 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business	
Validation Impact Assessment (IA)	Disclosure requirements for trust-based pension schemes	
Lead Department/Agency	Department for Work and Pensions	
IA Number	n/a	
Origin	Domestic	
Expected date of implementation	SNR 9	
Date of Regulatory Triage Confirmation	12 January 2015	
Date submitted to RPC	6 February 2015	
Date of RPC Validation	16 March 2015	
RPC reference	RPC14-FT-DWP-2310(2)	
Departmental Assessment		
One-in, Two-out status	IN	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£0.01 million	
RPC assessment	VALIDATED	
Summary RPC comments The validation IA is fit for purpose. The IA says that this is a regulatory proposal that would impose an equivalent annual net cost to business (EANCB) of £0.01 million. This cost represents a one-off transitional cost of updating communication literature so people are aware of the Government's Pension Wise guidance service. The Department does not expect the proposal will result in on-going costs, as businesses will have to change their systems only once to accommodate the new wording in their communication products. The Department has provided a reasonable assessment of the likely impacts of the proposal. On this basis, the RPC is able to validate the estimated EANCB.		
Background (extracts from IA) What is the problem under consideration? Why is government intervention necessary? <i>"The 2014 Budget committed the Government to support consumers in their retirement decision-making. Government 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</i>		

relevant time.”

What are the policy objectives and the intended effects?

“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. The Government also wants to ensure a consistent approach for both contract and trust-based schemes.”

RPC comments

From April 2015, schemes will need to inform members with eligible pension benefits about the Pension Wise service when communicating with them about their retirement options. DWP is replicating the policy intent of the FCA’s rules for contract-based schemes by amending existing regulations that oversee how and when trust-based schemes are required to communicate to their members.

The proposals also extend existing requirements where a scheme provides information to the member, or others, that relates to the member’s benefits. However, the Department expects that trustees, for these schemes, to 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.

The Department estimates that 1,170 businesses will be affected by the proposal. These businesses include 300 administrators, the largest 10 insurance providers, and the employers or providers associated with up to 860 unbundled schemes.

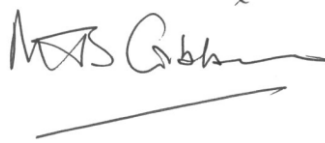
The Department has identified two areas where costs may arise as a result of the proposal:

1. One-off transitional costs of updating scheme communication literature and, in some cases, changing processes so that personalised information can be provided. The Department considers that the additional text required is likely to be two or three paragraphs in each communication product and is likely to replace, rather than add to, existing text. The Department estimates that costs will total £0.09 million. This is based on the assumption that it will take two man hours (at £18.91 per hour) to make the changes to two communication products. The Department has not been able to separately identify familiarisation costs from the wider changes on pension flexibilities. However, due to the level of consultation that has occurred and the publicity given to the proposal, the Department expects familiarisation costs to be close to zero.
2. On-going costs when information is sent to members. The Department

expects these costs to be nil or negligible as firms are expected to change their systems only once to accommodate the new wording in their communication products. Further, the suggested trigger points for issuing this information have been aligned with existing points of communication, and therefore should not require any on-going changes to processes.

The IA says that this is a regulatory proposal that would impose a net cost on business (an 'IN') with an estimated equivalent annual net cost to business (EANCB) of £0.01 million. This is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10) and, based on the evidence presented, appears to provide a reasonable assessment of the likely impacts. On this basis, the RPC is able to validate the estimated EANCB.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line underneath.

Michael Gibbons, Chairman