EXPLANATORY MEMORANDUM TO

THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (DISCLOSURE OF INFORMATION) (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2015

S.R. 2015 No. 154

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Social Development to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2 The Statutory Rule is made under sections 109(1) and (3), 177(2) to (4) and 178(1) of the Pension Schemes (Northern Ireland) Act 1993 and is subject to the negative resolution procedure.

2. Purpose

2.1 These Regulations amend the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014 ("the Disclosure Regulations") to support the changes made by the Taxation of Pensions Act 2014 and the Pension Schemes Act 2015 by requiring trustees and managers of certain pension schemes to give members information about their benefits and about the pensions guidance service in order to help them decide what to do with their benefits.

2.2 They also ensure that the Disclosure Regulations work as intended in relation to public service pension schemes under the Public Service Pensions Act (Northern Ireland) 2014.

3. Background

3.1 The Disclosure Regulations impose requirements on trustees and managers of occupational and personal pension schemes (including public service schemes) to provide scheme members and beneficiaries with information relating to their pension savings.

3.2 The Taxation of Pensions Act 2014 gives savers greater flexibility in how they access their money purchase pension pots from 6 April 2015. The Act amends the Finance Act 2004 to enable individuals with certain types of benefits to have more flexibility of access to those benefits (known as the pension flexibilities).

3.3 The Pension Schemes Act 2015 includes provision to support the pension flexibilities and creates a new term "flexible benefits" which covers the types of benefits to which the pension flexibilities apply. The Act also establishes a pensions guidance service to help members of pension schemes, and survivors of members of pension schemes, to make decisions about what to do with their flexible benefits (the pensions guidance service). These Regulations contain consequential amendments and measures to support those changes.

3.4 The Pension Schemes Act 2015 imposes a duty on the Financial Conduct Authority, which operates UK-wide, to make rules to require specified personal pension providers to give information about the pensions guidance. The Financial Conduct Authority has made provision for this in the Conduct of Business Handbook (CoB rules).

3.5 From 6 April 2015, members of pension schemes, and survivors of members of pension schemes, with flexible benefits will have greater flexibility of access to those benefits. These Regulations ensure trustees and managers of schemes provide appropriate information to support scheme members to make decisions about what to do with their flexible benefits and to inform them of the availability of the pensions guidance service.

3.6 These Regulations require trustees or managers of an occupational pension scheme to give to certain members –

- a standard statement informing the individual about the nature, availability and contact details of the guidance service, and
- more detailed information about the member’s benefits (including an estimate of the value of those benefits available to transfer) and the member’s opportunity to transfer their flexible benefits.

3.7 This information must be given to a member who has an opportunity to transfer flexible benefits and who has reached a certain age and has decided, or is considering what to do with those benefits.

3.8 This information will be sent automatically at least 4 months before the scheme expects the member to take their benefits.

3.9 Trustees and managers of schemes must also provide information about the availability of the guidance service to a member when the scheme and the member communicate (either verbally or in writing) about what the member can do with their flexible benefits.

3.10 The Regulations also require beneficiaries under personal and occupational pension schemes to be provided with information about the guidance service.

3.11 The Regulations remove duplication between the Disclosure Regulations and Financial Conduct Authority rules and make consequential or minor amendments.

3.12 The Regulations also amend the Disclosure Regulations in consequence of the introduction of public service pension schemes under the Public Service Pensions Act (Northern Ireland) 2014. That Act provides for the establishment of a wider range of public service scheme types. The intention is to preserve the existing disclosure policy following the introduction of the schemes, so as to ensure that exemptions in the Disclosure Regulations continue to function as originally intended.

4. Consultation

4.1 There is no requirement to consult on these Regulations. They make in relation to Northern Ireland only provision corresponding to provision contained in regulations made by the Secretary of State for Work and Pensions in relation to Great Britain.

5. Equality Impact

5.1 In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the legislative proposals for these Regulations. As the amendments are in consequence of provisions in the Pension Schemes Act 2015 which support the pension flexibilities introduced by the Taxation of Pensions Act 2014 and are technical in nature, the proposals would have little implication for any of the section 75 categories. In light of this, the Department has concluded that the proposals would not have significant implications for equality of opportunity and considers that an Equality Impact Assessment is not necessary.

