (i).)

4. This impact assessment therefore concerns item (i) - amendments to facilitate electronic communications.

Electronic communications - the policy

5. Existing regulations include provisions for schemes to send documents by post. The provisions include a deeming provision such that the trustees of a scheme can be sure they have satisfied their responsibility to provide deferred or pensioner members with required information if they have sent the relevant information to them by post to their last known address.

6. The amending regulations facilitate schemes' use of electronic means of providing information, in the interests both of achieving efficiency savings and of enabling more flexible and effective access to information by members.

7. The amending regulations substitute new provisions for those covering the issue of documents by post. They allow a scheme to satisfy the relevant disclosure requirements by providing information either using postal or electronic means. As long as the information has been sent to the last known postal or electronic address, the scheme's trustees or managers will have met the legislative requirements. Electronic communications may take the form of a notification (eg by email or text message) that information is available for the member on a website to which he has been granted secure access.

8. The amended regulations contain certain safeguards. These are that (i) a member may opt out of electronic communications, in which case the scheme must provide information in hard copy format, (ii) existing members who do not already receive information by electronic means must be given advance warning that future communications will be in this format unless they opt out, (iii) schemes must have regard to the needs of disabled persons when designing electronic communications, and (iv) information provided electronically must be in a format which is capable of being stored or printed.

Electronic communications - the basis of the estimated savings figure of up to £27m pa

9. The available data on current pension schemes' information delivery is very limited. Due to the scope of the information required, a number of assumptions have been made in reaching the estimated benefit of this measure.

10. The estimate is based on a £1 per item cost of information delivery, which relates to a pension scheme member receiving their annual communication in a single package. This value is an estimated average administration cost (ie paper-based cost) per individual member of a scheme per annum and is based on estimated average postal and stationery prices.

11. It assumes that, generally, one paper-based service is delivered to an individual scheme member each year. Examples of such communications include:

- An annual benefit statement or statutory money purchase illustration;
- Information for new members or retiring members;
- An annual scheme funding report (defined benefit schemes only);
- Ad hoc communications requested by members such as cash equivalent transfer values and valuations of pensions on divorce.

12. In cases where individuals would receive more than one piece of information in a year, it is assumed that schemes send all the information in a single communication, in order to keep costs low. The only exception to this is in the case of ad hoc communications, where an adjustment has been made to reflect the fact that these are ad hoc and will possibly require additional communications.

13. The estimated savings are generated simply by multiplying the per member communication cost (assumed to be £1) by the number of members who would receive a communication. Affected members cover active, deferred and pensioner members in both the public and private sectors. There are currently around 400,000 people joining private sector occupational schemes each year and 900,000 people retiring from such schemes. Both these groups of people will need to receive communications at the point of joining the scheme or retiring, as applicable. In addition, there are currently 12.9 million members of private sector defined benefit schemes, each of whom must receive an annual scheme funding report, and 1.9 million members of private sector defined contribution schemes who must all receive annual benefit statements and statutory money purchase illustrations as appropriate. In the public sector, 8.3 million members are assumed to be covered by the disclosure regulations. Some members may receive more than one communication in a year.

14. In the absence of any data on the number of schemes already using electronic communications, it has been assumed that all schemes (public and private sector) will make the move from paper-based communications to electronic communications, with the figures showing estimated overall total benefits. In fact, some schemes may already be making use of electronic communications and some may choose not to switch to electronic communications at all. Hence, the overall figures will represent an upper-bound estimate of the savings to be made.

15. The savings from moving to electronic communications continue indefinitely and have not been presented in present value terms over a set time period. This would provide a misleading interpretation of the benefits of the policy since it implies that they would be time-limited; specifying an annual savings figure represents a more accurate interpretation of the benefits of the move to electronic communications.

IMPACT TESTS

Competition

16. There are no implications for competition policy.

Small firms

17. There are no special impacts on small firms.

Legal aid

18. There are no implications for legal aid.

Sustainable development, carbon assessment, other environmental impact

19. There will be a negligible benefit from schemes printing less hard copy information, which is likely to be offset by a negligible disbenefit in members printing their own copies.

Health

20. There are no implications for health.

Race equality

21. There are no implications for race equality.

Disability equality

22. The draft regulations include a requirement for schemes to take into account Web Content Accessibility Guidelines in implementing electronic communications. Members will also have a right to opt out of electronic communications and receive information by hard copy instead. To the extent, therefore, that individual disabled members are in the future more likely to have a choice as to which means of communication works best for them, this may represent a small improvement in the accessibility of pensions communications for disabled people.

Gender equality

23. There are no implications for gender equality.

Human rights

24. There are no implications for human rights.

Rural proofing

25. There are no implications for policy on rural issues.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]

Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]

Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

These amending regulations introduce some flexibilities for schemes, but it will be a matter for trustees and advisers whether to make changes to current procedures for the provision of information to members and other interested parties. The general area of pension scheme disclosure requirements will be reviewed, however, including an assessment of whether consolidation of the relevant legislation would be a worthwhile exercise. A further review will take place in 2017.