Independent review of communications and support given to British Steel Pension Scheme members

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About the report's author

Caroline Rookes was CEO of the Money Advice Service until 2017 when she retired from executive employment. Formerly a senior civil servant her career spanned several top management roles. Between 2005 and 2013 she was Director of Private Pensions at the DWP where she led a landmark and successful reform of private pensions including the introduction of automatic enrolment. Between 2002 and 2005 she was Director of Savings, Pensions and Share Schemes at HMRC where she led a reform of the pension tax regime. In 2010 she was awarded the CBE in recognition of her successful civil service career and in 2014 she was awarded an Alumni Award by Lancaster University for outstanding achievement. She is currently a trustee of the NEST pension scheme and the Civil Service Sports Council pension scheme.

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Executive summary

I was asked by The Pensions Regulator (TPR) to conduct an independent review of the communications and support provided to members of the British Steel Pension Scheme (BSPS) during the pension restructuring exercise in 2017 to 2018, and the 'Time to Choose' exercise.

This followed a recommendation by the Work and Pensions Select Committee. Its extensive inquiry found that the final deal reached on the BSPS restructuring was a good one for the majority of members, but it raised concerns about whether members had received the right support to make their decisions.

> **The full terms of reference for the review are at Appendix 1**
> In summary, they are:
>
> i. to conduct an independent review of the communications provided to members during the consultation period by the trustees and their representatives, and make recommendations as appropriate with particular reference to:
>
> - content
> - message and clarity
> - channels used
> - outcomes
>
> ii. to inform production of guidance for trustees.

The intention is not to look to blame the employer, trustees or any other organisation involved in the pension restructuring. It was a very difficult experience for all concerned, but despite the difficulties, Time to Choose generated a response rate of over 80% and the vast majority of BSPS members selected the right option for them.

The point of this review is to look at whether there are lessons that could be learned from the BSPS experience that can be of help to schemes facing similar situations and to minimise the difficulties and distress suffered by some members.

It is unlikely that any scheme in future will be faced with precisely the same circumstances that faced BSPS, which included a relatively well funded scheme, a high profile industry that had faced prolonged uncertainty, a large number of legacy schemes, and a sponsoring employer prepared to fund an alternative to the Pension Protection Fund (PPF).

While it is unlikely the same circumstances will be replicated in full, there will undoubtedly be elements where the BSPS experience can provide useful learning for trustees in future to help their own members facing difficult situations.

The Time to Choose exercise ran from October to late December 2017. I have been asked to consider this in particular, along with the run up to the exercise from May 2017. However, to understand the issues it is necessary to look at developments before this time.

I have based the findings of this report on conversations with individuals who were involved in or affected by Time to Choose. The most significant concerns related to those who had transferred out but, due to data protection concerns, it was much harder to reach this group of people. As a result, my research among this group was restricted.

I have also drawn from a survey, carried out by OMB research, to determine perceptions of the information and support provided to BSPS members as part of the exercise. The survey included those who decided to switch their pension to the BSPS2 and also those who remained in the BSPS (and thereby ended up in the PPF). The survey did not include those people that decided to transfer their defined benefit (DB) pension into a defined contribution (DC) pension scheme, although I spoke to some of them in person.

The extensive inquiry and report produced by the Work and Pensions Select Committee forms the evidential basis for this review, which I then validated through my own qualitative interviews, discussions and desk research.

There were a significant number of players involved in the exercise. Inevitably the involvement of so many players added to the complexity of the exercise and the speed with which things could be done.

A list of the organisations and individuals I have spoken to is at Appendix 2, and an executive summary of the OMB research can be found at Appendix 3.

In this review I have considered the roles played by the trustees, advisers, trades unions and regulatory bodies, noted where delays in the process affected members, and made suggestions where changes could be made to improve the process in the case of future restructurings.

I would like to thank all the individuals and organisations that took time to speak to me during the course of the review.

Rookes review recommendations

Legislative changes

Recommendations

- **The Pensions Regulator (TPR) should discuss with the Department for Work and Pensions (DWP)** whether there is any scope for legislation to simplify the choices in the event of a restructuring, whether through allowing a partial default into a new scheme or setting requirements for a new scheme to provide better benefits than the PPF.
- **TPR and the Financial Conduct Authority (FCA) should explore with the DWP** whether there is scope for framing a new power for TPR to consider the preparedness of a scheme to handle the member consultation in the event of a regulated apportionment arrangement (RAA) and if necessary delay or stop it.

Early intervention and sharing intelligence between the public bodies

Recommendations

- **TPR, FCA and the single financial guidance body (SFGB, formerly The Pensions Advisory Service)** continue to meet quarterly to share emerging intelligence on issues and pressures and invite PPF to join the group. The group should develop a clear description for trustees and their advisers of their respective roles and remit in such exercises and the support they can provide.
- During exercises the regulatory bodies should operate in a more collaborative way with the wider partners (eg the communications agency) to ensure there is a joined up approach to supporting members through the process.

Guidance for trustees facing restructure and other major changes

Recommendations

- **TPR** should collate case studies and examples of best practice guidance and consider the best way to disseminate them, not just through TPR but, where appropriate, through the other public bodies too.
- **TPR** should lead a piece of work mapping out the warning signs and different stages of restructuring and then develop a planning guide for trustees.
- **TPR** should encourage trustees to look for and provide early warning of developing difficult situations and to seek help from appropriate advisers, particularly the new single financial guidance body (SFGB) as a source of specialist independent and free help and support to members and trustees.
- **TPR** should consider changing the basis of guidance to trustees. Instead of guiding them to the minimum necessary to comply with the regulations, guidance should be aimed at creating what good looks like.

Message content, clarity and channels

Recommendations

- **TPR** should consider with the DWP as its sponsoring department whether the duties for trustees of DB schemes should more explicitly cover a duty to communicate effectively with members.
- **TPR** should lead work to produce communication materials drawing on expertise from SFGB. All restructurings will be slightly different, and therefore require bespoke communications, but it should be possible to look at some standard wording for areas such as the risk on cash transfers that can be tried and tested before use. In addition a good communications guide for trustees would be a helpful starting point highlighting the need to develop a communications strategy. Trustees should be encouraged to make full use of digital communications and not automatically use hard copy as the default.
- **TPR and the FCA** should check that there are no legislative or regulatory requirements inhibiting the use of digital channels and, if there are, consider how to address them, in consultation with the DWP and HMT.
- **TPR, FCA, PPF, and SFGB should** check their websites for consistency of messaging, cross-referrals and ease of use.
- **TPR, working with SFGB,** should lead a piece of work to map out the processes around pension scheme restructuring and other major events, and identify the key points at which members should be told what is happening. They should consider creating supplementary guidance on issues where a communications approach may not be enough.

Cash transfers out of DB schemes

Recommendations

- **TPR, FCA and SFGB** should review their website content and work together to develop guidance for members, specifically and clearly aimed at transfers out of DB schemes, explaining the risks and how to seek help. This should be a key part of the new SFGB website.
- **Trustees** should be expected via TPR codes and guidance to provide appropriate support to members who are considering a cash transfer. The guide might build on the industry code of practice for incentive exercises.
- **SFGB and FCA** should review their adviser directories and ensure they are fit for purpose. They should consider how to deal with the problem of advisers who have been the subject of compliance issues in the past. Members of DB schemes should be directed to the SFGB adviser directory in the first instance.
- **TPR** should explore if there is a way to allow trustees or trade unions to identify a panel of financial advice firms that members can select from.
- **FCA and SFGB** should give further consideration to the Community, Help, Information, Volunteer Exchange (CHIVE) approach as a means of getting better generic advice and support to people as they make decisions.

1. Introduction

Background

In March 2016, Tata Steel Ltd announced that it would be examining options to restructure the business which would include decoupling the DB pension scheme from the company.

A company can apply to TPR for an RAA if the consequence of continuing to support the pension scheme would be insolvency. If an RAA is agreed the scheme usually enters the PPF, which pays reduced benefits to members of schemes without sponsoring employers.

