Pension Schemes Bill

Lead department	Department for Work and Pensions	
Summary of proposal	The aim is to reshape the pension landscape into fewer, larger and better governed schemes to deliver improved returns, access wider asset classes, and support growth through increased investment in productive UK assets. The measures include: a Value for Money framework, authorisation of Superfunds, consolidation of small pots, guided retirement, Megafunds and surplus extraction.	
Submission type	Impact assessment (IA) – 7 April 2025	
Legislation type	Primary legislation	
Implementation date	Guided retirement	April 2026
	VFM	January 2027
	Megafunds	Late 2027
	Small pots	From 2027
	Superfunds	Spring 2028
	Surplus extraction	Spring 2028
Policy stage	Final	
RPC reference	RPC-DWP-25032-IA(1)	
Opinion type	Formal	
Date of issue	2 May 2025	

RPC opinion

Rating[1]	RPC opinion
Fit for purpose	The IA provides a good level of analysis. It details direct impacts on businesses, using proportionate evidence and reasonable assumptions. It thoroughly assesses impacts on small businesses. The rationales are generally comprehensive. While many options are assessed, there should be more justification for rejecting non-regulatory options. The cost-benefit analysis draws on various evidence sources, and provides useful sensitivity testing. The IA lacks detail in in the monitoring and evaluation plans. Overall, the IA demonstrates a reasonable analytical approach.

[1] The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the Better Regulation Framework. RPC ratings are fit for purpose or not fit for purpose.

Business impact assessment

	Department assessment		RPC validated
Equivalent annual net direct cost to business (EANDCB)	Vfm	43	
	Superfunds	0	
	Small pots	-64	
	Guided Retirement	13	
	Megafunds	-26	
	Surplus extraction	0	
	Total	**-£34m**	**-£34m**
Business net present value	Vfm	-0.4	
	Superfunds	0.2	
	Small pots	0.6	
	Guided Retirement	-0.1	
	Megafunds	0.2	
	Surplus extraction	4	
	Total	**£5bn**	
Overall net present value	Vfm	19	
	Superfunds	0.9	
	Small pots	1.2	
	Guided Retirement	1.6	
	Megafunds	1.9	
	Surplus extraction	8	
	Total	**£33bn**	

RPC summary

Category	Quality[2]	RPC comments
EANDCB	**Green**	The IA provides detailed analysis estimating the direct impacts on businesses. The calculations are based on proportionate evidence and analysis, following standard methodology and make reasonable assumptions that are clearly explained.
Small and micro business assessment (SaMBA)	**Green**	The IA thoroughly estimates the number of small businesses impacted. Exemptions are outlined. The IA provides analysis showing disproportionate impacts have been considered and mitigated, estimating an EANDCB for each measure for SMBs. For several measures small businesses will benefit.
Rationale and options	**Satisfactory**	The IA provides comprehensive rationales. The IA discusses the principle-agent problem, where employers choose pension schemes but employees bear investment/longevity risks, and information failures. While many options are described, there should be more justification for rejecting non-regulatory options, and more on the criteria used to assess options.
Cost-benefit analysis	**Satisfactory**	The analysis draws from a range of data sources, providing sensitivity analysis around assumptions, and acknowledging uncertainties and risks. Methodologies and assumptions are outlined clearly, utilising comprehensive data from industry and authoritative external sources. The IA should analyse the extent to which herding could lead pension providers to pursue overly cautious and homogenous investment strategies, leading to lower returns.
Wider impacts	**Satisfactory**	The IA identifies many relevant areas, but should address some areas in more detail, such as the risks of limited competition and distributional impacts.
Monitoring and evaluation plan	**Weak**	The policies are all due to be reviewed in 2030. More detailed plans are needed, outlining success metrics, reporting requirements, and methodologies, across the policies.

[2] The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings here.

Summary of proposal

The Pension Schemes Bill has policy measures aimed at improving the defined contribution (DC) and defined benefit (DB) pension markets. Key proposals include:

- Value for Money (VfM) - Requiring pension providers to be transparent about costs and returns to drive up value for savers. Poor performing schemes must improve or exit the market
- Small Pots - Consolidating small, deferred pension pots worth less than £1,000 into authorised consolidator schemes to reduce the number of loss-making small pots.
- Guided Retirement - Requiring DC schemes to provide default decumulation products (to liquidate and spend assets) at retirement to help members remain invested rather than fully withdrawing cash.
- DC Megafunds - Introducing a minimum £25 billion asset threshold for multi-employer DC pension funds by 2030 to build scale and enable broader investment.
- DB Superfunds - Allowing DB pension schemes to transfer to regulated commercial consolidation vehicles called 'superfunds' as an alternative to insurance company buyouts.
- DB Surplus Flexibilities - Allowing well-funded DB schemes to share surplus funds with sponsoring employers and members, subject to safeguards.

