

Title: The Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations 2012 IA No: DWP0024a Lead department or agency: DWP Other departments or agencies:	Impact Assessment (IA)		
	Date: 29/06/2012		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: Cathy Twamley			
Summary: Intervention and Options			RPC Opinion: GREEN

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
Nil	Nil	Nil	Yes
			Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?

The current legislation has been examined to ensure that disclosure regulations for occupational pension schemes can be applied to all types of occupational scheme, including those affected by the changes introduced under workplace pension reforms in 2012.

The aim of the proposed changes to regulations is to ensure that disclosure requirements for occupational schemes dovetail with the automatic enrolment provisions to be introduced in October 2012 and fit with the changing pension landscape and overall workplace pension reforms.

What are the policy objectives and the intended effects?

The proposed amendments have two purposes:

- to ensure that prospective and new members of occupational pension schemes receive basic scheme information before the end of the automatic enrolment opt-out period as far as that is possible;
- to ensure disclosure regulations regarding the contents of the basic scheme information cover the full range of scenarios by which workers may join or be enrolled in occupational schemes as workplace pension reforms are introduced from 2012.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The preferred option is a small change to the regulations to reduce from two months to one month the timescale for occupational pension schemes to provide basic scheme information to prospective and new members, plus a small amendment to the content of the basic scheme information to cover the full range of scenarios by which workers may join or be enrolled into occupational schemes.

Non-regulatory methods are not appropriate in this case as the pensions industry needs the disclosure regulations to provide clarity and certainty on the information that is disclosed to members and others along with clear timeframes. We could not meet the policy objective without making a change to the regulations.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A	Non-traded: N/A

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Changes to basic scheme information and information on eligibility for automatic enrolment

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: Nil

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			Nil

Description and scale of key monetised costs by 'main affected groups'

There are no costs, monetised or otherwise from these minor changes.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			Nil

Description and scale of key monetised benefits by 'main affected groups'

There are no monetised benefits from these minor changes.

Other key non-monetised benefits by 'main affected groups'

The changes will bring the relevant part of the disclosure regulations into line with changes to workplace pensions where automatic enrolment is to be introduced from 1 October 2012. This will provide clarity for pension scheme administrators and members.

Key assumptions/sensitivities/risks N/A	Discount rate (%)	
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BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: Nil	Yes	Zero net cost
Benefits: Nil		
Net: Nil		

Evidence Base (for summary sheets)

1. This impact assessment considers two proposed changes to regulations requiring occupational pension schemes to disclose information to members and others (e.g. beneficiaries):
 - Reducing the two month timescale for occupational schemes to issue basic scheme information to members.
 - Amending the contents of the basic scheme information about how members are admitted to the scheme.

These are minor changes but necessary to bring this part of the disclosure regulations into line with changes to workplace pensions where automatic enrolment is to be introduced from 1 October 2012.

Consultation

2. The Department's consultation (The Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations 2012) published on 24th April 2012 set out the intention to reduce to one month the current two month timescale for occupational schemes to issue basic scheme information to members and to amend the basic scheme information to be given about how members are admitted to a scheme. The Department outlined the rationale and underlying assumptions within the consultation document and requested further evidence from pension industry professionals, pension schemes, trustees, industry, pension scheme members and member representative organisations to support an accurate assessment of the impact on business and individuals from the policy proposals.
3. Sixteen representatives of pensions industry, employers, and pension industry representatives submitted information in response to this request:
 - The responses were overwhelmingly in favour of the proposed changes and showed that business, pensions industry and pension industry representatives believe that the changes are achievable within the prescribed timescales and are a good fit with the requirements of automatic enrolment.
 - There were seven responses with regards to the terminology and drafting, minor amendments have therefore been made to the regulations to take these into account.
 - Only one response advised it would be very difficult for schemes to undertake the work required to implement these additional changes. Bearing in mind the support from other respondents it is felt however this is achievable.
 - The only other comment received was relating to commencement – it was suggested the change should come into force in July 2012. However to fit with Government policy that regulation which impacts on business should commence on two dates in a year – 6 April and 1 October – it is intended that these amendments should come into force from 1 October 2012.
4. The responses received during the consultation have been carefully considered. The comments have been examined and used to refine and strengthen the regulations; and confirm that these changes have a nil monetised cost to business and Government. Overall the responses to the consultation have enabled the Department to be confident in the accuracy of the impact assessment and the requirement for the policy changes.