6. Regulatory Impact

6.1 There will be benefits to the retirement income industry as a whole if the intervention has its intended effect of maximising take-up of guidance as they will be dealing with more confident and engaged consumers of retirement income products. As the benefits cannot be monetised, the net present value has not been calculated. It is not likely that the costs will pose a significant burden on even the smallest providers. A copy of the Regulatory Impact Assessment is attached as an Annex to this Explanatory Memorandum.

7. Financial Implications

7.1 None for the Department.

8. Section 24 of the Northern Ireland Act 1998

8.1 The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that these Regulations –

(a) are not incompatible with any of the Convention rights,

(b) are not incompatible with Community law,

(c) do not discriminate against a person or class of person on the ground of religious belief or political opinion, and

(d) do not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

9. EU Implications

9.1 Not applicable.

10. Parity or Replicatory Measure

10.1 The Great Britain Regulations are the Occupational and Personal Pension Schemes (Disclosure of Information) (Amendment) Regulations 2015 (S.I. 2015/482) which come into force on 6 April 2015. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.

Title: **Disclosure requirements for trust-based pension schemes, including signposting to pensions guidance**	**Regulatory Impact Assessment (RIA)**
	Date:
	Type of measure: Secondary Legislation
Lead department or agency: **Department for Social Development**	**Stage:** Final draft
	Source of intervention: Domestic NI
Other departments or agencies: **HM Treasury**	**Contact details:**

Summary Intervention and Options

What is the problem under consideration? Why is government intervention necessary? (7 lines maximum)
The 2014 Budget announced support for consumers in their retirement decision making. Intervention is necessary to ensure trustees and scheme managers provide their members with appropriate information about the government "Pension Wise" guidance service and provide information to support their members' retirement choices at the relevant time.

What are the policy objectives and the intended effects? (7 lines maximum)
Making people aware of Pension Wise and prompting them to engage with it will be key to the success of the service, and by extension will give people the support they need to understand and navigate their retirement choices as they approach retirement. This is to ensure a consistent approach for both contract- and trust-based schemes.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base) (10 lines maximum)
Amendments to pensions legislation are required to replicate, where appropriate, the Financial Conduct Authority rules requiring providers of contract-based schemes to give information about the Pension Wise service to customers approaching retirement. In order to ensure a consistent approach for both contract- and trust-based schemes, a non-legislative approach would not be possible.

Will the policy be reviewed? It will not be reviewed	**If applicable, set review date:** N/A

Cost of Preferred (or more likely) Option		
Total outlay cost for business £m	**Total net cost to business per year** £m	**Annual cost for implementation by Regulator** £m
0.09	0.01	

Does Implementation go beyond minimum EU requirements?		**NO** ☐	**YES** ☐
Are any of these organisations in scope?	**Micro** Yes ☒ No ☐	**Small** Yes ☒ No ☐	**Medium** Yes ☒ No ☐	**Large** Yes ☒ No ☐

The final RIA supporting legislation must be attached to the Explanatory Memorandum and published with it.
Approved by: Anne McCleary Date: 12/3/15

Summary: Analysis and Evidence Policy Option 1

Description: Amend the disclosure regulations for trust-based occupational pension schemes to require trustees to signpost members of pension schemes with eligible pension benefits to the pensions guidance service.

ECONOMIC ASSESSMENT (Option 1)

Costs (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Cost (Present Value)
Low	Optional	1	Optional	Optional
High	Optional		Optional	Optional
Best Estimate	0.09			0.09

Description and scale of key monetised costs by 'main affected groups' Maximum 5 lines
There will be modest, one-off costs of updating scheme communication literature assumed to involve four hours of work for administrators or providers of trust-based schemes. This is estimated to cost £0.09m in the first quarter of 2015.

Other key non-monetised costs by 'main affected groups' Maximum 5 lines
N/A

Benefits (£m)	Total Transitional (Policy) (constant price)	Years	Average Annual (recurring) (excl. transitional) (constant price)	Total Benefit (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate	N/A		N/A	N/A

Description and scale of key monetised benefits by 'main affected groups' Maximum 5 lines
N/A

Other key non-monetised benefits by 'main affected groups' Maximum 5 lines
There will be benefits to the retirement income industry as a whole if the intervention has its intended effect of maximising take-up of guidance as they will be dealing with more confident and engaged consumers of retirement income products. As the benefits cannot be monetised, the net present value has not been calculated.

