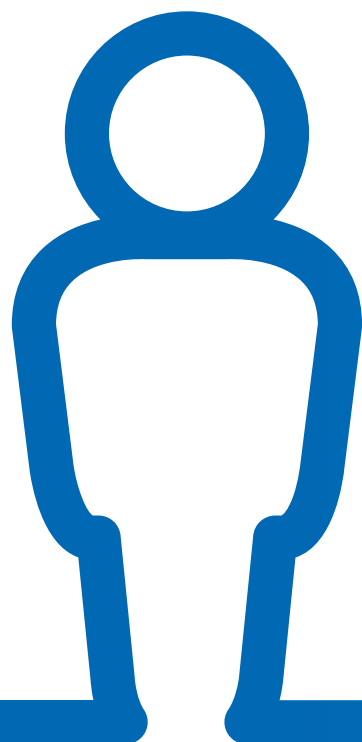


Trustee Webinar

On 13 November 2014

Your questions answered



How will The People's Pension be able to ensure service standards for existing customers don't suffer when so many new employers are due to stage?

B&CE, the provider of The People's Pension, has been building employee benefit systems for bulk processing transient employees for the last 70 years so we have considerable experience of this. We know how to deal with scale.

We hope that you as our customers will take assurance from our long experience and the way our systems have coped so well so far.

Our administration systems are flexible and are developed and built in-house. We're ensuring that we have systems in place to accommodate the increased volumes of employers staging.

You mentioned about working closely with employers. What about advisers?

We work closely with advisers of all sorts as well as directly with employers. Our flexible approach and way of working means that advisers can do as much or as little as their clients want them to.

We have often worked with IFAs and pensions consultants but as the employers staging are getting smaller we are increasingly working with other types of advisers, particularly accountants, bookkeepers and payroll bureaux.

How have you been coping with the large influx of members?

Our systems have coped well so far and we have not experienced any difficulty despite now having enrolled over a million members in The People's Pension compared to 360,000 at the beginning of 2014. We already had a million members

in our lump sum retirement product so we have considerable experience in dealing with large numbers of members.

We are keen to automate and give our members more information online and that is something we'll be developing further.

Do you all think auto-enrolment has been a good thing? Do you feel it has made a great deal of people start a pension who probably wouldn't have? We have had a young lad opt-in.

Undoubtedly it has been a good thing bringing pension savings to a cohort that would otherwise have normally been excluded from pension provision. It clearly doesn't solve all the pension issues or the pensions timebomb but it's a significant step in the right direction.

Our only reservation about auto-enrolment is that the complexity and detail it includes is probably excessive. We consider that the requirements did not have to be as complex as they are.

Is it possible to access performance data for all the investment funds?

Quarterly investment fund performance data is on our website at:

<http://bandce.info/1zuph1O>

Due to the time it takes to get the relevant information from the investment provider it does take longer than we'd like to make the quarterly information available. We are looking to see if improvements can be implemented to allow that information to be made available to you and your members in a more timely way.

Daily fund prices are also available at:

<http://bandce.info/1tj1VvB>

continued

For people, not profit

the
people's
pension

What support and /or tools do The People's Pension provide for employers that want to talk to their employees about their pension with The People's Pension? For example, how do employers know what information is available to members through their dashboard or is sent out to members in their joiner pack? What do you offer to assist employers with employees retiring with a pension with The People's Pension?

A toolkit of auto-enrolment communications which The People's Pension sends to employees joining as members and communications you can send directly to your employees is available at:

<http://bandce.info/1zXHNUw>

This includes our 5 minute employee facing animation which you can use to introduce your employees to auto-enrolment and to The People's Pension.

Parts of our website are available in multiple languages for those employees whose first language is not English as we recognise many of you employ such workers.

We are developing modellers to increase member engagement and encourage members to contribute more.

We see communications as a partnership with you. We would very much welcome your feedback and comments which we know will be based on your knowledge of your workforce.

The People's Pension contacts members approaching their retirement and liaises directly with them about their pension options. Naturally, we are reviewing these communications in the light of the Budget.

How often do people have to opt out? As I believe the opt-out is only for a certain time.

The opt-out window is limited by the auto-enrolment regulations to a calendar month after the joiner pack is given.