Disclosure of Information

Issue under consideration

5. Existing DWP legislation requires private pension schemes to disclose prescribed information to members and others (e.g. widows, widowers and civil partners). The main disclosure requirements are contained within three different sets of regulations. These are:
 - The Personal Pension Schemes (Disclosure of Information) Regulations 1987 (SI number 1987 / 1110);

- The Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (SI number 1996 / 1655); and
 - Regulations 18 – 18E of The Stakeholder Pension Schemes Regulations 2000 (SI number 2000 / 1403).
6. Information must be disclosed at specific times, for example, basic scheme information is provided to prospective and new members. Some information is disclosed annually e.g. the annual Statutory Money Purchase Illustration (SMPI), or at a set time e.g. shortly before retirement. Other information must be disclosed by the scheme following a request by the member, and allows members to access more detailed information about the scheme – for example the scheme’s Annual Report.

Rationale for Intervention

7. In March 2009, DWP consulted¹ on various amendments to existing disclosure regulations as part of a review of the provisions. This included the consolidation of general disclosure provisions into one set of regulations rather than occupational, personal and stakeholder schemes being dealt with separately as in the existing provision.
8. Many respondents to the consultation favoured the proposal to consolidate. They considered that consolidation would make the regulations clearer and easier to follow and the regulations should be significantly restructured and simplified, making it clear to schemes exactly what is required to be disclosed and when.
9. However, since the disclosure review was announced, the Red Tape Challenge to reduce the regulatory burdens has been introduced. All government departments are reviewing the level of current regulation with the aim of removing any unnecessary legislation. Members of the public are invited to offer their comments on regulations on the Red Tape Challenge website² which seeks views on whether or not existing legislation should be retained, simplified or removed. In the light of this, it has been decided to take forward the majority of the disclosure review as part of the Red Tape Challenge. This means that the next major changes to disclosure regulations for pension schemes are likely to be introduced in 2013.
10. One of the benefits of taking forward the majority of the disclosure review as part of the Red Tape Challenge is that this approach avoids the possibility of major changes to disclosure regulations in 2012 and again in 2013. However it is nevertheless proposed to introduce in October 2012 two minor disclosure amendments that are required for the introduction of automatic enrolment.

Policy objectives

11. The first change identified is the need to reduce the two month timescale for occupational schemes to issue basic scheme information to members in order to ensure that new members receive that information before the end of the automatic enrolment opt-out period as far as that is possible. The other change which is needed for October is to the basic scheme information requirement to describe how members are admitted to the scheme. These changes will ensure that disclosure requirements for occupational pension schemes dovetail with the automatic enrolment provisions to be introduced in October 2012 under workplace pension reforms.

Timescale to issue basic scheme information

12. The intention is that those who are subject to automatic enrolment, automatic re-enrolment and those who opt in to pension savings from 2012 should, whenever possible, receive the basic scheme information prescribed in the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 for Occupational Pension Schemes before the expiry of the one month opt out period.

¹ Review of Disclosure of Information Requirements applying to Occupational, Personal & Stakeholder Pension Schemes. Public Consultation March 2009 - <http://www.dwp.gov.uk/docs/pen-scheme-disclosure-reqts-consultation.pdf>

² <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

13. The most suitable trigger for this purpose is the date an occupational scheme receives jobholders' information from an employer. This is suitable because a scheme will know this date in all cases, whereas a scheme may not know dates which determine the start of the opt out period such as:
- the date an employer makes prescribed arrangements by which the jobholder becomes an active member; or
 - the date a jobholder is given enrolment information
14. Specifying the trigger of the date a scheme receives a jobholder's information from an employer as the start of the disclosure window will mean a jobholder will not necessarily receive the basic scheme information within the opt out period in all cases; however this is likely to happen in a sufficiently high proportion of cases to support the policy.
15. The earlier consultation in 2009 proposed reducing the maximum time for issuing basic scheme information to fourteen days to ensure that individuals automatically enrolled into a pension scheme would have access to this information to help them decide whether to stay in the pension scheme or to opt out within the automatic enrolment joining window. In practice, most new members are provided with the required information in the form of a scheme booklet at or around the time they first take up employment and join the scheme, and the majority of respondents were therefore content with the proposed fourteen day limit. However, a separate consultation on the automatic enrolment process has resulted in an extension of the automatic enrolment joining window to a longer, one month timeframe. This is reflected in the revised time limit for the provision of basic scheme information, also of one month.