Key Assumptions, Sensitivities, Risks Maximum 5 lines
The costs are based on around 1,170 administrators, pension providers and schemes incurring transition costs of £76 each on the basis that it will take four man hours (at £18.91 per hour) to make minor changes to existing communications products to signpost members to the pensions guidance.

BUSINESS ASSESSMENT (Option)

Direct Impact on business (Equivalent Annual) £m				
Costs:0.01	Benefits:0	Net:0.01		

Cross Border Issues (Option 1)

How does this option compare to other UK regions and to other EU Member States (particularly Republic of Ireland) Maximum 3 lines
All costings and numbers are on a UK-wide basis.

Evidence Base

There is discretion for departments and organisations as to how to set out the evidence base. It is however desirable that the following points are covered:

- Problem under consideration;
- Rationale for intervention;
- Policy objective;
- Description of options considered (including do nothing), with reference to the evidence base to support the option selection;
- Monetised and non-monetised costs and benefits of each option (including administrative burden);
- Rationale and evidence that justify the level of analysis used in the RIA (proportionality approach);
- Risks and assumptions;
- Direct costs and benefits to business;
- Wider impacts (in the context of other Impact Assessments in Policy Toolkit Workbook 4, economic assessment and NIGEAE)

Inserting text for this section:
Text can be pasted from other documents as appropriate.

Evidence Base (for summary sheets)

Problem under consideration

1. At Budget 2014 the UK Government announced the most radical changes to the way people access their defined contribution pension saving for a century. Each year currently around 320,000 individuals with money purchase (MP) and cash-balance (CB) benefits convert them into a retirement income (HMT, Budget 2014: greater choice in pensions explained, 2014). From April 2015, those individuals will be able to access them as they wish, subject to their marginal rate of tax.

2. The UK Government committed to support individuals to navigate their retirement choices and help them make better informed decisions through free, impartial guidance that makes them more aware of the available options for using their MP or CB pension savings in retirement.

3. Making people aware of guidance will be key to the success of the guidance service, known as Pensions Wise, and by extension give people the support they need to understand and navigate their retirement choices as they approach retirement.

Rationale for intervention

4. Historically, consumers haven't engaged with decisions about what to do with their pensions at retirement: even though an increasing number of people are aware of the benefits of shopping around, most people still don't do this. Instead they have stuck with their current provider and lost out on a potentially better deal. For example, the Financial Conduct Authority ("FCA"), in its Thematic Review of Annuities (FCA Thematic Review of Annuities, TR14/2, February 2014) found that:

"In 2012 around 60% of annuities were purchased from customers' existing pension providers or through a third-party arrangement…

…80% of consumers who purchase their annuity from their existing provider could get a better deal on the open market."

5. The pensions flexibilities announced at Budget 2014 give individuals a reason to engage and a chance to make a meaningful decision.

6. The majority of respondents to HM Treasury's consultation on the budget proposals, "Freedom and choice in Pensions" (Freedom and choice in pensions: government response to the consultation, Chapter 3, 21 July 2014) supported the proposal that pension providers and schemes should bear responsibility for ensuring that their customers and members are offered guidance at the point of retirement. The UK Government responded with a commitment to place a duty on pension providers and trust-based schemes to signpost those with eligible pension benefits to the pensions guidance service.

7. From April 2015, schemes will need to inform members with eligible pension benefits about the Pension Wise service when communicating about their retirement options.

8. This duty is being placed on contract based schemes directly by the FCA, and is taken into account in its Policy Statement PS14/17 "Retirement Reforms and the Guidance Guarantee, including feedback on CP14/11". For trust-based schemes the duty will be made via changes to regulations which are directly applicable to trust-based schemes.

9. The FCA Policy Statement (PS 14/17) set out how this new legal duty would be placed on contract-based schemes. The Department is replicating the FCA's rules by amending existing regulations overseeing how and when trust-based schemes are required to communicate to their members.

10. This Impact Assessment looks specifically at the legal duty on trustees to signpost trust-based members to the guidance. The wider pension flexibilities announced at Budget 2014 and HMT's equivalent duty being placed on the FCA are out of scope of this Impact Assessment.

