

New advice to help savers make the most of their pensions



An industry working group, chaired by the Department for Work and Pensions, has published recommendations on how to ensure the growth in small pension pots driven by automatic enrolment does not disadvantage savers.

Automatic enrolment has extended workplace pension coverage to the mass market, including young people and low earners – many for the first time. In 2019/20, it was estimated an extra £18.8 billion per year was being saved into workplace pensions.

But this has also led to a rise in small pots – often formed during brief stints of employment – which means savers may not experience the best possible outcomes; small pots could be lost, or left deferred and slowly eroded due to pension scheme charges.

Without change, it is feared millions of pots could be lost over the coming decades. DWP modelling in 2012 estimated that automatic enrolment was expected to create around 50 million dormant pension pots by 2050.

Minister for Pensions Guy Opperman said:

Given the risks that the growth of small pots presents to savers and their ability to plan for retirement, it is vital that we find a solution.

Savers deserve to know that their hard-earned pension pots will be working for them through their career and ready for them when they retire.

The Working Group's recommendations include:

1. Industry, government and regulators should continue to develop options to consolidate small pension pots at the request of savers.

2. Saver requests will, however, need to be complemented by automatic large scale transfers and consolidation with an opt-out solution, to address the growth of small pots.

Solutions involving consolidating pension pots are expected to start with the pensions industry investigating and addressing administrative challenges, including how to enable the transfer of large numbers of small pots easily.

This work will complement plans to introduce pensions dashboards, which will allow individuals to keep track of their small pension pots more easily, helping them to better plan for retirement.

Additional information:

- The [Working Group report](#) can be read in full on GOV UK.
- Anyone wanting to locate a lost pension pot should visit the [Pension Tracing Service](#) page.
- A key aspect of this year's review of the default fund charge cap and standardised cost disclosure, was to consider the impact of flat fees in eroding the value of small pension pots. The publication of this is expected soon.

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