Other measures cover retrospective benefit changes, Pension Protection Fund levy flexibility, terminal illness rules, and Pensions Ombudsman powers. These other measures do not impose costs on business, so a full IA is not necessary.

The proposals aim to reshape the pension landscape into fewer, larger and better governed schemes to deliver improved returns, access wider asset classes, and support economic growth through increased investment in productive UK assets.

The annex to this opinion looks at each measure in detail.

EANDCB

The annex to this opinion reviews measures in detail, including the EANDCB for each measure.

The overall estimated equivalent annualised net direct cost to business (EANDCB) of the Bill, is based on proportionate evidence and analysis, and appears to be well estimated. The EANDCB calculations follow standard methodology and make reasonable assumptions that are clearly explained. The EANDCB of -£34m, i.e. a net benefit, appears reasonable based on the analysis of implementation costs, consolidation expenses, and fee savings across the different measures.

Identification of impacts

The IA includes 6 measures which have direct impacts arising from the introduction of the Bill and the Department has undertaken a suitably robust assessment of the expected impact of these measures.

Direct and indirect impacts

The IA states that only 6 of the measures will introduce direct regulatory requirements through primary legislation. For these measures, the Department has identified the direct impacts to business and public sector bodies, though more detail could be provided on costs to public bodies.

Unmonetised impacts

The Department has provided proportionate assessment of the impacts. Some are discussed in qualitative terms, with evidence used to support this.

SaMBA

Scope

The Department estimates the number of SMBs impacted by each measure. The IA provides an acceptable consideration of the specific impacts and issues that SMBs face. The Department is commended for estimating an EANDCB for small and micro businesses, for each measure. The IA appropriately considers potential disproportionate impacts on small and micro pension schemes. SMBs are defined as schemes having fewer than 1,000 members for the direct contribution market and fewer than 100 members for the direct benefit market.

Mitigation and exemption

The Department has discussed whether SMBs could be exempt from each measure, while still achieving the objectives. Many measures do not include an exemption for SMBs, as they benefit from the measure. The IA provides detailed consideration of mitigation for each measure, such as exemptions for micro schemes, and the nature of some policies limits disproportionate impacts.

Measure	Exemptions	EANDCB for SMBs
Value for Money	Exemption for Small Self-Administered Schemes (SSAS) and Executive Pension Plans (EPP). The measure will also exempt small arrangements (those with fewer than 1,000 members) unless this is their main default.	£31m
Small Pots	Exemption for SSAS and EPP. At this phase the Default Consolidator framework would not be applied to these micro schemes due to the cost they would incur as a result.	-£0.7m
Guided Retirement	Exemption for SSAS and EPP. The policy has been adapted to allow schemes to create arrangements with larger providers to offer products rather than requiring smaller schemes to have to invest in creating new products themselves.	£3.6m
DC Megafunds	The policy is restricted to multi-employer DC workplace pension schemes, none of which are estimated to meet the definition of being a small or micro business.	£0m
DB Superfunds	All DB schemes, of all sizes, can access a Superfund should they choose to.	£0.1m
DB Surplus	All DB schemes, of all sizes, can access a surplus should these choose to.	£0.1m

Rationale and options

Rationale

The Department establishes a set of objectives the Bill aims to deliver. Individual measures similarly include objectives which support the broader themes. The measures provide a reasonable discussion of the market failures to justify government intervention. The IA clearly lays out the underlying rationale for government intervention across the different policies:

- Principal-agent problems where employers choose pension schemes but employees bear investment/longevity risks, leading to focus on low costs over long-term value
- Market fragmentation with over 1,000 DC schemes and 5,000 DB schemes resulting in lack of scale, poor diversification and higher costs. Intervention would lead to positive externalities from scale enabling increased productive investment to benefit the UK economy
- Information asymmetries and imperfect data limiting ability to assess value for money across pensions. Low member engagement and inertia around complex decisions like decumulation, necessitating well-designed defaults

The rationale uses robust evidence from sources such as government data, consultations, provider scheme data, academic analysis and some international comparisons to demonstrate the prevalence and impacts of these market failures. The IA should detail consumer inertia and disengagement, by examining how interest and capabilities vary across the life cycle. Exploring these dynamics could further evidence the need for defaults and inertia-countering policies, such as small pot consolidation.

