Retirement Income
JOURNAL

Britons debate best way to consolidate DC accounts

By Editor Test *Thu, Sep 19, 2013*

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Retirement policy wonks in the U.K. have been discussing ways to ensure that workers don't lose track of their various retirement accounts as they move from job to job (and DC plan to DC plan) over the course of their careers.

This issue has become especially important in the U.K. with the advent of universal automatic enrollment in defined contribution plans. More workers are expected to participate in more plans over the course of their lifetimes.

Many U.K. workers, like U.S. workers, leave small DC accounts behind and forget about them when they change jobs. (See *RIJ* stories, "Zombie 401(k) Accounts" and "Roll Over, Rollovers: 'Roll-ins' Have Arrived.") That creates inefficiencies in the system. In the U.S., it also creates opportunities for companies that aggregate forced rollovers of small retirement accounts whose owners have vanished.

Some in the U.K. suggest the creation of a nationwide non-profit "pension-pot clearinghouse." Similar to the Pensioenregister in the Netherlands, it would maintain a record of all the plans a person has contributed to and how much has been accumulated, as well as providing an estimate of how much income participants can expect to receive in retirement.

Others within the U.K. government favor a policy that would simply roll forward a person's current DC assets into his or her next plan, a program known as PFM or "pot follows member," if the account is smaller than the equivalent of $16,000.

In the pro-registry camp is Michael Johnson of the center-right Centre for Policy Studies in London. In a new paper, he wrote:

> "Consumers should have online access to easy to use, secure, retirement savings information windows ("portals") that, ultimately, display all their sources of retirement income. This would include their State Pension accrued rights as well as private provision. Annual charges and fees should also be disclosed, and the portal should allow the user to project his expected weekly retirement income, based upon a user- determined retirement age and life expectancy.
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> "Crucially, the portal should enable the user to transfer retirement assets, including occupational pension pots, between industry providers and aggregators, using a paper-free process. This functionality would encourage consumer engagement with saving, and ultimately lead to higher retirement incomes."

Johnson proposed the launch of a national clearing house – PensionsClear – which, once operational, could help with the automatic transfer of pension pots, as well as provide custody services or ease the complete transfer of one occupational fund's assets to a qualifying aggregator.

The not-for-profit company's set-up costs could be financed directly by the industry or potentially through a levy imposed by the U.K. Department of Work and Pensions – with participation mandatory if the industry fails to cooperate.

The European Commission is in favor of a pan-European pension tracking system and earlier this year asked providers in the Netherlands, Finland and Denmark – which has run its national service, PensionsInfo, since 1999 – to explore how such a system might work.

Morten Nilsson, chief executive at Now Pensions, talked up the potential of the portal approach to improve consumer engagement. "Whatever route is ultimately adopted, the costs to the industry both in terms of time and money are going to be significant, which is why it's critical all transfer mechanics be thoroughly considered and assessed," he said. "A rushed solution could prove an extremely costly mistake, which would prove even more costly to undo."