In the case of BSPS, the government was keen to explore options which would allow members the chance to receive above PPF level benefits where possible. In December 2016, Tata Steel UK decided to close the scheme to further accrual from 31 March 2017, and the PPF announced in May that key commercial terms relating to the RAA had been reached.

Under these plans, Tata Steel UK Ltd would set up and sponsor a new pension scheme, BSPS2, subject to certain conditions relating to funding and size being satisfied. BSPS members would be given the opportunity to move into the new scheme prior to the existing scheme entering the PPF. This arrangement was broadly welcomed by all parties as an innovative way to ensure members got the best deal available to them while maintaining steel production and employment in the UK.

However, concerns have been expressed about the support given to members in making the decision to move to the new scheme or stay with the old and move into the PPF. In addition, deferred scheme members have the choice of taking a CETV and transferring out of the DB scheme altogether. It is this group that prompted the most concern in the BSPS restructuring, particularly relating to whether they had received the right advice or taken decisions which would leave them worse off in the longer term. Whilst the vast majority of scheme members opted to move into the new scheme – nearly 83,000 members out of 122,000 – a significant number – 39,000 did not express a choice or opted to move into the PPF. Of the 44,000 members who were entitled to a CETV, nearly 8,000 took the decision to transfer out of the scheme.

The Work and Pensions Select Committee, in its report published 15 February 2018 recommended that TPR "conduct a review of the information and support provided to BSPS members as part of the Time to Choose exercise, incorporating feedback from the scheme members. This review should be published and form the basis of an action plan to counter risks in any similar cases in future."

TPR took the decision to make this review independent, and to include the joint work it undertook with the FCA and TPAS (now the SFGB) during the Time to Choose exercise to ensure it was comprehensive and objective. The three organisations were keen to learn the lessons that could be drawn from the BSPS work and to build this into the activities they are already collectively undertaking.

The review

The terms of reference for the review are at Appendix 1.The point of the review is to look at whether there are lessons that could be learned from the BSPS experience to help schemes in future facing similar situations. My intention is not to criticise or to blame any of the parties involved but to consider, with the benefit of hindsight what might be done differently in future.

It is unlikely that any scheme in future will be faced with the identical circumstances facing BSPS which included:

- a large and relatively well funded scheme – 122,000 members and assets worth around £15 billion attached to a shrinking business
- a high profile industry (the steel industry), subject to intense political scrutiny
- high value of cash transfers
- a complicated scheme incorporating several old, small legacy schemes
- prolonged uncertainty around the future of the steel industry and therefore employment –Tata announced in March 2016 it intended to restructure the business
- a sponsoring employer prepared to fund an alternative pension scheme to the PPF
- a very tight and hard deadline of 31 March 2018 for resolving the situation to avoid payment of unaffordable cost of living increases
- earlier reductions in future service benefits

Whilst it is unlikely the same circumstances will be replicated in full in the future there will undoubtedly be elements where the BSPS experience can provide useful learning for the regulatory bodies and for trustees of other schemes to help their members facing difficult situations.

I spoke to a range of people (see Appendix 2 for a list of interviewees). I conducted research with members who defaulted into the PPF and some who opted to move to the new scheme. I have also drawn on a survey carried out by OMB to determine perceptions of the information and support provided to BSPS members as part of the exercise. The survey included those that decided to switch to BSPS2 and those that decided to stay in the old scheme.

It is important to recognise that over 80% of members made an active choice. This is a good result. In addition, the majority of members who responded to the survey were happy with the choice they had made and the information they received. This response is consistent with anecdotal evidence received by the trustees and the trade unions.

Some of those who transferred out of the scheme reported that they regretted their decision. Recent GDPR legislation made it more difficult to reach those who had transferred out – the trustees and scheme were unable to share their details as they were no longer scheme members. The sample was therefore small and informal via a series of meetings and contact through existing social media channels. Community, the lead trade union, conducted a survey of their members across the steel industry, and the vast majority of the 500 responses were from deferred members or those actively seeking to transfer out. I reference the results of this survey in the 'Cash Transfers' section on page 17.

The extensive inquiry and report produced by the Work and Pension Select Committee forms the evidential base for this review which I then validated through qualitative interviews and my own desk research.

Key players

There were a significant number of players involved in the exercise including:

- Tata Steel UK Ltd and their legal, actuarial and covenant advisers
- Trustees of BSPS and their advisers – legal, actuarial, covenant and communications
- Trade unions. There are three unions representing the steel workers – Unite, GMB and Community. As the largest of the three, Community represented all three unions in the BSPS exercise.
- TPR
- The FCA (which became involved not in the original Time to Choose exercise, but when the issues around CETVs arose)
- The PPF
- TPAS (now SFGB), who became involved at the request of the FCA

Inevitably the involvement of so many players added to the complexity of the exercise and the speed with which things could be done. But with a scheme of the size and complexity of BSPS the presence of all parties was necessary and unavoidable. For each of the players I have considered their role and responsibilities, how they fulfilled them and how well the roles and responsibilities were understood by all parties. I have also considered the planning and coordination of all parties.

Tata Steel UK Ltd was clearly in the lead in deciding the future of the company, and therefore the pension scheme.

The trustees were there to act in the best interests of the scheme beneficiaries, advised by a team of actuaries and lawyers. The trustees were supported by the Glasgow-based pension office, which was responsible for the day-to-day administration of the scheme.

In this case, the trustees were very focused on the RAA and their aim to secure the viability of the new scheme to provide a higher proportion of members with an alternative to moving into the PPF and for some, the chance to secure higher benefits as a result. It should be noted that an RAA had not been the preferred solution for the trustees, who had unsuccessfully sought government approval to disapplication of Section 67 of the Pensions Act which would have allowed for modification of future pension increases. The expectation was that, if this was agreed, the Tata Group would have funded the investment in TSUK required for it to continue trading, while retaining the pension scheme and avoiding the need for an RAA. This would have avoided the need for the Time to Choose exercise.

The trade unions were there to represent their members' interests in negotiations and discussions with the company and the trustees, and to provide support to their members (for the purpose of this review) during the restructuring exercise.

TPR's role is to make sure workplace pension schemes are run properly. Its remit is wide and its relevant statutory objectives for this review are:

- to protect the benefits of members of occupational pension schemes
- to protect the benefits of members of personal pension schemes (where there is a direct payment arrangement)
- to promote, and to improve understanding of, the good administration of work-based pension schemes
- to reduce the risk of situations arising which may lead to compensation being payable from the PPF
- to maximise employer compliance with employer duties and the employment safeguards introduced by the Pensions Act 2008
- in relation to DB scheme funding, to minimise any adverse impact on the sustainable growth of an employer (this last objective does not apply to functions in relation to RAAs and avoidance)

As far as DB schemes are concerned, TPR works with trustees to ensure that they have the guidance and tools they need to carry out their duties. It provides codes of practice and regulatory guidance, as well as an online learning programme, the Trustee toolkit, all of which help trustees comply with their legal duties.

TPR's statutory objectives extend to reducing the risk of situations arising which may lead to compensation being payable from the PPF, whose role is to provide compensation for members of DB schemes when the employer becomes insolvent.

The FCA regulates some contract-based DC schemes, but in the context of BSPS its main area of focus was the regulation of financial advice and financial advisers. The FCA maintains a register of financial advisers, to which members who were looking for a financial adviser were directed.

During the period covered by this review, TPAS provided independent, free help on pension issues by telephone or online. In January 2019, TPAS, Pension Wise and the Money Advice Service were replaced by and rebranded as SFGB.

2. The Time to Choose exercise

The Time to Choose exercise took place between October and December 2017. However, to understand the full picture it is important to look at events leading up to the exercise.

- **March 2016:** Tata Steel Ltd announced it was examining options for restructuring the business, calling into question the future of the DB scheme as well as employment for thousands of workers. This was the start of concern among members about the future of their pensions.