Options

The Department has considered a range of options across the measures, justifying the preferred legislative approaches, over relying on non-regulatory options that have failed to meaningfully address the problems. While criteria-based options appraisal is limited, the IAs draw on evidence from consultations and past voluntary efforts to demonstrate why regulation is needed, to deliver the intended policy aims.

The options analysis is often limited, but does usually consider non-regulatory approaches. The IA would be improved by, clearly establishing what options were considered and more discussion on why a non-regulatory option is not suitable in delivering objectives. There should be application of critical success factors in assessing options. Whilst there is discussion of international experience for some measures, there could be more on this for all measures, including on the relevance of solutions adopted elsewhere, for example in the Netherlands.

Cost-benefit analysis

Evidence

The Department draws upon a range of sources to inform the assessment of impacts and quantification of costs. The IA discusses consultations used to gather evidence, as well as shape and refine the preferred options. The IA outlines ongoing engagement with industry, which has been important in understanding the areas and scale of impact. The cost-benefit analysis across the measures draws on a robust evidence base, including:

- Surveys and consultations with pension schemes, providers, employers and members to obtain data for cost estimates, fee structures, take-up rates
- Analysis of government datasets like the Wealth and Assets Survey to assess pension pot levels.
- Proprietary pension scheme data shared by providers on fund sizes, membership, charges etc.
- Academic research and industry studies on areas such as investment performance, economies of scale, longevity risk etc.

This evidence base from multiple sources enables quantification of key variables driving the cost-benefit calculations.

Analysis

The Department provides a thorough explanation of the analysis that has been undertaken, with detailed explanations of the calculations and sources. The IA provides a reasonable quantitative assessment of the costs and benefits.

Assumptions, risks and sensitivity

The IA generally includes sufficient discussion of the appropriateness of assumptions and provides evidence to support their inclusion. The analysis outlines key assumptions that create uncertainty, such as:

- Achievable asset return performance in larger consolidated funds
- Ability to realise proposed fee savings from scale economies
- Increased returns due to VFM measures

The hourly rate and time for familiarisation for several measures appears low, the Department should re-examine this. Sensitivity testing is provided in some areas by flexing assumptions, though this could be expanded further. Risks include unintended competition impacts, implementation delays and regulatory arbitrage that are hard to quantify. The IA should analyse the extent to which herding could lead pension providers to pursue overly cautious and homogenous investment strategies. This might significantly reduce returns by limiting exposure to higher-yielding assets, particularly in infrastructure, or innovative start-up ventures. There has been no apparent consideration of how Megafunds and Superfunds might impact the resilience of the market, and the IA should discuss this.

Wider impacts

Competition
The IA notes that the pension market continues to consolidate, and these reforms will further drive consolidation. The IA states competition is already very strong across the industry, but competition impacts remain a risk and will be monitored. The impacts are not expected to be significant by the Department. The Department should justify this, for example with evidence from countries who have pursued similar reforms. The Department should provide details on specific processes in place, to systematically assess and mitigate anti-competitive effects. The Department should reference and more explicitly align with the CMA's competition guidance, to ensure a comprehensive analysis and mitigation strategy for competition concerns.

Innovation
Policy implications for innovation in areas like new decumulation products are considered, noting both potential positive and negative impacts depending on implementation. The IA would benefit from considering the impact to innovation across more measures and the pathways through which it may be delivered.

Public sector
Several measures relate to public sector bodies directly. The Department has provided discussion of the costs to regulators and included quantification where possible, but more detail should be provided for some measures such as VFM, and this is explained in the annex.

Distributional impacts
Potential distributional impacts across different groups are sometimes explored qualitatively, noting positive effects from addressing issues such as small pension pots and the ability to fund DC schemes from DB contributions. More detailed analysis should be undertaken to examine distributional impacts, including due to the impact of all the measures combined.