Contents of basic scheme information – describing how persons are admitted to a scheme

16. The other change needed for October is to the basic scheme information which describes how members are admitted to an occupational scheme. In the light of the workplace pension reforms, it has been necessary to review the existing requirement in the Schedule 1 of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.
17. The policy intention is that the changes to Schedule 1 of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 covers *all* types of occupational scheme, including those used for automatic enrolment. These changes will ensure that workers in the following scenarios are encompassed in the provisions of Schedule 1.
- Jobholders who are automatically enrolled or automatically re-enrolled into a workplace pension.
 - Jobholders who "opt in" to pension saving.
 - Those who wish to join pension saving.
18. Taken together these changes will ensure that this part of the disclosure regime is in line with changes to be introduced under workplace pension reforms.

Costs and benefits of the proposals

19. Only two changes are being proposed and neither of them will involve any monetised costs or benefits. The Department believes that costs arising from these changes from October 2012 will be nil or negligible.
20. In discussions with the pensions industry, the Department has been informed that the requirement to issue new members with basic information about the scheme within a different timescale will not impose any costs. The costs of complying with the existing regulatory requirement are those associated with the provision of the information; the timing of when this information is provided has no effect on the cost of its provision. Indeed, the vast majority of schemes/providers are already compliant with this requirement because the information is provided on joining the scheme. Members will benefit from receiving this crucial information soon after joining.


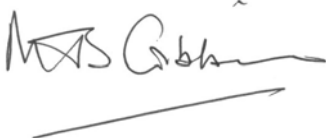
21. On the changes to the basic scheme information that describes the categories of persons who are eligible, member communications will need to change in order to take account of the workplace pension reforms. However, in discussions with the industry, it has been confirmed that such minor changes to standard member communications are trivial to do and do not lead to any additional costs. This is because member communications are created on IT platforms. Changing the parameters in an IT system already in place is straightforward – typically it is a matter of going into a computer screen and adjusting one or several parameters at the same time. It is therefore trivial to add or remove generic pieces of information and the cost of making any changes is nil.

Micro-businesses not exempted

22. These proposals apply to all sizes of business and micro-businesses are not exempted. However, in practise, micro-businesses will not be involved in the administration of pension schemes. For occupational schemes, pension scheme administration (which includes the provision of communications) will be contracted out to large third-party providers upon whom the impact of these proposals will fall.

Summary and preferred option with description of implementation plan.

23. These are minor changes but necessary to bring this part of the disclosure regulations into line with changes to workplace pensions where automatic enrolment is to be introduced from 1 October 2012

 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	The Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations 2012	
Lead Department/Agency	Department for Work & Pensions	
Stage	Final	
Origin	Domestic	
Date submitted to RPC	24/05/2012	
RPC Opinion date and reference	28/06/2012	RPC12-DWP-1129(3)
Overall Assessment	GREEN	
<p>The IA is fit for purpose. The IA explains that the costs of the proposal will be nil or negligible and this is supported by evidence received during consultation.</p>		
<p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p> <p><i>Costs and benefits:</i> The IA explains that the costs of amending the disclosure of information requirements will be nil or negligible. This assessment appears reasonable as it has been supported by stakeholders during consultation.</p>		
<p>Have the necessary burden reductions required by One-in, One-out been identified and are they robust?</p> <p>The IA says that the proposal is a regulatory measure that will impose a net cost to business (an 'IN') with nil or negligible impact. It has therefore been scored as a 'Zero IN' for One-in, One-out purposes. This is consistent with the current One-in, One-out Methodology (paragraph 17) and provides a reasonable assessment of the likely impacts.</p>		
Signed 	Michael Gibbons, Chairman	