Policy objectives

11. The intention is to ensure that, as part of the pension provider's engagement with their customers, they must tell people about their right to guidance: an impartial source of information and support on their options as they approach retirement, which complements the information they will get from their pension provider.

12. Making those with eligible pension benefits aware of guidance and prompting them to engage with it, will improve awareness and take-up of the service. By extension this should give more individuals the support they need to understand and navigate their retirement choices as they approach retirement.

13. The objective of the amendments to pension regulations is to apply a consistent approach across all scheme types so that individuals receive information about the Pension Wise service as they approach retirement regardless of their scheme type. The regulations replicate the design and intent of the equivalent duty being placed on contract-based schemes by the FCA, whilst taking account of the more prescriptive legislative framework and different circumstances they operate within.

14. For members of occupational trust-based pension schemes, over the age of 55, with MP or CB benefits this will ensure that:
•They are aware of their right to impartial guidance at the appropriate time;
•They know how they can access it; and
•They receive relevant information on their individual retirement benefits and options to obtain products on the open market. This is to help them make informed decisions about their retirement options when accessing their retirement benefits (whether or not they access Pension Wise).

Description of options

Do Nothing

15. A non-legislative approach is not possible in order to ensure a consistent approach for both contract- and trust-based schemes.

16. A statutory duty has been placed on the FCA to make rules to require contract-based schemes to signpost members to the Pension Wise service. The details are set out in its consultation on the guidance guarantee, CP 14/11, and its policy statement responding to the consultation (Retirement Reforms and the Guidance Guarantee, including feedback on CP14/11", FCA, 27 November 2014).

17. The statutory obligation was not extended to trustees of occupational schemes as a broad statutory duty to provide information for members already exists in the Pensions Schemes (Northern Ireland) Act 1993. A parallel requirement will therefore be applied by amending the relevant regulations, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014.

Option 1: Signposting to Pensions Wise guidance service (preferred option)

18. The key new information requirements will be to amend the format and wording of existing communications members receive by providing information that:

- Signposts the availability of the Pensions Wise service (including its purpose; how to access it; contact details; and a statement that it is a free and impartial service).
- Supports the member should they choose to take up their offer of free, impartial guidance and/or supports them to make an informed decision should they choose to access their pension benefits. This includes the value of their pension against which they are still able to exercise a decision and whether any guarantees or other features apply.
- Extends the existing information schemes provide on options available to the member so that it covers the new pension flexibilities.
- Provides a general statement that tax implications apply to certain choices and how they might differ depends on those choices.
- Where appropriate, informs the member they hold benefits under the scheme that are not flexible benefits, and how they may access that information from the scheme about them.
- Provides a general statement to members with cash-balance or safeguarded pension benefits that the value of their pension is likely to be lower when they access it before their nominated pension age.

19. The trigger points for this information will be aligned to the existing points below where communications to some extent are already made:
- Trigger 1: On request – from the age the member can first access benefits, but not more than one request in a 12-month period or when the member has already made a decision on accessing their pension benefits and either wants to change it or access their remaining pension benefits.
- Trigger 2: Automatic – 4 months before the member's selected or normal retirement age (unless a request has been made within 12 months of this then only limited information is needed).
- Trigger 3: On request – whenever either the scheme or the member communicates, verbally or in writing, about what the member might do with their flexible benefits, the scheme must state that Pension Wise is available and that further information on their options is available. However, this trigger does not apply should trigger 1 and 2 come into effect, or where the member has accessed guidance or independent financial advice in the last 12 months.

20. The aim is to meet the policy intent of FCA's rules, ensure consistent duties are placed on trust- and contract-based schemes and ensure alignment of the overarching policy intent rather than replicate exactly the same rules. For instance, where FCA have tied a communication requirement to a six-week letter which is not a legislative requirement on trust-based schemes the regulations will not impose this.

21. This is the preferred option as it provides a balance between maintaining consistency between the information provided to members of trust- and contract-based pension schemes without imposing unnecessary burden on business.

Other consequential changes to disclosure regulations

22. In addition, the regulations also extend existing requirements where the scheme provides information to the member, or others that relates to the member's benefits.