Monitoring and evaluation plan

The policies are all due to be reviewed in May 2030. While the IA acknowledges the importance of monitoring implementation and evaluating outcomes, the actual plans lack key details and specifics. The IAs identify some existing data sources that can support monitoring, such as:

- Regulatory data from The Pensions Regulator (TPR) and Financial Conduct Authority (FCA) on scheme returns, compliance, charges etc.
- Government survey data like the Wealth and Assets Survey, Financial Lives, and new surveys planned with providers/members

Potential methods are mentioned such as analysis of this data, qualitative research with stakeholders, and continuation of industry engagement through workshops and consultations. However, beyond this high-level listing, the specific monitoring approaches, responsibilities, timeframes and methodologies are generally not detailed.

The IAs should outline potential approaches such as:

- Defining key metrics and intended outcomes to measure success against
- Roles and responsibilities for monitoring/evaluation activities across Departmental teams, regulators and independent parties
- Timelines and commitments for activities like baseline data studies, interim reviews, commissioning evaluations etc.
- Proposed methodologies and any primary research required beyond existing data sources
- Governance processes for evidence scrutiny and mechanisms to adapt policies based on findings
- Use of data on take up of the pensions dashboard

Robust monitoring and evaluation frameworks are crucial for legislation of this scale and complexity, impacting significant numbers of savers.

Regulatory Policy Committee
For further information, please contact enquiries@rpc.gov.uk. Follow us on X @RPC_Gov_UK, LinkedIn or consult our website www.gov.uk/rpc. To keep informed and hear our views on live regulatory issues, subscribe to our blog.

Annex: Summary of measures

Description of measure	***RPC opinion on quality and areas for improvement***
Value for money Introduce a VFM framework for Defined Contribution (DC) pension schemes to assess and disclose metrics on investment performance, costs/charges, and service quality. This would: • Require schemes to conduct a VFM assessment comparing their metrics against other schemes and produce a RAG rating on whether they are delivering value. • Give regulators (TPR and FCA) new powers to enforce actions on underperforming schemes rated Amber or Red, including powers to wind up and consolidate persistently poor performers. The IA states primary legislation is needed to implement the full VFM	*EANDCB.* The framework will require schemes to disclose performance data, assess their vfm, and act if underperforming. Costs are based on a survey of contract-based providers by the FCA, with assumptions to apply it to the trust-based market. Sensitivity analysis is provided for key assumptions such as investment return impacts and costs. Uncertainties are acknowledged. Key direct business impacts are: - One-off familiarisation and implementation costs for providers (£138m) - Ongoing compliance costs e.g. producing annual VFM reports (£66m per year, falling to £25m) - Increased charge revenue for providers (£10m per year) *SaMBA.* Micro schemes (under 12 members) are exempted. The IA clearly establishes that around 71% of the schemes in scope, 620, are small, with between 12-999 members. The Department uses evidence from the FCA survey and weights by scheme size to show the potential impact on smaller schemes: one-off costs to of £60m based on survey evidence, projecting ongoing costs declining from £40m in 2026 to £20m by 2034 as consolidation occurs. Mitigations are outlined, such as the framework replacing some existing requirements like the Value for Members assessment, offsetting costs. Further scheme engagement is planned. *Rationale/options.* The issue is clearly identified: significant performance disparities across DC pension schemes, with some persistently underperforming, leading to worse outcomes for savers. There is a clear rationale for intervention: the principal-agent problem, and informational asymmetries hinder the market's ability to address underperformance. The rationale draws on a range of sources such as performance data, surveys, international experience, and regulatory findings to demonstrate the problem. Areas with mixed evidence such as costs being prioritised over value are transparently presented. A range of options, including alternatives to regulation, are considered appropriately. Non-legislative alternatives such as guidance and utilising existing powers are analysed. The options assessment engages with whether each option could meet the stated objectives or not. The reasoning behind selecting primary legislation as preferred is clearly explained in terms of providing consistency, enforcement, and the full framework. The IA should explain how this measure aligns with the Government's 2025 approach to regulators and regulation supporting growth, as it imposes a regulatory burden on schemes. *Cost-benefit analysis.* The main benefit is greater investment returns for members, due to consolidation and improvement of underperforming schemes. Direct costs will not be passed onto members initially, due to the charge cap. The analysis draws on a range of sources including FCA surveys of providers, the DWP Pension Charges

