

New Requirements For Members With 'Flexible Benefits' To Obtain Guidance From Pension Wise Effective from 1st June 2022

Background

New regulations, The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022, which become effective from 1st June 2022 require schemes to give members a 'stronger nudge' to obtain pensions guidance from Pension Wise.

Pension Wise is the Government backed service that offers free, impartial pensions guidance for individuals with 'flexible benefits' to help them make informed decisions about their pension savings and make them aware of the different options that may be available to them.

Definition of flexible benefits

'Flexible benefits' are:

- Defined Contribution (Money Purchase) benefits
- Cash balance benefits
- Additional Voluntary Contribution funds that do not have an additional guarantee, such as Guaranteed Annuity Rate (GAR)

'Stronger Nudge' to Pension Wise

The requirement for members to be referred to Pension Wise to obtain pensions guidance applies to all applications (or communications in relation to applications) from members (or other beneficiaries) when accessing their flexible benefits. This is known as the 'stronger nudge' requirement.

It covers accessing 'flexible benefit' savings under a personal pension plan, a stakeholder pension scheme or an occupational pension scheme, in any of the following ways:

- Drawing benefits on retirement and taking a Pension Commencement Lump Sum;
- Taking an Uncrystallised Funds Pension Lump Sum;
- Transferring to another pension scheme;
- Transferring for the purpose of taking any of the following:
 - Buying an annuity;
 - Purchasing a drawdown pension;
 - Taking a Uncrystallised Funds Pension Lump Sum;
 - Withdrawing pension savings in full; reducing the value to zero.

It means that members with flexible benefits will not be able to transfer, or access their flexible benefits unless:

- They have received the appropriate pensions guidance from Pension Wise and have notified the trustees or scheme managers of this, or
- They have opted out of receiving the Pension Wise guidance by providing the trustees or scheme managers with an opt-out notification.



Exceptions

However, there are exemptions to this requirement. These are:

- a) If the Member (or beneficiary) is under 50 years of age.
- b) Where receiving flexible benefits is not the purpose,(or one of the purposes), of the member's application to access their benefits - for example, if they want to transfer out to consolidate all their pensions.
- c) If confirmation is received (either verbally or in writing) that:
 - They have been referred by the trustees or managers of a different scheme to the appropriate Pension Wise guidance (for example the receiving scheme/annuity provider offered to book them an appointment), and
 - They have received or opted out of the Pension Wise guidance.
- d) The member is transferring their flexible benefits into a scheme under which the providers are regulated by the Financial Conduct Authority (FCA) and who are required themselves to provide the beneficiary with a 'stronger nudge' to Pension Wise guidance.

What the scheme must do

Trustees and scheme managers must explain to the member the nature and purpose of the Pension Wise guidance, and:

- a) Offer to book a Pension Wise guidance appointment on behalf of the member on a date and time suitable for the member;
- b) If the member accepts, then take 'reasonable steps' to book the appointment;
- c) If the member does not accept, or they are unable to book the appointment at a suitable date and time for the member having taken 'reasonable steps', they must provide the member with details of how to book an appointment themselves;
- d) Explain to the member that their application cannot proceed unless they have received the guidance (and notified the trustees/scheme managers of its receipt), or opted out of receiving the guidance;
- e) Explain to members they can only opt out of receiving the guidance, by completing an opt-out notification

Unless the member confirms that they have received the guidance, or provides an opt-out notification, then trustees and scheme managers must repeat the steps of the 'stronger nudge' (including offering to book a guidance appointment), in all subsequent interactions with the member in relation to the same application to access flexible benefits.

Opting-out of a Pension Wise appointment

An opt-out notification is not required in the following circumstances, if the member (or a person authorised to act on the member's behalf) advises verbally or in writing:

- They have received Financial Conduct Authority (FCA) regulated advice in respect of the application to access flexible benefits within the last 12 months;



- They have already received guidance from Pension Wise in connection with the application to access flexible benefits in the last 12 months;
- The application is solely to transfer their flexible benefits under the scheme to another flexible benefits arrangement;
- The member wishes to access their flexible benefits as a Serious Ill Health Lump Sum.

Record keeping

Trustees and scheme managers of an occupational pension scheme must keep a record of any written or verbal confirmation of:

- The member's receipt of appropriate pensions guidance in connection with an application or communication that triggers the 'stronger nudge' requirement;
- The opt-out notification in connection with the application or communication.

It is Cartwright's understanding that Pension Wise will not be providing any evidence that a member has received appropriate pensions guidance from them.

What is Cartwright doing?

In advance of the new regulations, we are taking this opportunity to:

- Refine/amend, as applicable, all the communications we have in place that cover flexible benefits;
- Design a 'Pension Wise Appointment or Opt Out Form' for members to complete and return to be included in those communications;
- Revise procedures to allow appointments to be made with Pension Wise as necessary;
- Provide training and guidance to the administrators.

If you would like to discuss any of these matters further, please get in touch with your usual contact at Cartwright.

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