

Pension fee shake-up

Press release

Government plans to protect small pension pots by limiting the level at which fees can be charged on them will be outlined today.



Proposals include introducing a threshold of £100 or below which a person cannot be charged a flat fee by their pensions provider, helping limit the erosion of small pot pensions and protect savers.

This will stop pensions worth £100 or less and invested in the default funds of schemes used for automatic enrolment being gradually whittled away by the fees, a situation commonly faced by people who change jobs frequently or take up short-term contracts.

Minister for Pensions, Guy Opperman said:

We all know what a success automatic enrolment has been in getting more people saving into private pensions – with over 10 million employees paying into a workplace pension since 2012.

But for some, particularly those who regularly take on short-term work and change jobs frequently, there is a greater chance that they will be automatically enrolled into new workplace pensions a number of times, building up a collection of small pots. It is this group we want to help by changing the way fees work.

The [consultation](#) will also set out plans to improve people's understanding of charges and help them to better compare pension products, to ensure they have the pension that is right for them.

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.

The consultation follows the 2020 Review of the Default Fund Charge Cap and Standardised Cost Disclosure, and the conclusion that it is right to introduce a threshold or a 'de minimis' pot size below which flat fees cannot be charged.

The government is seeking feedback from pension scheme providers, trustees, members, and other interested parties and the consultation is open for responses until 16 July 2021.

Additional information

- The draft regulations are available on [GOV.UK](#)
- The conclusion of the 2020 Review was that it is right to introduce a threshold or a 'de minimis' pot size below which flat fees cannot be charged. We therefore intend to amend The Occupational Pension (Charges and Governance) Regulations 2015 to introduce the de minimis, and we are using this consultation exercise to consult on these draft regulations.
- Importantly, this consultation also seeks views on moving to a single, universal charging structure, to improve member comprehension of charges and enable them to better compare pension products, to ensure they have a pension that is right for them.
- We are aware that a move to a single percentage charge for member borne costs, would impact on some providers who use an alternative charging structure, which is why we are keen to hear the views of providers and others with an interest in this consultation, in order to shape our final policy in this area.
- The consultation will run for 8 weeks, starting on 24 May 2021 and ending on 16 July 2021. Please ensure your response reaches us by that date as any replies received later may not be taken into account.
- To respond to this consultation, please send your consultation responses to pensions.charges@dwp.gov.uk
- When responding please indicate whether you are responding as an individual or representing the views of an organisation
- We will aim to publish our response to this consultation on GOV.UK later this year.

Media enquiries for this press release – 020 3267 5144

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