framework consistently across trust-based and contract-based DC schemes, and provide regulators with necessary enforcement powers.	Survey, OBR economic assumptions, performance data from industry sources like Corporate Adviser, and evidence from similar initiatives like Australia's performance test. This provides a reasonable evidence base. There are gaps in directly surveying the trust-based side of the market, which have been mitigated by extrapolating from the contract-based survey results. Reasonable modelling approaches are used, including projecting consolidation trends. Key assumptions around the estimated 0.4% boost to returns are outlined and sensitivity analysis shows impacts under return scenarios. The IA should analyse the extent to which investment herding could lead pension providers to pursue overly cautious and homogenous investment strategies. This may significantly reduce returns by limiting exposure to higher-yielding asset classes, particularly in infrastructure, private equity, or innovative start-up ventures. There is no apparent consideration of whether the TPR and FCA budgets are sufficient to meet additional costs, though this will be considered when there is more detail on the final requirements. *Wider impacts.* Draws on a range of sources, including industry data, research/surveys, stakeholder engagement, and evidence from similar initiatives like Australia's performance test. Impacts such as potential for employer switching behaviour, and cultural shifts are more qualitative. The analysis identifies positive impacts in investment in productive assets, governance improvements through consolidation, and increased transparency driving competition. The IA does not quantify the opportunity costs of reduced innovation investment due to herding, or the economic impact of lost capital allocation efficiencies, potentially underestimating the negative impacts on wider economic dynamism. *Monitoring.* A range of quantitative and qualitative data sources are outlined for monitoring purposes, including analysing the VFM data returns from providers, existing surveys like the TPR DC Scheme Survey, investment performance data, potential new surveys of providers/employers, and stakeholder engagement. This covers a reasonable breadth of evidence sources. The key research questions, and success criteria for evaluating the policy objectives are not stated, and should be outlined.
Superfunds A new legislative framework and authorisation regime for "Superfunds" - commercial defined benefit (DB) pension	*EANDCB.* The Department correctly states there are few direct business impacts. The measure allows DB pension schemes to transfer liabilities and assets into a superfund consolidation vehicle, in exchange for an upfront payment that discharges the employer of its pension obligations. Direct costs to business are: - Familiarisation costs for 5,000 DB schemes to understand the legislative change (£1.2m one-off cost) - Further familiarisation for the estimated 520 schemes eligible to transfer into a superfund (£0.9m one-off) Other costs and benefits are correctly excluded from the EANDCB as not direct:

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<td>consolidation vehicles. Key elements:
Require Superfunds to be authorised by The Pensions Regulator (TPR) to operate, based on criteria around financial sustainability, governance, protecting members' benefits.
Give TPR powers to authorise/refuse Superfunds, ongoing supervision, require information from Superfunds.
Set out the framework for authorisation in primary legislation, with details in secondary legislation.
The preferred option aims to facilitate innovation and consolidation in the DB market, while controlling the apparent unique risks posed by for-profit Superfund models through an authorisation and regulatory regime overseen by TPR.</td>
<td>- Implementation costs for the estimated 130 schemes that choose to transfer liabilities into a superfund over 10 years (£1.2bn over 10 years)
- Reduced scheme running costs for employers whose schemes transfer (saving £270m over 10 years)
- Some additional costs of creating a Superfund

Samba. The IA credibly states that micro schemes with fewer than 100 members, are not likely to transfer into a Superfund. The IA estimates that the number of schemes with 100-9,999 members, i.e. small but not micro, is around 2,200. Of these it estimates 390 could enter a Superfund, and about 95 are expected to do so in the next 10 years. Smaller schemes will benefit from larger savings from entering Superfunds, relative to large schemes. There are no disproportionate costs to small businesses.

Rationale/options. The rationale is to mitigate risks such as regulatory arbitrage, replacing employer covenant with capital buffer, concentration of risk due to Superfunds' potential size, need to protect members, and allow innovation while ensuring security and good governance. The IA cites reasonable evidence such as the potential benefits of consolidation and risks around Superfunds. The IA references credible evidence such as the PLSA taskforce reports, academic studies on consolidation benefits. Discussing non-regulatory approaches in more detail would strengthen the IA. More details on the criteria used to develop and assess the options would improve clarity.