- **May 2016:** The chairman of the trustees wrote to all BSPS members about the government's consultation on potential changes to the scheme. The government had explored changes to legislation following company proposals to change the scheme. The letter explained that the proposals related mainly to future cost of living increases, and that if the approach was agreed, it would represent a better outcome than a transfer to the PPF, which it described as a 'poor outcome'. Members were told they did not have to take any action although they might want to participate in the consultation.

- **May 2016:** The trade unions wrote to members explaining that negotiations on the future of the industry and the pension fund were ongoing, and welcomed the DWP consultation.

- **June 2016:** work began behind the scenes to prepare for changes to the scheme, including updating records and identifying relevant periods of service.

- **January 2017:** members were sent a letter reassuring them the trustees were working to achieve the best possible outcome for members and, again, told they did not have to act. The letter referenced the awaited decision on the outcome of the consultation, the fact that discussions between employer, trustees and regulatory bodies were progressing, and that Tata was looking to separate the scheme from the business via an RAA.

- **Late 2016-early 2017:** Tata carried out a consultation with BSPS members on a proposal to terminate accrual of benefits under BSPS and offer a DC scheme instead. This included a series of roadshows. Anecdotal reports from active members of the scheme at the time reported they were told that they should choose to close the existing scheme as the price for keeping the company going and therefore keeping their jobs.

- **May 2017:** an announcement was made about the options available. Members were very concerned about their future and emotions were running high. They were unlikely to have understood the technicalities in the previous communications, but the likelihood was they assumed they did not need to act, that the trustees had everything in hand, and that the trustees were trying to get a better deal for members than ending up in the PPF.

- **Late May:** Quietroom, a communications agency, was brought on board by the trustees.

- **June 2017:** the trade unions wrote to their members about the risks of transferring out of the scheme, highlighting the issue of financial advisers with "questionable motives" and stressing the need for caution before taking a decision to transfer out. The letter provided contact details for two independent financial advice firms approved by the trade unions.

- **August 2017:** members were told that, if the RAA was approved, they would have a choice – to move into a new scheme, BSPS2, or into the PPF with the old scheme. A newsletter was put on the microsite that had been set up to support the members. During this time, TPAS made contact with the BSPS pension managers.
- **September 2017:** terms of the RAA were confirmed, enabling trustees to start to talk to the members in detail.
- **October 2017:** the consultation began and member packs (reviewed in more detail later in this report) were sent out.
- **November 2017:** members were sent a further newsletter.
- **December 2017:** the deadline for members to make a decision. Initially the deadline was 11 December 2017, which was later extended to 22 December 2017. TPAS contacted pension managers again.

Consultation communications

In May 2017, communications agency Quietroom was brought on board to support the Time to Choose exercise. They developed newsletters, option packs, a microsite with a video and questions and answers, and set up 40 meetings round the country between mid-October and the end of November to help support members to make their choice. They also placed adverts and publicity in the local press.

Over a period of six weeks, BSPS members were sent a professionally-designed pack of information. There were over 20 different packs to take account of the different categories of members. The pack contained individual estimates of BSPS2 entitlements, generic information about PPF compensation and comparisons between the two schemes. On the basis of this, members were asked to decide whether they wanted to transfer their pension rights to the new pension scheme, BSPS2, which would be less generous than the old scheme but more generous than PPF compensation for the majority of members, or stay with the old scheme and move into the PPF.

Although the choice presented to members was between BSPS2 and the old BSPS/PPF, a third option for some deferred members was available. This was the facility to take a CETV. In the context of the government's wider freedom and choice agenda, interest in CETVs had started to grow some considerable time before the October 2017 consultation exercise.

There appears to be a number of reasons for this including the closure of BSPS to accruals in 2017, fear of a lower pension in the PPF, increased cash values, the desire to take control of their own money, word of mouth and some unscrupulous financial adviser activity. Although regulation of financial advice is outside my remit I have been asked to look at the communication issues around CETVs.

The 20 plus different variations of the Time to Choose pack (to take account of the different types of members and the various legacy schemes that had come together to form the BSPS) were sent out to members throughout October, and two helplines were set up to answer queries on the exercise. The purpose of the packs was not to steer members in the direction of the BSPS2 but to provide members with as much factual information as possible concerning their entitlements under the BSP2 and the PPF so that they could make an informed choice based on their individual circumstances. Appendix 4 provides a summary of the Time to Choose pack.

The trustees explicitly set out the circumstances in which members would be better off in the PPF. The roadshows were held during this time, and the number of frequently asked questions on the website grew to 83. The pensions office continued to deal with business as usual queries, including those involving transfers.

The trade unions wrote to their members, strongly encouraging them to complete their Time to Choose form. The letter drew attention to rogue financial advisers, naming those that had been required by the FCA to stop providing transfer out advice. The outcome of the exercise was that 97,000 out of 122,000 members made an active choice, with the vast majority opting to move into the new scheme BSPS2.

A survey of members of the BSPS2 and BSPS (PPF) was carried out in July 2018. The executive summary from the report is provided in Appendix 3. 2,000 members were contacted and 341 responded. The majority of those who responded were satisfied with the information and support they received from the trustees during Time to Choose, with a high proportion rating the personal member options pack they received as helpful. A large majority said that, taking into account all the information now available to them, they would choose the same option.

The large majority of BSPS2 members (87%) were positive about the overall information and support they had received from the trustees. The majority (68%) of BSPS (PPF) members had a positive perception, with only a minority (7%) rating it as poor.

93% of BSPS2 and 80% of BSPS (PPF) members rated the personal member packs as helpful. 81% of BSPS2 members felt they had been provided with the right amount of information to make their choice, with the remainder split equally between saying they received too much and too little information. 57% of BSPS (PPF) reported they were given the right amount of information. A quarter (24%) felt they received too much information and 12% too little information.

96% of BSPS2 members and 86% of BSPS (PPF) members said they would choose the same option if they went through Time to Choose again. A minority of BSPS (PPF) members (6%) said they would choose a different option, with the remainder saying they were not sure or did not provide an answer. None of the BSPS2 members felt that they would now make a different decision.

However 25,000 members did not make an active choice and were defaulted into the PPF. Not all of these, in practice, failed to make a choice. Some members claim to have chosen the PPF but decided not to respond to the Time to Choose exercise.

For some, choosing to remain in the BSPS and pass to the PPF was a logical choice (eg deferred members who expected to retire early or take a material cash commutation as the PPF terms for these circumstances would be better).

The member communication included this information. For people in that situation, not responding as part of the Time to Choose exercise had the same effect as taking the time and effort to respond, so a number of those deferred (non-retired) members not responding may have been making a logical decision. Statistics show that 90% of the 25,000 non-respondents were deferred members. Those over 85 would have had all their service pre-1997 and so would get the same indexation and starting pension in and out of the PPF.

Others I spoke to as part of this review reported that elderly relatives and friends did not know what to do with their packs and were defaulted into the old scheme and PPF. It is unlikely they would have suffered much financial loss if any, but it is clear from the Work and Pensions Select Committee inquiry and talking to BSPS members that the BSPS restructuring did cause distress to many people – to members and their representatives. Some of this could be avoided in future if the lessons are learned.

Cash transfers

The main area of concern is the experience of those who decided to take a cash transfer. Their experiences highlight a number of issues which need to be addressed. The CETV process was not part of the Time to Choose exercise, but there was a spike in the number of people requesting a CETV as the broader consultation exercise was underway.

I identified two groups from the evidence provided through the Work and Pensions Select Committee inquiry, validated by additional qualitative interviews:

- those who regret transferring out because their future income may be at risk dependent as it is on investment performance
- those who suffered from a form of 'fractional scamming', where they paid very high fees to unscrupulous advisers and are unhappy with the decision to move out of their scheme.