Members can opt out if they do so within the opt out window and we allow the maximum permitted leeway to members permitted by those regulations. However, we do inevitably have cases where people apply to opt out later than the opt-out window. Although they can still choose to leave The People's Pension – as members can at any time – we're unable to let them opt out under the auto-enrolment regulations. As a result they don't receive a refund of their contributions unless the member's employer has opted to allow short service refunds in its section of The People's Pension.

As a result of such occurrences, we do have a number of very small pots left in The People's Pension. Such pots might be just £10 or £15.

It's also worth remembering that the three year auto-enrolment re-enrolment exercise could result in en masse opt outs happening again so it's not just a new joiner issue. This exercise will, of course, include members who have very small pots due to them opting out but unable to get a refund. Some of them may decide that they don't then wish to opt out at the three years' following staging automatic enrolment exercise. If so, they'll be able to contribute more to their pot at that time and increase its value to be more substantial.

Steve spoke of refunding small amounts back to members. My question is would The People's Pension refund contributions for members who leave their employer before the end of the opt out period, even if they had not opted out?

Unfortunately no. As such members will not have opted out during their opt out window, the legal position is that we would not be able to pay them a refund of their contributions. Only active members are able to opt out under the auto-enrolment legislation so they would not be able to opt out once they have left their employer.

So as they would have left their employment but not have opted out of The People's Pension they would not qualify for a refund unless the member's employer has opted to allow short service refunds in its section of The People's Pension.

What happens if, when the minimum contribution increases to 2% for example, an existing member wants their contributions to stay at 1%? Is that technically an opt-out?

Both the employer and employee contributions will automatically increase to the new minimum levels from 1 October 2017. Employees will pay 3% and the employer will pay 2%.

If the member did not wish to increase their contributions to the new minimum of 3%, then they would need to negotiate with their employer regarding what (if any) contributions would be paid going forward by their employer as the employer would not then be obliged to pay any contributions under the auto-enrolment requirements.

The employer could choose to continue paying 1% or even decide to pay no contributions at all for that member.

The member in this case would not be in an auto-enrolment qualifying scheme and would be subject to being auto-enrolled at the three year auto-enrolment re-enrolment exercise.

Can I just ask... I thought the contribution increases in 2017 and 2018 were mandatory for both employee and employer. Is this not the case?

Yes. The increases are mandatory and the scenario covered under the last question is only applicable if the member chooses to not increase their contribution. Only if that occurs, would the mandated increased contributions not apply.

Otherwise the increased contributions would apply of 3% (employee) and 2% (employer) from 1 October 2017 and 5% (employee) and 3% (employer) from 1 October 2018.

continued

Should we be writing to employees prior to the increase in 2017 to ask if they wish to increase their contributions to 3%?

Members do not need to consent to the increase but information should be made available to them.

We will ensure that we have appropriate guidance and communications in place in good time to be issued by The People's Pension or by you as employers, as applicable.

I understand that B&CE is not-for-profit – but what does that mean?

It means there are no shareholders so any surplus and profit is not paid out as shareholder dividends. Instead, it is reinvested or returned to our customers. This may be via improved products and services or lower charges.

Part of B&CE's not-for-profit status and culture is that we always try to find reasons to pay out claims if we can, not reasons to reject them.

What is the charge for transfer values? Is the charge equal to 0.5% of the transfer value?

There is no charge for transfers in. The same low 0.5% ongoing annual management charge applies to the value of funds which have been transferred in as applies to all the other funds under The People's Pension.

Transfers in are an increasing area of focus for The People's Pension and we've been seeing a lot of activity in this area. Bulk transfers are being received where, for example, employers are winding up previous pension schemes. In addition, many individuals are choosing to consolidate their pension pots.

No charge is levied on transfers out of The People's Pension.

What's been your view on the not so recent Budget change?

It has been clear for some time that the archaic rules around annuitisation are too complex and may well discourage people from saving. The Budget reforms are a game changer that will allow people to decide what they do with their own money.

But the timescales for implementation are extremely challenging and we are looking at communications, decumulation options and the default investment as reviews in all these areas need to be undertaken.

Have you already advised your existing pension members of the changes since the Budget, or do you have plans to do so?