Cost-benefit analysis. Key benefits include cost savings for consolidating schemes versus running on individually. Significant impacts appear not to be quantified, such as ongoing compliance costs. While uncertainties are acknowledged given the nascent Superfunds market, the IA does not appear to comprehensively analyse potential risks beyond sensitivity testing around take-up rates. More extensive risk analysis covering areas like investment returns, distress scenarios, employer behaviour and wider sensitivity testing would improve the IA. Risks such as unintended consequences of trustee decisions and uncertainty around long-term investment returns are identified. There has been no detailed consideration of how Superfunds might impact the resilience of the market, a smaller number may carry greater risks in the event of a failure and the IA should discuss this. On familiarisation, the time is low at 2 hours and £37/ hour appears very low, as there will be a need for senior level familiarisation.

Wider impacts. The IA discusses impacts on public sector bodies like The Pensions Regulator (TPR) and Pension Protection Fund (PPF). It states that costs imposed on TPR for authorising and supervising Superfunds will be transferred to the Superfunds via fees and levies. Gross costs from Superfund failure will be recovered via a PPF levy on Superfunds. The measure is expected to have zero or negative net cost to regulators. The IA discusses impacts</td>
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	on the insurance industry's buy-out market, from Superfunds as a new competitor. However, it should provide estimates, better analysis of this. The IA could reference the CMA competition guidance. The IA discusses how the Superfunds framework aims to allow innovation in managing pension liabilities while ensuring adequate protection. *Monitoring.* This centres around The Pensions Regulator's (TPR) new role supervising and monitoring authorized Superfunds. TPR will monitor authorized Superfunds' compliance with the requirements around financial sustainability, investment strategy, governance, administration, and protecting members' benefits. The IA outlines key areas that will be kept under review, including: - Monitoring market take-up levels through regular surveys of pension scheme trustees on their interest and experience with Superfunds - Engaging directly with authorized Superfunds on their operational experience under the new regime, investment performance, issues faced etc. - Working with the Government Actuary's Department to independently review the financial viability and member security of Superfund propositions - Assessing impacts on employer behaviour such as increased investment in DC pension provision - Exploring member surveying to ensure they were properly informed about transferring to a Superfund. Producing a comprehensive evaluation strategy with review timelines, metrics to track, reporting requirements, would strengthen the plan. The IA states that once legislation is in place, DWP will actively engage with TPR; but it should engage now.
Small pots Reduce the number of deferred small pension pots (under £1,000) through consolidation. Preferred option is to implement a multiple default consolidator model. Under this approach: - When a pot meets certain eligibility criteria (e.g. pot under £1,000,	*EANDCB.* Key direct impacts on business: - Costs to providers of implementing and maintaining the Central Data Service £216m - Ongoing transfer costs for consolidating pots £215m - Savings from reduced administration costs for fewer deferred pots £1.2bn The calculations are clearly laid out and based on evidence gathered from providers, surveys, and authoritative sources such as the Wealth and Assets Survey. The assumptions for factors like opt-out rates, mismatch rates, and costs per transfer are supported. Sensitivity analysis is appropriately used to test the effects of different assumptions on the EANDCB estimates. The treatment of uncertainties through this analysis is proportionate. For the preferred option, the EANDCB is estimated as a net benefit to business of £64m per year. For the alternative pot follows member option, the IA estimates a net benefit of £50m per year.