In addition to the problems for the individual members concerned, the BSPS office had to cope with a huge surge in demand for transfer values, the size of which had not been anticipated by the trustees, the pensions office or their advisers. It is questionable whether the surge might have been anticipated given all the circumstances, including the fact that transfer demands started as early as late 2016, but it was not. According to some of those I spoke to, this meant that the pensions office was almost brought to a standstill with the increase in call volumes from 600 calls a week to 4,000 a day and the associated paperwork. This had a knock-on effect, which meant that not only transfers but also the day-to-day business of the office (eg issues around power of attorney) could not be dealt with promptly.

The office entered a downward spiral. As financial advisers and members failed to get responses to their queries and applications, they submitted duplicates and triplicates, thus increasing the backlogs further. The volume and complexity of the work of the office was unprecedented. Staff in the pensions office worked tirelessly to get on top of the backlogs working weekends and overtime. A number of secondees were brought in from Barnet Waddingham but, despite their best efforts, the pensions office were unable to find sufficient people with the right experience at short notice.

3. How did challenges arise?

Despite the hard work and good intentions of the individuals and organisations involved in this exercise, there are a number of areas that with hindsight provide useful learning to help prevent such problems arising in future restructurings.

The problems really started in 2016, when Tata announced it was looking at the future of the company and the pension scheme and members began to feel uneasy. By this time trust in the company had been eroded by a number of changes to working conditions and to the BSPS pension scheme in previous years.

There were two sets of roadshows run through 2016-2017. The first set run by Tata, was part of the consultation around closing the scheme to accruals. The second set was held as part of the Time to Choose exercise. The two sets were not formally connected but, inevitably, experience of the first roadshows would colour views and generate concern and uncertainty. In speaking to groups of members to validate findings for this review, members did not necessarily see the two sets of roadshows as separate exercises. In the Tata roadshows running from late 2016 into early 2017, members were told that the pension scheme would need to shut to save the business – however, they were not being told much about the implications of closure. The PPF was mentioned as the inevitable outcome if the company closed, but not what this would mean for them in practice other than that it would be a poor outcome.

For both sets of roadshows, some members complained they could not get answers to their questions, and if they did get answers they were often inconsistent from one meeting or one person to the next. What they were interested in as much as anything was what the implications of the scheme going into PPF would be. One member contacted the PPF only to be told that, as he was not currently a PPF member, they would not be able to help him.

In close knit communities like the steel plants, members were able to get snippets of information on a 'nod and a wink' basis, and although this was often incorrect rumours started to spread. Technical managers not qualified to advise on pension matters began giving members 'information'.

The member-nominated trustees were unable to give members any information because of confidentiality issues. Rumours started to spread that managers and trustees were taking their pensions in cash. The trustees at the time were very focused on working with TPR and others to try and set up the successor scheme, which would enable more than 80,000 members to have the potential opportunity of higher than PPF level benefits. But it could be argued with hindsight that, at the time, there was not as much focus on supporting members in their choices.

A further constraint on the trustees was the requirement imposed by TSUK as part of its agreement to sponsor BSPS2 on the content and timing of communications and the option forms.

The Time to Choose exercise landed in an atmosphere of mistrust and misinformation and problems were compounded by the speed with which it had to be carried out. The key issues were:

- **Complexity and choice.** Members who had never previously thought much about pensions were now faced with making a very significant decision on a very complex issue to a very tight deadline. They needed a lot of help.

- **Lack of information.** Members were experiencing problems in getting the guidance they wanted. They were being given a choice between BSPS2 and the PPF with no certainty that BSPS2 would go ahead until after they had made their decision. It was not possible to provide individual PPF estimates in the time available and some issues (affecting a relatively small number of members) such as high/low (bridging) pensions were not resolved until after the date for decision. Some members reported that they were not able to get answers to their questions at the roadshows.

- **Scaremongering about the implications of the PPF.** Before Time to Choose, the PPF was presented to members as a poor outcome and one to be avoided. Without personal information members were doing their own (often wrong) calculations and concluding they were likely to suffer a huge reduction in their pensions if they ended up in the PPF (eg if they were redundant at 55 they would receive a 5% reduction on their pension per year, and then a 10% PPF reduction).

- **Timing.** The whole exercise had to be conducted within a very limited period of time. The RAA was confirmed in September 2017 and the restructuring needed to be completed by 31 March 2018 otherwise unaffordable benefit inflation increases would need to be paid. Members told TPAS that they were struggling to get timely acknowledgements of and responses to their queries from the BSPS pension team, and were unable to reach them by telephone. These delays generated real feelings of mistrust amongst members.

- **Size.** The exercise was enormous, involving over 120,000 members and many old legacy schemes that had become part of BSPS over the years.

- **Public bodies.** Four bodies were involved in relation to the CETV exercise, whose roles were unclear at least to outsiders. They were uncoordinated and slow to get involved.

- **Concentration of members** in four geographical areas, made them sitting targets for unscrupulous advisers.

- **Difficulty in recruiting the necessary additional resources** in the pensions office to help deal with the growing backlogs.

- **Defaulting into the PPF.** A number of people did not make an active choice – around 25,000 – and were defaulted into the PPF. Some of these people may well have made the choice to go into the PPF but not communicate their decision. A number of members at roadshows reported that this was what they planned to do.

About 2,000 of those defaulted into the PPF were over 65 and of these, 411 were over 85. Most of this group may have been better off in BSPS2, but it is not possible to say how much, as this would depend on their circumstances and the extent of any potential future additional benefits generated if future BSPS2 funding levels permit discretionary increases. Ignoring these potential future increases, which are uncertain, the initial pension level would have been the same under BSPS2 and the PPF. Indexation of those pensions would have been very similar under BSPS2 and the PPF.

There are a small number of people who opted to stay in the existing BSPS and were then defaulted into the PPF who now say that they were overwhelmed by the choice and might make a different choice today.

Alongside the restructuring and Time to Choose exercise, interest in cash transfers had been growing. The size of potential cash sums and the activities of a few unscrupulous financial advisers who were encouraging members to take cash and move it into other schemes all combined to create a surge in demand for cash transfer values.

A perfect but unique storm arose in which an air of mistrust had grown, further encouraged by a few unscrupulous financial advisers, all of which led to the surge in transfer requests. This inevitably took the pensions office by surprise and created a situation where they were quickly overwhelmed. In addition, the level of interest in transfers in the BSPS exercise was not visible to either TPR or the FCA.

When they did become aware of the issues, action was taken to set up a helpline within TPAS for BSPS members to support the pensions office with queries and requests for guidance. But this was too late.

Alongside this the FCA worked to take action against the financial advisers that were targeting BSPS members. It made requests of the pension scheme administrators for information on advisers that had approached it, but the FCA does not have regulatory powers to compel this information from the administrators. The pensions office was also not routinely keeping this type of intelligence in a manner which would make it easily reportable to the FCA.

The FCA contacted all local adviser firms to remind them of its expectations and held local seminars in Swansea and Doncaster with regulated advisers. This led to it receiving intelligence that helped its supervisors target and visit specific firms and review client files. 26 firms had their advice practices assessed with 10 firms having their permissions restricted as a result and were the subject to further supervisory work by the FCA. The FCA has said its work is continuing and it will say more when it is able to.

4. Lessons learned and recommendations for changes

Legislative changes

- The focus of this review is communications not fundamental legislative change. However the mere fact of giving so many members a choice led to a very complex and for some overwhelming situation which caused stress and uncertainty as well as potential financial loss. The lack of sufficient supporting information and guidance exacerbated the problems.

- The way to avoid or minimise this in future would be to make changes in legislation which could help to prevent the complexity by taking the choice away, at least partially. While this is outside my remit I think it would be wrong not to point out potential improvements.

- It is important to note here that the trustees, the trade unions and the company lobbied the DWP for s67 disapplication – to enable them to reduce indexation without member consent. This would have let them keep all members in the scheme on BSPS2 terms. TPR was concerned at the precedent this could set, because it views not allowing benefit reduction without member consent as a key protection for members of all schemes. Also, for deferred members who planned to retire early or take a large tax free lump sum on retirement, moving to the PPF would have been likely to provide a better outcome than s67 disapplication. On this occasion, the DWP decided not to seek legislative change to allow S67 disapplication, sharing the view of TPR that it could set a precedent which could adversely impact members of other schemes in future. However, it is something that is worth discussing in the context of this case and seeing how members can be better supported going forward.