This is an evolving situation as the regulatory details have not been finalised so it's not possible to give full definitive information to members at this point. Nevertheless all members approaching their retirement date have been sent a leaflet outlining the Budget changes and proposals in their retirement options pack.

The information on the Budget is also on our website so any member can view it there. This can be accessed at: <http://bandce.info/1rjh70e>

Will there be a decumulation charge on retirement post April (especially once drawdown is in place)? Will it be a flat charge or a new higher AMC for funds under drawdown?

Although this whole area is under discussion and no final decisions have been taken, our intention is that we will make no charge for simply taking a lump sum withdrawal. It's likely there will be a maximum permitted number of such free withdrawals each year.

If we offer a flexible drawdown product, this would be a new product. It is not expected that this would be available by April 2015 but is likely to be in place three to six months after that. This product may be offered by The People's Pension, by B&CE or in partnership with another provider. We have not yet made any decisions about how this may be charged.

I'm interested to hear B&CE's thoughts as to how Total Pensions Freedom will impact the default fund. I anticipate many employees with low value pots taking the cash (instead of buying an annuity) which may necessitate a review of overriding aims of the default fund?

We are reviewing the default investment option and expect to have proposals on this by spring 2015.

As many pots are initially very small – the average pot size is currently just £216 for members of The People's Pension – we would expect initially that most people will take this as a single cash sum.

We will continue to watch how members will react in practice to the new freedoms to ensure that The People's Pension continues to deliver suitable investment options. The default will continue to evolve as the prevailing choices that members make become clearer.

How do you see master trusts, like The People's Pension, weaving into the wider world of pensions?

Master trusts, large multi-employer schemes, are not new but are increasingly popular as a suitable way of providing pensions especially for those meeting their auto-enrolment obligations who do not wish to take on the governance of running a trust themselves.

But as a rapidly growing segment of the market with risks for savers, The Pensions Regulator is unsurprisingly increasingly focussing attention on this area.

In September 2014, The People's Pension became the first master trust to obtain independent assurance under the new standard audit and assurance framework and this involved an external audit of all our governance and administration arrangements.

As the largest private sector master trust and the second largest auto-enrolment solution after NEST, we are at the forefront of ensuring that we maintain high standards of governance and are keen to contribute towards all consultations and calls for evidence in the pensions industry.

continued

For this reason we proactively engage with key industry stakeholders and decision makers and are trying to help shape the future pensions landscape. Whatever changes are brought in, we will adapt our systems and processes accordingly.

What would you like to see the Government doing more or less of?

Given the challenges of accommodating the new flexibilities announced in the Budget, and the very challenging timescale to implement these, we would prefer not to have any more changes coming from the Government for a while.

If we were to suggest one area where we would support legislation it would be creating a central pensions register. This would facilitate the 'pot follows member' proposals in an inexpensive, simple and effective way. It would also be for members to refer to when looking at their pensions entitlements, allowing them to keep track of their pension arrangements. We think it would be very useful when the new 'guidance guarantee' is delivered as it could form the basis of any guidance given.

Can you explain 'pot follows member' briefly?

The number of jobs that an average employee has over their lifetime is increasing. With the introduction of auto-enrolment, workers may accumulate a number of small pension pots. The DWP has said that by 2050 this could result in over 50 million dormant pots, 33 million of which will be worth less than £10,000.

To address the problem, the DWP has proposed a system of automatic transfers for pension pots worth £10,000 or less and it is this that is called 'pot follows member'. It means that small pots follow employees as they change jobs and join their new employer's pension scheme.

It is clear that we need a system for dealing with small pots. But we think that we need to make sure that any process for transferring members' money without their explicit consent is safe and that the costs for members are proportionate.

For example, we think that undertaking periodic sweeps of dormant pots (perhaps on an annual basis) would reduce unnecessary costs.

We also think that the creation of a single pensions register will be the cheapest, simplest and most effective option to facilitate the moving of pots.



View the webinar at: <http://bandce.info/15CGHUJ>

If you've any further questions please visit our website:
www.thepeoplespension.co.uk/employers

The information contained in this document is correct as at November 2014 and based on our understanding of the auto-enrolment legislation. Therefore it may be subject to change. If you are in any doubt of your auto-enrolment obligations, seek financial advice or contact The Pensions Regulator.