deferred for at least 12 months), it's automatically transferred to the member's consolidator scheme. - Members could choose their own consolidator scheme or be allocated one through a carousel system if they don't make an active choice. - A central data service facilitates the transfer process and member allocations. - Primary and secondary legislation required to implement this framework and give regulators powers to authorize and supervise consolidator schemes. The objectives are to improve value for money for members by reducing losses from small pots, reduce admin burden on providers, and support greater member engagement by having fewer, larger pots at retirement. The proposal aims to address the stock of 13m deferred small	*SaMBA.* 474 schemes are small (pension schemes with under 1,000 members). One-off transition cost per small scheme of about £270, projected to be outweighed by the benefit of admin savings from reduced small pots. Mitigations include using a multiple default consolidator model where members' pots transfer automatically unless they opt-out, which aims to reduce admin for small schemes. A central data service to facilitate transfers is highlighted as mitigation. There is no direct involvement required from employers, avoiding costs to small businesses sponsoring schemes. The IA identifies reasonable mitigations, and provides analysis suggesting disproportionate impacts have been considered and addressed where feasible through centralizing processes. *Rationale/options.* The IA clearly sets out the problem: small, deferred pots proliferating and detrimental impacts on providers having to administer these unprofitable pots, as well as negative outcomes for members with multiple pots. The evidence used to demonstrate the scale of the problem through data gathered with industry is robust. The IA comprehensively outlines the process with industry to develop solutions over several years. It explains why a legislated solution is required, given lack of consensus across industry on a viable non-legislative approach. The options assessment is satisfactory. The IA provides justification for discounting the do-nothing option, as it would not address problem. It gives a clear rationale for the multiple default consolidator model over pot follows member and member exchange, supported by evidence on the advantages in terms of consolidation levels, minimising market distortion, and driving efficiency gains. The consideration of a single vs multiple consolidator model is also useful. More detail would enhance the IA on the requirement for member records to be improved. *Cost-benefit analysis. S*ets out the methodology and assumptions in a clear and detailed manner. This includes comprehensive use of data gathered from industry and authoritative sources like the Wealth and Assets Survey. Key assumptions around ongoing creation of new small pots, transfer costs, matching rates and opt-out rates are reasonably well-evidenced. The treatment of uncertainties through sensitivity analysis is thorough. The IA would be improved by exploring the longer-term impacts on charges and investment returns if consolidator schemes achieve enhanced scale. 10-12 jobs in a working life appears high, especially amongst older people, and other data gives estimates of 7-12, so the average of 11 may be overstated. Few schemes are expected to be default consolidators, but there does not appear to be consideration of resilience risk in the market as a result. More detail would help on the assessment of delivery capabilities, and DWP will undertake more work on this. More clarity is needed on the costs and resourcing of the Central Data Service, which is a significant part of the cost of the automated solution.

pots, and continued creation of new small pots.	More is needed on compensation and funding for mismatches and errors, when small pots are transferred, this is a higher risk in the early stages of the policy. On familiarisation costs: 2 hours and the hourly rate seem low. *Wider impacts.* While the IA evaluates the market impact on competition, other areas require more consideration. The IA focuses on impacts of protected characteristics, but does not delve deeper into socio-economic dimensions - for instance, whether inertia levels or capability to consolidate pots differ across income groups. *Monitoring.* The IA states an intent to evaluate the policy, through commissioning external research and with stakeholders such as the Pensions Policy Institute. Detail is provided on metrics, data sources and methodologies to assess implementation and outcomes, including a list of success criteria. The IA would benefit from an outline framework for monitoring and evaluating the areas of impact covered in the cost-benefit analysis. This could potentially draw on the Department's experience evaluating Automatic Enrolment.
Guided retirement For DC pension schemes to develop decumulation solutions for their members, including a default decumulation solution which the member would be placed into unless they opt-out.	*EANDCB.* The key direct costs are one-off familiarisation, training, partnership/transfer arrangement, and product development costs for schemes that choose to offer in-house decumulation solutions. The direct quantified benefits to business are increased charge revenue from members remaining invested longer pre-retirement and reduced cash withdrawals at retirement. The EANDCB calculation appears reasonable based on the evidence and assumptions provided; there are uncertainties acknowledged around scheme behaviour and market dynamics. *SaMBA.* It estimates small schemes will face direct costs, resulting in an EANDCB of £3m. It also notes unquantified benefits to members and employers. The mitigations and proportionality arguments for including small schemes are justified. *Rationale/options.* The rationale is clear: automatic enrolment has led to more savers reaching retirement. There is information failure where people lack clear plans for accessing savings, and a principal-agent problem where employers choose schemes that may not have appropriate decumulation options for employees. This leads to individuals transferring pots with high charges or making bad decisions. The objectives are to ensure pension savers have access to decumulation services with longevity protection, reduce transfer costs, increase investment returns by remaining invested longer, and support those unable to make complex financial decisions. The IA cites evidence of