  Another solution suggested to me would be to introduce a requirement for new schemes which are being developed as part of a restructuring to better PPF levels of compensation. This would allow trustees in future to be able to say confidently that the new scheme was a better deal for all. However this could create a "situation where the best is the enemy of the good" in that if a majority of members would benefit from the new scheme, and this was the case with BSPS it would be wrong to deprive them of that advantage. Had BSPS2 been required to provide better than PPF benefits to all members, it was expected that it would not have been well enough funded to have been established, given the employer's risk tolerance and financial ability to support it.

- An alternative, and again one that the trustees had favoured and proposed, would be to consider whether it would be possible to introduce limited 'deemed consent', where some groups would clearly be better off in one scheme or another even if not all. Members who would clearly be better off could be defaulted into the better scheme with an opt-out, rather than the all-or-nothing situation that exists now. Those that were not clearly better off would have a choice. Under the current legislation a scheme can only do this if they obtain an actuarial certificate that the new scheme has broadly comparable benefits for all members. In the BSPS case there were groups who would have been better off being defaulted, allowing precious limited resources to focus on supporting those where the case was less clear cut.

Legislative changes continued...

This arrangement is not straightforward and it is not without risks. It has been looked at in the past. Nevertheless it would be worth revisiting the proposal in the light of the BSPS experience to see if a way forward could be found.

- Clearly timing of this exercise was a huge issue. It meant all parties had little time to prepare themselves and members had limited time to make one of the most complex and significant decisions they would ever have to make. It would be worth exploring whether TPR could be given a power to consider the preparedness of a scheme to manage a restructuring arrangement and, in particular, the member consultation. I do not underestimate the difficulties involved in framing and operating such a power nor the difficulty it would have created in the BSPS case if TPR had called a halt to the exercise. Halting an RAA would risk triggering an insolvency. In this case halting the member consultation and movement to the new scheme would have meant that annual increases in members' benefits would have taken place, reducing the BSPS2 funding level and increasing the risk that it would not have been well enough funded to be established. Nevertheless I think it is something worth exploring to prevent the uncertainty and stress caused to all parties in the BSPS restructuring, let alone potential future financial loss in such future exercises.

Recommendations

- **TPR** should discuss with the **DWP** whether there is any scope for legislation to simplify the choices in the event of a restructuring, whether through allowing a partial default into a new scheme or setting requirements for a new scheme to be distinguishable from the PPF.

- **TPR and FCA** to explore the possibility of whether there is scope for framing a new power for TPR to consider the preparedness of a scheme to handle the member consultation exercise in the event of an RAA and if necessary seek to delay or stop the post-RAA member consultation.

Early intervention and sharing intelligence between the public bodies

- There is no question that trustees are in the lead in looking after members' interests and ensuring they have the support they need. The trade unions also have a duty of care to their members. However, with an exercise the size of the BSPS restructuring, it is not unreasonable to expect the public bodies to step in and help with their expertise and knowledge.
- Early on, there was very little communication between the four public bodies involved in the CETV exercise. TPR and the PPF had been involved in discussions with the scheme, mainly separately, for some considerable time, (in the case of TPR, for years). Within the FCA there was already concern about cash transfers and unscrupulous financial advisers. Had the public bodies shared their concerns and had a dialogue beyond their strict legal remit they could have provided valuable help to the trustees.
- By working with the trustees and each other earlier, the public bodies could have created an outline plan for helping the trustees to manage the risks, particularly those associated with cash transfers. Much of the material they supplied was 'off the shelf' material on scams. TPR considers it appropriate for it and the trustees to warn members of potential scams because this usually occurs in the CETV context, where the receiving scheme of the transfer could be a scam vehicle. However, while this was relevant, it was not the full picture. There are other risks associated with a cash transfer which in itself might be completely legal and not perceived as a 'scam'.
- When the public bodies started to get more actively involved in preparing letters to members, a number of the parties involved have complained about how long it took to agree the material that was sent out, thus reducing the time members had to decide and creating greater stress and pressure on members. This was partly because the work was developed and agreed sequentially. Some of the partners in the exercise (Quietroom in particular) were unclear about the roles of the public bodies and what their specific areas of interest were.
- Had the key players sat down together to develop the material sent out to members this would have been more efficient and allowed for some team building and less adversarial relationships.
- TPR, FCA and TPAS have now set up a quarterly information sharing group and started to develop a draft communications protocol. This is a good start but needs to be developed. It should be extended to include PPF who are a key player in any restructuring and the new SFGB. The first step should be to define clearly the roles of the regulatory bodies and the support they can provide in such exercises. TPR should have a clearly articulated role to lead the work in supporting trustees.

Recommendations

- **TPR, FCA and SFGB** should continue to meet quarterly to share emerging intelligence on issues and pressures and invite PPF to join the group. The group should develop a clear description for trustees and their advisers of their respective roles and remit in such exercises and the support they can provide.
- **During transfer exercises** the regulatory bodies should operate in a more collaborative way with each other and with the wider partners (eg the communications agency) to ensure there is a joined up approach to supporting members through the process.

Guidance for trustees facing restructure and other major changes

- While TPR is a regulator and exists to protect workplace pensions, in a letter to Frank Field dated March 2018 Lesley Titcomb described TPR as having 'a mandate to protect members'. The trustees are the front line in protecting member interests but TPR provides support to them. Nothing in my recommendations is intended to shift these responsibilities. Trustees will always be in the lead and will need to secure their own advisers – legal, actuarial, covenant, communications etc. Nevertheless, TPR could do more to point trustees in the right direction when it comes to questions they should ask of their advisers and points they should take into account.
- On TPR's website, there is a Trustee toolkit and a considerable amount of guidance which advises trustees of their legal duties. This can help trustees gain sufficient knowledge to minimise harm to the schemes and members and mitigate the key risks.
- In keeping with the role to support trustees, and bearing in mind the increasing complexity involved in running pension schemes, it would be worth looking at what more trustees could be guided to do, not just to prevent problems arising but to improve the running of the scheme for their members. Instead of setting out the minimum that trustees are required to do, the basis of the guidance should be turned round to provide trustees with guidance on 'what good looks like', as it has done in some areas under its 21st Century initiative.
- As a start TPR could do more to alert schemes to live issues and best practice. TPR's website currently does not draw attention to live issues (such as the increasing interest in CETVs) or guidance on how to deal with them or where to go for help. There is little available by way of practical examples of good (and bad) practice. All of this might have been helpful to BSPS trustees who were approaching this exercise cold with no previous experience.
- Earlier and more effective planning would undoubtedly have made things easier for the trustees and all concerned. Throughout the exercise all organisations were faced with very tight deadlines, behavioural responses and volumes were underestimated, and as a result backlog built up quickly. This is not surprising given the size of the exercise and the fact that trustees would not have had previous experience of dealing with such an exercise.

Guidance for trustees facing restructure and other major changes continued...

- TPR, working with the other bodies, could use the experience of BSPS and other restructurings to develop a guide for trustees on planning and managing restructurings and major changes. It would involve mapping the process from early warning signs of problems through to completion of a restructuring exercise. It would include:
  - Pre-restructuring: ensuring the scheme is in good order updating members records, addresses, email addresses and telephone numbers, how to spot problems etc
  - Managing a restructuring: what to plan for, resources, realistic timescales, risk management and mitigation
  - Media and communications: with some pre-worded literature where possible.

Recommendations

- **TPR** should collate case studies and examples of best practice guidance and consider the best way to disseminate them, not just through TPR but, where appropriate, through the other public bodies too.
- **TPR** should lead a piece of work mapping out the warning signs and different stages of restructuring and then develop a planning guide for trustees.
- **TPR** should consider changing the basis of guidance to trustees. Instead of merely guiding trustees to the minimum necessary to comply with the regulations, guidance should be aimed at specifying what good looks like.
- **TPR** should encourage trustees to look for developing difficult situations and to seek appropriate help from their advisers and/or public bodies, particularly the new SFGB as a source of specialist independent and free help and support to members and support to trustees in such situations.