Passing on flexible pension benefits to survivors

23. The Taxation of Pension Act 2014 allows the members with flexible pension benefits to pass on those benefits to a named beneficiary. This resulted in amendments to the Pension Schemes Bill in January 2015, to extend the entitlement to the guidance service to cover beneficiaries. Legislation is therefore being amended to ensure those individuals are signposted to Pension Wise when they receive information on the death of the member and when the pension comes into payment. This extension covers personal and trust-based pensions. No equivalent rules exist for FCA covering beneficiaries or survivors. The impacts for the trust-based side are included further below.

Where schemes decide to offer new flexibilities

24. Where schemes decide to offer new flexibilities under their scheme rules they will need to inform members:
- At joining, within member's basic scheme information to ensure the scheme provides details on all retirement options they offer, as well as annuities.
- Where a member dies and the beneficiary had an opportunity to select an annuity but further options would now be available.

25. Costs to business from this requirement are not expected as schemes will only be required to do this if they choose to offer new flexibilities under their scheme rules. It would be expected that the scheme

trustees would consider the costs of these disclosure requirements when deciding whether to offer the new flexibilities and only do so if the benefits outweigh the costs.

Defined benefit transfers

26. Amendments to the regulations also propose a minor change to the basic scheme information that impacts Defined Benefit (DB) schemes. On joining the members are now to be informed about the condition to seek independent advice if they wish to transfer these benefits to a scheme where the pension flexibilities apply. The impacts of the additional safeguards for private sector defined benefit transfers were assessed in the Amendments to the Pension Schemes Bill Impact Assessment (Amendments to Pension Schemes Bill (private sector defined benefit transfers) Impact Assessment, HMT, 2014).

27. A wider policy aim is that individuals gather information on relevant sources of retirement income prior to accessing Pension Wise. To lessen the burden on business schemes will only have to tell the member they can request information.

28. The impacts of this and other requirements are included below.

Monetised and non-monetised Costs and benefits

29. Overall, it is believed the costs to business will be modest as the regulations have been designed to align with FCA rules as far as possible whilst also minimising extra burdens on occupational trust-based pension schemes. The key areas where extra costs may occur are:
• One-off transitional costs of updating scheme communication literature and, in some cases, changing processes so that personalised information can be provided. Modest costs are expected for providers and administrators of trust-based schemes with direct costs to business totalling £0.09m in 2015.
• Ongoing costs would occur every time schemes need to send out any communications, or provide extra material (such as pension valuations) when they otherwise wouldn't have had to. However, nil or negligible costs are expected as the suggested trigger points have been aligned with existing points of communication with members or their survivor where possible, and any extra demand for signposting materials is not likely to be a consequence of the signposting duty but as a consequence of the wider pension flexibilities.

Number of businesses affected

30. Whilst the legal requirement to make the changes described above falls to the trustee, in practice this work will be done by the third party administrator, insurance provider or Mastertrust where applicable depending how the scheme is governed. For example, bundled schemes will use a third party administrator who will make the changes centrally so the individual schemes will not incur the costs themselves. And the majority of unbundled schemes use one of the large insurance providers who would also make the changes centrally on their behalf.

31. Therefore, to estimate the total number of businesses directly affected, the Department for Work and Pensions considered the number of administrators and large insurance providers first and then added any schemes not covered by these rather than assuming all 37,290 (DC Trust: A presentation of scheme return data 2014-15, The Pensions Regulator) DC occupational trust-based schemes will need to make the changes individually. This is consistent with the approach taken for the equivalent duty on the FCA for the contract-side of the market where estimated business impacts are calculated on the basis of the number of providers (not schemes) for the contract-side of the market.

32. There are just under 3,000 occupational trust-based DC or money purchase schemes with 12 or more members. Of these, a third are in bundled arrangements (DC Trust: A presentation of scheme return data 2014-15, The Pensions Regulator). For bundled schemes it is expected the changes will be made by the administrators of bundled schemes rather than by the trustees. According to information collected by the Pensions Regulator there are nearly 300 companies providing administration services to occupational DC schemes with 12 or more members. These 300 businesses would be directly affected.