	low financial awareness among soon-to-be retirees. Discussing non-regulatory approaches in detail would strengthen consideration of alternatives. Detail on criteria used to develop and assess options would improve clarity. *Cost-benefit analysis.* Key benefits like reduced transfer costs for members are quantified. Uncertainties are acknowledged, the analysis assesses risks using sensitivity testing on take-up rates. More extensive risk analysis covering areas like investment returns, distress scenarios, employer behaviour would improve the IA. Relevant risks like uncertainty around long-term investment returns are identified. Analysis is based on evidence from sources such as roundtables, surveys, data from TPR/FCA and other credible sources. Key assumptions like expected behaviour change towards taking defaults are clearly outlined and rated for risk. Para 62 concerns the hourly rates for trainer and trainee: £27 appears very low. On familiarisation costs, the number of hours and hourly rate seems low. *Wider impacts.* The analysis qualitatively discusses potential wider impacts like market consolidation, productivity/growth benefits from shifting to more illiquid assets, pension adequacy effects, and innovation incentives. *Monitoring.* Plans are high-level, outlining areas including: trustee survey; engaging schemes on issues with the new regime. DWP should produce a comprehensive evaluation strategy with metrics to track and reporting requirements.
DC Megafunds For multi-employer DC workplace pension schemes, there will be an introduction of a minimum Assets under Management threshold of £25bn at arrangement-level to be met by 2030. There are time-limited transitional pathway for schemes with AUM exceeding £10bn and exemptions for certain specific type of schemes (such as certain schemes with both DB & DC arrangements).	*EANDCB.* The direct costs of familiarisation, search and consolidation appear proportionately evidenced, as do the main direct benefits to providers from lower investment fees. *SaMBA.* Given the scale measures are limited to multi-employer DC schemes, there are estimated to be no pension schemes that meet the definition of being a small or micro business that are impacted. *Rationale/options.* The rationale draws on evidence of principal-agent problems and scale benefits in the DC market. Consolidating schemes to achieve scale of £25bn+ is logically presented as the preferred approach over alternatives like guidance. More detail on option criteria would improve clarity. *Cost-benefit analysis.* The key impacts such as scheme familiarisation, transition costs, investment fee reductions and diversification returns appear reasonably evidenced and quantified based on sources such as consultation feedback, TPR data and the Pension Charges Survey. Uncertainties are acknowledged, especially longer-term effects. There has been no apparent consideration of how the Megafunds might impact the resilience of the market, and the IA should discuss this. Paras 59 notes there are significant risks around the analysis; these risks should be assessed in more detail to understand how this might affect the assessment. Para 108 notes that about 50% of schemes are expected to leave the market; the IA would be improved with more detail on the impact on the market.

	Wider impacts. Useful context is provided on expected impacts such as market concentration, fostering innovation, impact on capital markets and growth benefits from facilitating investment in productive assets like infrastructure. *Monitoring.* A high-level monitoring approach is outlined, including proposed use of regulatory data, surveys and industry engagement to track key metrics like scale levels, costs and investment strategies. More specifics on metrics, and responsibilities would strengthen the IA.

DB Surplus Extraction This measure aims to remove legislative barriers that currently prevent DB schemes from accessing surplus funds. The measure will introduce a power for trustees to amend scheme rules to allow for the sharing of surplus with sponsoring employers, subject to funding safeguards and a requirement to consider member interests.	*EANDCB*. The key direct costs are one-off familiarisation for trustees (£1.2m) and sponsoring employers (£0.4m) to understand the legislative change allowing surplus extraction. The calculation and evidence supporting these direct cost estimates appear reasonable and proportionate. *SaMBA.* The assessment applies a proportionate scope by focusing analysis on schemes with fewer than 1,000 members, which aligns with typical definitions of small schemes. It notes that smaller schemes will benefit from enabling surplus extraction. *Rationale/options.* The rationale for intervention is clearly presented: to remove barriers preventing well-funded DB schemes from accessing surpluses that could benefit sponsoring employers, scheme members and growth. Detail on the specific criteria used to assess each option would improve transparency. *Cost-benefit analysis.* The key benefit is the estimated £8.4bn in surplus expected to be extracted over 10 years, notionally split 50/50 between scheme members (£4.2bn) and sponsoring employers (£4.2bn). While uncertain, this central estimate is reasonably derived from discussions with industry and a survey. Implementation and ongoing costs to trustees and employers are proportionately evidenced. The hourly rate and time for familiarisation appears low. This is particularly the case for professional advice at £351 per hour, especially if this is from one of the larger firms. *Wider impacts.* Economic impacts are well considered qualitatively, such as benefits if surpluses are productively reinvested, distributional effects between DB/DC pensions, and coherence with the government's growth agenda. *Monitoring.* The plan covers tracking surplus extraction levels, funding positions, industry engagement and member surveys. More specifics on metrics and responsibilities would strengthen this.