Message content, clarity and channels

- One of the major areas of complaint among members is the lack of effective communication in the run up to the Time to Choose exercise. There were long gaps between communications. Often communications were inadequate in not answering members' questions, or they were inconsistent. Inevitably this generated suspicion, concern and uncertainty. In addition, rumours and misinformation started to circulate to fill the vacuum.
- The major communications to all members before the start of the Time to Choose exercise were the letters from the trustees dated May 2016 and January 2017. The letters from the trustees attempted to explain developments and allay fears. Inevitably they were complex. By starting with a message that no action was required they were likely to reinforce the natural response many recipients would have to such letters, which would be to ignore them.
- There were also letters from the trade unions to their members. These tended to be shorter and simpler.
- It is not always possible to provide the sort of information that people want in such circumstances in a simple letter. In this case, sessions for those interested run by HR/pension professionals would have helped people to understand what the potential implications for pensions would be.
- It is important to keep members informed about what is happening even if there is not much to say, as it helps to maintain the relationship. The risks of giving people messages at an early stage need to be weighed against the risk of creating a void for others to fill, often with mis-information and costs.
- Research tells us that people respond to different channels of communication in different ways. It makes sense therefore to use a variety of channels when communicating, particularly with a group as large as the BSPS membership.
- The BSPS exercise was primarily paper-based, backed up by telephone and roadshows and a microsite. These were all well used. The trustees believed a paper-based approach was right for the BSPS members.
- In view of the size of this exercise and the time constraints it would have been helpful to make more use of digital channels. Not everyone is comfortable using digital technology but these days the majority of people are. It enables messages to be delivered to large numbers of people very quickly and responses to be provided to questions efficiently, whether by email, web chat or amendments to FAQs.

Message content, clarity and channels continued...

- A number of Facebook groups were set up by members to help their colleagues. These provided a useful conduit for getting messages and answers out quickly, and in fact still do. The trustees decided not to use social media channels despite advice from Quietroom to set up their own Facebook group. The trustees felt that all members should have access to the same information, and it was likely that many members would not be users of such channels. This could have been a missed opportunity to open another channel of communication with members.
- Use of digital technology would also have helped with the problem of missing papers and missed deadlines. A small number of members who currently reside outside the UK (as far afield as New Zealand) found it impossible to meet the deadlines using hard copy and were not aware that papers could have been emailed to them on request.
- If people had been able to complete their options and raise questions online, this could have left the more expensive channels for those who really needed them.
- However, it is important to make sure that any digital services offered are consistent with the legislation and centrally issued guidance. There was one example of someone being asked to verify their identity with a paper bill. The only one this member had was a council tax bill which was over six months old and therefore not accepted. It is also essential that the scheme has email addresses and telephone numbers for members.
- Trustees need to be encouraged to communicate with their members as soon as an issue arises, and to use digital means to allow for rapid communications. Members will pick up issues and false information via social media and it is better they hear things first hand from trustees.
- Most organisations (and particularly pension schemes) struggle with the problem of how to engage people with subjects that are complex, technical and future-focused. Effective communications need to be based on an understanding of the consumer and their likely behavioural responses. This requires intensive research into what works and what doesn't. Trustees of any scheme are unlikely to have the expertise, time or resources to develop such communications. They need professional help.
- It is important that trustees realise the importance of regular and effective communications in protecting member interests. This should not be optional.

Recommendations

- **TPR** should consider, with the **DWP** as its sponsoring department, whether duties for trustees of DB schemes should more explicitly cover a duty to communicate effectively with members.
- **TPR** should lead work to produce communication materials drawing on expertise from the SFGB. All restructurings will be slightly different and therefore require bespoke communications. It should be possible to look at some standard wording for areas such as the risks on cash transfers that can be tried and tested before use. In addition a good communications guide for trustees would be a helpful starting point, highlighting the need to develop a communications strategy. Trustees should be encouraged to make full use of digital communications and not automatically use hard copy as the default.
- **TPR and FCA** should check that there are no legislative or regulatory requirements inhibiting the use of such digital channels and, if there are, consider how to address, speaking to the DWP and HMT if necessary.
- **TPR, FCA, PPF, and the SFGB** should check their websites for consistency of messaging, cross referrals and ease of use. **Working with the SFGB, TPR** should lead a piece of work to map out the processes around pension scheme restructuring and other major events and identify the key points at which members should be told what is happening. These bodies should also consider creating supplementary guidance on issues where a communications approach may not be enough.

Cash transfers out of DB schemes

- The number of requests for cash transfers may not seem like a big issue in pure numbers terms – nearly 8,000 out of 122,000 members. But this represents 20% of those eligible to take a transfer, and has proved to be the most problematic area. In the period from 1 April 2017, 15,000 members requested a CETV quote.
- From the trustee point of view, the deluge of requests had not been foreseen, despite requests for cash transfers starting to build towards the end of 2016. The result was that the pensions office was swamped.
- The key question is whether those who have transferred will live to regret their decisions. It will take some time, if ever, before we can answer this question fully. However there are some worrying results. Nearly 8,000 members took a transfer.
- Community carried out a survey of its members in November 2017. They received over 500 responses of which 89% were from deferred members or those who had transferred out or were in the process of doing so. Of this group, 83% had taken transfer advice. Of those that had taken advice, 92% answered yes to the question, "do you believe the IFA acted with your best interests at heart?"
- A small sample of those I spoke to as part of this review unanimously said that they regret their decision.
- Work done by the FCA to look at the suitability of advice given by financial advisers to a sample of BSPS members showed that, in nearly half of cases, the advice was unsuitable or it was unclear whether the advice was suitable or not.
- We know that some advisers behaved in unscrupulous ways, paying introducers and inducing people to attend sessions with the offer of a free lunch.
- The questions of unscrupulous advisers and the regulation of financial advisers are outside the scope of this review to the extent that I am not considering regulatory issues. These issues are for FCA and there are changes in the pipeline around further qualifications for advisers and contingent charging. However the question of whether this is enough must be asked.
- From 2016 onwards, members started to be concerned about their pensions. Shift workers, many of whom had started work at 15 or 16, wanted to be able to retire at 60 or slightly earlier with minimal reduction in their pensions. This had been possible under the old scheme. Although the retirement age was 65 they were able to earn extra years and leave at 60 with no reduction or earlier with some reduction. These rights were removed in 2006 and the retirement age of 65 was imposed with an actuarial reduction of 5% for each year they left early before age 65.

Cash transfers out of DB schemes continued...

- Members had been unable to find out what the PPF would mean for them and, in the absence of information, feared the worst.

- It was at this point – and before the Time to Choose exercise formally started – that a firm of unscrupulous advisers working with introducers started to collect customers from the financially naive and concerned steel workers. One firm cornered the market by offering an exceptionally low flat rate charge – £1,500 – and presenting as a very credible adviser looking after the members' best interests. Many of those who took cash transfer went with this firm.

- Some checked out the adviser on the FCA register and established that he was registered and, not unreasonably, took this as evidence that he was a trusted source.

- Community sent a very clear letter to members of the three unions in June 2017, underlining the need to think very carefully before transferring out and providing contact details of two IFA firms.

- The three public bodies (TPR, FCA and TPAS) produced letters warning those considering a cash transfer of the risks and issues, and asked the trustees to send them out. But these were too little too late. The trustees were asked to send the letters to those requesting transfer values in January 2018. There had not been time to user test the effectiveness of the letters and, by January, members had made up their minds.

- It was left to an independent financial adviser to provide additional support for those considering cash transfers. Alistair Rush set up an initiative known as CHIVE (Community, Help, Information, Volunteer, Exchange) which brought together volunteers from the adviser, actuary and other professional communities to provide 'counselling'. The idea was to help people understand their options and what the implications might be. This was not 'advice', and was based on clear guidance to the volunteers as to what they could and could not say. This was helpful but, again, too late.