33. Of the unbundled schemes, previous analysis has shown that the majority use one of the 10 largest insurance providers (Better workplace pensions: further measures for savers, DWP, March 2014). For example, it shows that for medium-sized schemes 70% use one of the 10 largest insurance providers, and for small schemes 64% use one of the 10 largest insurance providers. Where a provider is used, it is expected that the provider will make the changes centrally. So it is also expected that at least the 10 largest insurance providers will be directly affected.

34. The remaining schemes will either use a smaller provider or, mainly for larger schemes, administer the scheme themselves. This equates to a maximum of 860 schemes (made up of around 290 large and very large schemes in unbundled arrangements, and the remaining 30% and 36% of medium and small schemes, respectively, that do not use one of the 10 largest providers) and the associated employers or providers would also be directly affected.

35. Therefore the assumed maximum number of businesses affected will be nearly 300 administrators, the largest 10 insurance providers, and the employers or providers associated with up to 860 unbundled schemes. This totals approximately 1,170 businesses that will be required to make one-off changes as a result of the proposed regulations.

Micro-schemes

36. Micro-schemes, which have between 2 and 11 members, account for 92% of the total trust-based market, but only 2% of total trust-based membership. The vast majority of these will either be in bundled arrangements or use an insurance provider. For example, nearly 80% of micro schemes (where the split is known) are small self-administered schemes (SSAS) and over half of these are known to use one of the 10 largest providers. It is highly likely that the remaining micro schemes will either use an administrator or smaller insurance provider and therefore micro schemes are not expected to be directly affected by the changes, and the associated administrators or providers will already be included in the volumes above.

37. However, even if the trustees do self-administer the scheme, the nature of the changes required will be different for micro schemes as they are likely to provide bespoke communications anyway given the small number of members. Therefore changing the wording is not likely to be a separate task and this would be expected to be part of their usual business. Therefore it is expected that any micro-schemes will be affected.

Transitional Costs

38. Transitional costs are likely to occur for providers and administrators to familiarise themselves with the new requirements and to update the wording of the information they already provide to members (and survivors where applicable) about their retirement options. These costs would occur in the run up to April 2015 as schemes prepare to respond to the regulations. However, given the existing prominence of the Pensions Wise service and work being undertaken, including the publication of the FCA rules, industry will have already explored how they can comply with the overall requirements (and exceed them) so the scope of further changes resulting from the regulations is unlikely to be material.

39. The unit costs of complying with the new requirements are difficult to quantify as it will depend on how automated providers' communications are currently and how easy or difficult they are to change. Nevertheless, the additional text required to comply – at a minimum level – is likely to be no more than two or three paragraphs in each communications product. It is highly likely that this could replace, rather than be additional to, existing text should firms choose to do so.

40. Previous impact analysis has suggested that these sorts of costs are minimal or nil. For example, the Regulatory Impact Assessment for the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations (Northern Ireland) 2014 ("the 2014 Regulations") found that minor changes to member communications are trivial to do and do not lead to additional costs. This is because member communications are created on existing IT platforms and changing the parameters in an existing platform is straightforward.

41. It is expected the requirements to change member communications to signpost to the Pension Wise service will be comparable to those described in the 2014 Regulations, and will be similarly negligible in cost. Indeed, NAPF's informal engagement with members in late 2014 indicated that more than half of schemes that responded had already changed the wording of their wake up packs since April 2014, to include information about the Budget changes. This suggests that amending wording of existing communications is straightforward for many schemes. Therefore it is expected that this activity would count as business as usual for the majority of schemes and incur zero cost.

42. However, to monetise this cost more fully, higher unit costs can be assumed based on those used for the Impact Assessment for the Pension Schemes Bill – Private Sector DB transfers (£38 per scheme is from the illustrative assumptions used for the cost of changing member communications in the impact assessment for private sector DB transfers, 2014). This used an illustrative unit cost of £37.82 on average based on two hours of labour costs at £18.91 per hour (including any non-wage costs). This would apply

to any communication product that needs to be changed. In this case, it would apply to both the wake-up pack and also the basic scheme information to make new joiners and survivors aware of the flexibilities. Therefore, applying this twice to the estimated 1,170 businesses affected gives a one-off cost of around £88,000.

