

Romi Savova  
PensionBee Ltd  
50 Southwark Street  
London  
SE1 1UN

Steve McCabe MP  
Work and Pensions Select Committee  
House of Commons  
London  
SW1A 0AA

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Dear Mr McCabe,

I am writing to express my concerns that NOW: Pensions is attempting to pull the wool over your eyes.

I refer to your [recent questioning of the Financial Conduct Authority](#) regarding the charging structure of NOW: Pensions on 6 February 2019.

I believe you were reading from [PensionBee's 5 September 2018 submission](#) on the matter, specifically regarding "*NOW: Pensions' unique charging structure*".

I also refer to [Adrian Boulding's response on 7 February 2019](#) arguing that "*our dual charging structure is very cost efficient for our members over the medium to long term, and...will lead to more valuable pots over 10, 20, 30 and 40 years*" and "*Structuring our charges in this way rewards long-term saving as we hope the vast majority of our members, like us, are in it for the long haul*".

**We are deeply concerned that the NOW: Pensions charging structure allows small pots to be extinguished by charges, an outcome that is inconsistent with auto-enrolment and inconsistent with achieving value for money for those customers.**

The arguments in Mr. Boulding's letter may sound fair, but we fear they are misleading.

Mr. Boulding has presented you with a set of assumptions that are likely inconsistent with the reality of the NOW: Pensions member base.

According to Mr. Boulding, the average person in the NOW: Pensions scheme is earning £25,000 and has a likelihood of being an active member for 10, 20, 30 or even 40 years.

If Mr. Boulding's assumptions were correct, the average NOW: Pensions pension would likely be over £2,000. One can apply a simple mathematical calculation that shows if Mr. Boulding's assumptions were reflective of reality, just the value of the first year's contribution would be £2,000 (£25,000 x 8% = £2,000). Even taking into account the staging of auto-enrolment

contributions, a 5% contribution rate would imply £1250 of first year contributions, which is substantially higher than the average pot of £500 (a figure which Mr. Boulding has articulated is the average size in his letter).

Therefore, one of the following is likely to be true:

- 1) The average salary of a NOW: Pensions member is substantially lower than £25,000, meaning the probability of pension pots being extinguished disproportionately affects the lower income members of our society
- 2) The average NOW: Pensions member is switching jobs more frequently than NOW: Pensions anticipated. Indeed, DWP estimates the average person switches jobs 11 times, making the average pension duration c.4 years and not 40 years (assuming a working life of 45 years)
- 3) The erosive nature of NOW: Pensions charging structure has already taken its toll on a substantial number of the 1.6 million members of the scheme

We suspect all of the above are true and that there is an unacceptable level of risk that a large proportion of pensions in the NOW: Pensions scheme will continue to be eroded to zero by charges.

This is a structural flaw in the charging model that is at odds with the characteristics of the member base and quite simply unfair.

Additionally, NOW: Pensions (unlike B&CE and NEST) [do not allow members to continue to make contributions to their pot](#) after they leave their employer. This means when you change jobs, you have no choice but to become a deferred member of the NOW: Pensions scheme or leave.

We hope you will ask Now: Pensions to act NOW in order to stop this injustice on lower income members of society.

You may wish to follow up with NOW: Pensions with the following questions:

- 1) do the assumptions in your analysis reflect the reality of your customer base?
  - 1a) what is the average salary level?
  - 1b) what is the average time spent in the scheme?
- 2) What proportion of your pots are at risk of being eroded by charges? PensionBee have calculated that any deferred pots lower than £300 have a strong chance of being fully extinguished by charges.

Kind regards,

Romi Savova  
Chief Executive Officer of PensionBee