- In the case of BSPS, specific material and support was needed much earlier in the process to help members understand more about the risks and implications of cash transfers and the PPF. The trustees, particularly the member-nominated ones, must have known about the demand that was building among members for help.

- The CHIVE model developed by Alistair Rush provides a good model for helping people in future. This brought together volunteer advisers to provide two group sessions and then a one-to-one session for those interested. The sessions allowed people to fully understand the risks and implications in taking a transfer. They provided 'counselling' or generic advice, which allowed the people giving the advice to stay on the right side of the line.

Cash transfers out of DB schemes continued...

- It is worth exploring this model further to consider whether it might be a template in future restructurings whether on a volunteer or commercial basis. This might be something for the new SFGB to look at.
- TPAS already operated a helpline and could have provided a triage arrangement for people seeking a transfer out of their DB scheme, enabling them to have an informed discussion with a pension specialist before seeking financial advice. TPAS had set up a helpline in parallel with the Time to Choose helplines. BSPS trustees had not agreed to their requests to collaborate. A combined response would have been able to go further in answering questions and eased the pressure on the business as usual telephone lines.
- Members considering taking a cash transfer could have been referred to the TPAS helpline in the first instance to have an initial discussion on the considerations and risks involved in transferring out of their DB scheme. TPAS could then have advised on how best to get a financial adviser, where to look and what to consider.
- For those members whose CETVs are worth over £30,000, there is a statutory requirement to obtain financial advice from an FCA-authorised adviser who is qualified to advise on transfers. However, people should be encouraged to think through the risks and implications of a transfer themselves, and decide whether or not it will be appropriate before seeking advice. For those who a take the next step and seek financial advice, the process needs to be made easier. Members were very unsure about who or where to go to, hence the reliance on word of mouth and the susceptibility to introducers.
- Letters could have been developed (and tested) in advance to send to those requesting a transfer, alerting them to the risks and telling them where to get help.
- It would have been helpful if the trustees had compiled a list of advisers willing and able to take on pensions transfer advice for the BSPS members. Instead, members were referred to Unbiased or the FCA website. The former is not unbiased and the latter is not easy to use, nor does it make clear if the particular firm of advisers deal with DB transfers. It also includes advisers under investigation. The trade unions would have liked to recommend specific advisers but were advised that they would be crossing the line into advice.

Cash transfers out of DB schemes continued...

- As part of the CHIVE proposal, Alistair Rush has suggested that the suitability report produced by a financial advisers in the cases of those that take it that far should be checked by a trained 'checker'. The report could be anonymised and then sent to an authorised checker. This could be a commercial arrangement or run by a public body. Again this is something that the SFGB might consider further.
- Undoubtedly the BSPS restructuring caused much distress to many people – to members and their representatives, trustees and the support staff. It is not clear yet the extent to which members have lost out financially. However, the exercise is likely to have reduced confidence in both financial advisers and pensions.

Recommendations

- **TPR, the FCA and the SFGB** review their website content and work together to develop guidance for members specifically and clearly aimed at transfers out of DB schemes explaining the risks and how to seek help. **Trustees** should be expected, via TPR codes and guidance, to provide appropriate support to members who are considering a cash transfer. The guide might build on the industry code of practice for incentive exercises.
- **SFGB and FCA** should review their adviser directories/registers and ensure they are fit for purpose. They should consider how to deal with the problem of advisers who have been the subject of compliance issues in the past. Members of DB schemes should be directed to the SFGB adviser directory in the first instance. TPR should explore if there is a way to allow trustees or the trade unions to identify a panel of financial advice firms that members can select from.
- **SFGB and FCA** should consider the CHIVE approach further in the context of how to get better generic advice and support to people as they make decisions and in understanding suitability reports.

Appendix 1: Terms of reference

Objectives

1. To conduct an independent review of the communications provided to members during the consultation period by the trustees and their representatives, TPAS, the FCA and TPR and make recommendations as appropriate, with particular reference to:
    - content, message and clarity
    - timing
    - channels used
    - outcomes
2. To inform the production of guidance for trustees (to be produced separately by TPR).

Governance

The review would be led by an independent expert with support from TPR.

A TPR Non-Executive Director will provide oversight of the expert.

A steering group made up of communications leads from the FCA, TPAS and TPR, with additional membership to be confirmed from policy or frontline teams, would support the review by facilitating access, providing relevant material and organisational information.

CEOs of TPR, FCA and TPAS would be kept informed as to the progress of the review and jointly receive a copy of the review ahead of publication.

Scope

In scope

The review will be focused on the communication that was made available to members of the BSPS pension schemes during the consultation period of October-December 2017.

In addition, it should consider the timing of the member consultation period given the May 2017 agreement in principle, the initial clearance for the RAA on 11 August and final approval on 11 September.

The Time to Choose exercise focused on helping members make a choice between the new scheme or staying with the current and going to the PPF. The review should also consider how warnings of potential sharp practice, scams or the fact of there being a third option to transfer out altogether were addressed in the communications.

The review will include the additional communications support provided by TPAS, the FCA and TPR to both the trustees and the members of the pension scheme.

Out of scope

The review will not cover the availability and quality of financial advice. The review will not include wider trustee to member communications across the lifetime of the scheme.

Format of review

This is to be determined and set in collaboration with the reviewer but it is anticipated that this will include:

- input from and interviews with trustees of the BSPS pension scheme
- direct contact with members of the pension scheme who made a variety of decisions
- input from and interviews with relevant people at TPAS, FCA and TPR
- other activities considered necessary by the reviewer

Appendix 2: List of interviewees

Michelle Cracknell – former CEO, TPAS
Megan Butler – Executive Director of Supervision, FCA
Andrew Whyte – Director of Communications, FCA
Allan Johnston – Chair of BSPS Trustees
Peter Rees – Member-nominated trustee
Shaun Corten – Member-nominated trustee
Derek Mulholland – Director of Pensions, Tata UK
Mike Donohue – Secretary, BSPS
Stephen Kinnock MP
Quietroom Communications
Al Rush, IFA
Henry Tapper – First Actuarial
Margaret Snowdon – Chair of the Monitoring Board on Incentive Exercises
Nick Flynn – Managing Director LEBC
Stefan Zaitschenko – BSPS member
Rich Caddy – BSPS member
David Nielly – BSPS member
Other members of BSPS either face to face, via email or on Facebook
David Fairs – Director of TPR and ex KPMG adviser
Teresa Fritz – Money Advice Service
Alasdair McDiarmid – Operations Director, Community
DWP officials
PPF officials
TPR officials
FCA officials

Appendix 3: British Steel Pension Scheme member survey

Executive summary

Introduction

From 31 March 2017, Tata Steel UK's DB pension scheme – the British Steel Pension Scheme (BSPS) – was closed for the accrual of pension rights. As part of a regulated apportionment arrangement (RAA) agreed with the PPF, Tata Steel UK set up and sponsored a new pension scheme, BSPS2. In late September 2017, the 124,000 BSPS members were given the choice of staying in the BSPS, and thereby ending up in the PPF, or transferring to the new BSPS2 scheme. This exercise was known as Time to Choose.

This report provides results from the postal survey of BSPS members conducted by OMB Research, an independent market research agency, on behalf of TPR. The survey was undertaken in response to the recommendation from the Work and Pensions Select Committee's inquiry into the BSPS[1] that TPR conduct a review of the information and support provided to BSPS members as part of the Time to Choose exercise, incorporating feedback from scheme members.

The main objective of the survey was to determine perceptions of the information and support provided to BSPS members as part of the Time to Choose exercise. The survey included those that decided to switch their pension to the BSPS2 (new scheme) and also those that remained in the BSPS (and thereby ended up in the PPF). The survey did not include those that decided to transfer their DB pension into a defined contribution pension scheme.