Familiarisation Costs

43. It is inevitable that administrators and providers will need to familiarise themselves with the changes required before making them, but this is only a small part of the wider familiarisation of the wider pension flexibilities changes as a whole. It is not possible to adequately quantify the costs of this part in isolation but they are likely to be close to zero.

Potential printing costs

44. A further cost that potentially may occur is the cost of printing (or re-printing) communication materials if schemes have previously stockpiled pre-printed communications to send out to members that now require changing. There is no evidence on whether schemes or providers typically do this but it is likely that any such costs, if they occur, will be negligible because the UK Government will be providing pre-produced templates with the required information that, at a minimum, can be inserted into existing printed material.

45. In addition, given the large scale publicity of the pensions guidance service since Budget 2014 it is not expected that stockpiling of pre-printed material would be common. For example, the FCA consultation (CP 14/11) published in July 2014 made clear that the consultation was of interest to trust-based schemes because similar requirements to signpost members to the pension guidance would be replicated through amendments to pensions legislation. This intent was confirmed in the FCA policy statement (PS 14/17) in November 2014. Additionally DWP also established an Industry Working Group of approximately 20 members, including representatives of pension schemes who have met regularly to discuss the proposed changes to legislation. Therefore it seems reasonable that schemes, providers and administrators will have already been anticipating these changes, at least since July 2014 and therefore it is assumed no extra costs occur due to reprinting of communications material.

Ongoing costs

46. The new signposting requirements can be met by amending existing communication material sent out by providers, currently used to meet existing rules. This means the new requirements can be delivered without material ongoing costs to business as firms should only have to change their systems once to accommodate the new wording in their existing communication materials.

47. While providers may well incur significant extra demand for signposting materials, particularly from members or survivors who make contact to discuss their retirement options, this is not likely to be a consequence of the signposting duty. Rather, it will be a consequence of the pension flexibilities themselves so when customers enquire about taking advantage of the new flexibilities to access their pension pots, they will trigger communications requirements that pre-existed the signposting duty.

Direct costs and benefits to Business (OITO)

48. The regulations have been designed to minimise the burdens on schemes whilst enabling members to receive the information they need to access Pension Wise and fully consider their retirement options. Based on the reasoning above, a one-off transition cost of around £88,000 is expected to occur in the first quarter of 2015 as a result of providers amending their communications. But no other ongoing costs are expected specifically as a result of the new rules and regulations. The Equivalent Annual Net Cost to Business (EANCB) based on a 10 year appraisal period is £0.01m.

49. These potential costs may be offset – in part or in their entirety – by benefits that could accrue to the retirement income industry as a whole, if the intervention has its intended effect of maximising take-up of guidance.

• First, consumers are less likely to look to providers to meet all of their guidance needs and, when they do come to purchase products, they should be better informed – so reducing the amount of time the provider needs to spend explaining options. For example, it is intended that the guidance service will help consumers to understand their options and what questions they might ask when shopping around for products.

• Second, the guidance is intended to help consumers be more confident and engaged in their retirement decisions. For example they should be more likely to explore different product types and shop around, potentially helping to remove barriers to engagement that many have attributed to a lack of understanding of, or trust in, financial services. This should improve the opportunity for firms to sell products that meet consumer needs (which they should be better placed to identify with guidance).

Small and Micro Business Assessment

50. The pension providers and administrators affected are typically large businesses, although there will be some smaller businesses also. It is believed that it would not be appropriate to provide an exemption from the new signposting requirements for any small businesses because:

• failure to ensure that all trust-based pension providers clearly and prominently signpost all of their eligible customers to the guidance service at all of the key communication points listed further above risks consumer detriment;

• this may create an unfair playing field (in terms of lower regulatory compliance costs for smaller firms and, more significantly, in terms of these firms having a greater likelihood of remaining as benefiting from consumer inertia if their customers don't seek guidance); and

• It is not likely that the costs will pose a significant burden on even the smallest providers.

Monitoring and Implementation Plan

51. This Impact Assessment accompanies the Occupational and Personal Pension Schemes (Disclosure of Information) (Amendment) Regulations (Northern Ireland) 2015. Those Regulations will come into operation on 6 April 2015.

52. Monitoring and evaluation of the policy will be picked up via the Pension Regulator as business as usual work. It will also feature as part of a general review of disclosure regulations that will be required in light of the FCA's market study of the retirement incomes market