A total of 2,000 questionnaires were sent out during July 2018: 1,000 were sent to BSPS2 members and 1,000 to BSPS (PPF) members. The sample was stratified to ensure it was representative of the member profile of each scheme[2]. A total of 344 questionnaires were returned by members, representing a response rate of 17%. The response rate was higher among BSPS2 members (23%) than BSPS (PPF) members (11%), with this difference largely due to a low response from those that stayed in the BSPS (PPF) by default. For each scheme, the response rate was higher among pensioner members than deferred members.

A postal self-completion approach was adopted[3], meaning that the achieved sample was self-selecting and was unlikely to provide a sample of respondents that was representative of the scheme membership. As a result pensioner members are over-represented in the survey results. Among BSPS (PPF) members those that chose to remain in the scheme are very significantly over-represented. As such, while the results in this report provide a good indication of member views and experiences, they cannot be treated as representative of all members in the Time to Choose exercise.

1 https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/828/828.pdf
2 However, among the BSPS (PPF) member cohort we contacted a disproportionately larger proportion of those who choose to remain in the scheme (as opposed to those who stayed in it by default), anticipating that these were more likely to respond to the survey.
3 An alternative methodology which would have yielded a less self-selecting sample of respondents was not viable.

Key findings

Across both the original (BSPS) and new (BSPS2) schemes, most members were satisfied with the information and support received during Time to Choose.

The large majority of BSPS2 members (87%) were positive about the overall information and support they had received from the trustees during Time to Choose. 59% rated it as ‘very good’ and 28% rated it as ‘good’. A further 9% judged it to be ‘fair’, while a small minority (3%) described it as either ‘poor’ or ‘very poor’.

There was more variability in the responses of BSPS (PPF) members, but the majority (68%) had a positive perception: 33% rated the information and support as ‘very good’ and 35% as ‘good’. Here also, most of the remainder felt the support had been ‘fair’ (18%), with a minority (7%) rating it as ‘poor’ or ‘very poor’.

The personal member options pack was the most highly rated type of information and support provided by the scheme, and the BSPS helpline was rated lowest.

Of the various types of information and support provided by the scheme, members were most positive about the personal options pack; 93% of BSPS2 and 80% of BSPS (PPF) members rated it as helpful.

Around three-quarters of those accessing the information on the Time to Choose website described it as helpful (86% of BSPS2 and 72% of BSPS (PPF) members), and a similar picture was seen for the road shows (82% and 67% respectively). A lower proportion rated the free BSPS helpline as helpful (63% and 58% respectively).

Across both the original (BSPS) and new (BSPS2) schemes, most members were satisfied with the information and support received during Time to Choose.

The large majority of BSPS2 members (87%) were positive about the overall information and support they had received from the trustees during Time to Choose. 59% rated it as ‘very good’ and 28% rated it as ‘good’. A further 9% judged it to be ‘fair’, while a small minority (3%) described it as either ‘poor’ or ‘very poor’.

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The majority of members also identified the personal member options pack as the 'most helpful' of all the sources of information available to them when coming to their decision about which scheme to be in.

The personal member options pack was seen as the most helpful information source among members of both schemes: 85% for BSPS2 and 55% for BSPS (PPF).

The road shows (18%), colleagues (15%) and family (12%) were the next most helpful sources among BSPS2 members. For BSPS (PPF) members it was family (19%) and the free guidance helpline (11%) that followed the options pack in helpfulness.

Sources named by a smaller proportion included financial advisers, the Time to Choose website and trade union representatives.

The majority of members believed they had been provided with an appropriate amount of information, with this particularly true of BSPS2 members.

Among those choosing to switch to the BSPS2, 81% felt they had been provided with the right amount of information to make their choice. One-in-ten (10%) indicated that they received too much information and that it was confusing, and a similar proportion (9%) believed they were not provided with enough information.

The proportion of those remaining in the BSPS (PPF) who believed they were given the right amount of information was lower, at 57%. A quarter (24%) felt they received too much information and 12% too little information.

Taking account of the information now available, almost all BSPS2 members and the large majority of BSPS (PPF) members felt they would still choose the same option.

Most members indicated that, with the benefit of hindsight, they would definitely or probably choose the same option again in the Time to Choose exercise. This applied to 96% of BSPS2 members and 86% of BSPS (PPF) members.

A minority of BSPS (PPF) members (5%) said they would definitely choose a different option and 1% indicated they would probably do so.

None of the BSPS2 members completing the survey felt that they would now make a different decision.

Few members made suggestions for anything that could have been done differently in the Time to Choose exercise.

When asked what, if anything, could have been done differently in the Time to Choose exercise, most members did not make any suggestions. Half of BSPS2 members (53%) did not answer the question and a quarter (24%) said there were no issues. In comparison, over two-thirds (69%) of BSPS (PPF) members did not answer and 9% reported no issues.

Where respondents did make suggestions for what could have been done differently, these varied widely and were often specific to the respondent's personal circumstances. The most widely mentioned comments related to providing clearer and less confusing information (mentioned by 5% of BSPS2 and 1% of BSPS (PPF) members).

Appendix 4 : The Time to Choose packs

In October 2017, all 122,000 members of the BSPS were sent a Time to Choose pack. This consisted of a covering letter explaining briefly the choice that members had to make, a form to complete and an information booklet running to 30 plus pages.

Over 20 different tailored versions of these packs were developed to take account of the different circumstances of members – pensioner or non-pensioner, active or deferred members, previous membership of up to 17 legacy schemes etc. Inevitably, the information packs were long and fairly complex, reflecting the nature of pensions.

The covering letter explained briefly that the BSPS would move into the PPF at the end of March 2018 and a new scheme was being set up. Members would have the choice of which scheme they wanted to belong to in future. The letter explained that the accompanying information would help the member to decide on the right option for them. They should then complete the one page option form and return it by the due date, originally 11 December 2017.

The pack included:

- **Personal information** which the member was asked to check for accuracy, including such information as dates and places of employment, pensionable service etc. For pensioners it would cover details of pensions in payment.
- **Main points to think about.** This provided a high level comparison of PPF and the new scheme regarding such features as early retirement, tax free cash, inflation increases, impact on spouses' pensions etc.
- **Information on the pension the member would get from the new scheme.** For non-pensioners, the pack showed the pension the member would get at age 55/60 or 65 based on information held for the individual. The pack explained that similar individual calculations were not available for PPF benefits but it explained the differences and provided illustrative examples comparing PPF with BSPS2.
- **How the two schemes would deal with pension increases.** Again, a table of comparisons was provided covering treatment of pension built up before 2006, between 2006 and 2009, 2009 and 2012, 2012-2016 and post 2016. A further table provided detailed comparisons of treatment of GMP and pensions built up over much earlier periods.
- **How the two schemes work out early retirement.** A table was provided showing the factors used to calculate pension on early retirement. Again, the factors and comparison were based on the age at retirement and the period of pension contributions.
- **How the two schemes work out tax-free cash.** A similar comparison table was provided showing the commutation factors used to calculate cash lumps sums depending on age and when the pension was accrued.

- **Illustrative examples.** A number of relevant illustrative examples were provided to show the effect of different choices on different aged members and, where appropriate, members of the opposite sex. This included members who wanted to take a maximum cash lump sum or members who wanted a full pension.
- **Further background information** covering how the choice for members had been arrived at, the contribution to the new scheme of £550 million from Tata Steel, an explanation of the PPF and a reminder of the choice and timing.
- **Information for those thinking of transferring out.** The notes included a timetable and advised caution before giving up a lifetime income, reminding members that they could still get a lump sum if they stayed in the pension, warning against 'pushy advisers', and explaining how to get a financial adviser.

The pack concluded with some Q&A and information on where to go for more help. It referred to the regional meetings and the two Time to Choose helplines – one for pensioners and one for non-pensioners. The pack also gave contact details for non-Time to Choose issues.

Contact details

This is an independent report by Caroline Rookes. If you wish to get in touch, please do so through The Pensions Regulator at Napier House, Trafalgar Place, Brighton BN1 4DW or **www.tpr.gov.uk**.