Pensions UK

Small pots digital systems Feasibility Review

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Foreword – Deputy Director of Policy & Regulation, Joe Dabrowski

This Review is an important milestone in the pensions industry's partnership with Government to solve the Small Pots problem. It exemplifies the value of close collaboration between policymakers, regulators, and industry to bring to life the Government's chosen policy of a Multiple Default Consolidator (MDC) model, as set out in the Pension Schemes Bill.

The recommendations build upon the work of the Small Pots Coordination Group, jointly convened by Pensions UK and the Association of British Insurers, and from the Government-run Small Pots Delivery Group. That earlier work recognised both the urgency of addressing the proliferation of deferred small pots and the need for a coordinated, pragmatic approach to design and delivery. This Review builds on those findings by assessing the practical feasibility of the infrastructure needed to underpin the consolidation process.

In developing this Review, Pensions UK, and the Expert Reviewers, have engaged across the breadth of the pensions landscape. Schemes from the trust-based, contract-based, and hybrid sectors have contributed their expertise, alongside input from administrative and integrated service providers.

Regulators — The Pensions Regulator and the Financial Conduct Authority — have been consulted as part of the process, ensuring their perspectives are embedded throughout. The Department for Work and Pensions (DWP) has also been closely engaged, and we have welcomed their input.

This work demonstrates 'proof of concept' for the Small Pots Data Platform (SPDP). A service facilitating the consolidation process, including the automatic identification of a member's default consolidator under the MDC approach.
While it sets out learnings from the Dashboards programme, alongside a deliverable pathway towards implementing the MDC policy, it is recognised that further work will be required by DWP and by the sector to develop a fully operational model. The next stage, conducted in parallel with secondary legislation and the associated consultation process, should aim to develop and refine this detail, including technical standards, data quality, governance, and consumer protections.

The collaborative approach demonstrated here provides a strong platform on which to build. By working together, Government, regulators, and the industry can ensure that the consolidation of small pots is achieved in a way that is efficient, fair, and beneficial for millions of savers. This Review shows that a practical industry-led

solution is within reach — one that delivers value for members, enables schemes to operate effectively, and ensures policy objectives are met.

Organisations that have supported the Feasibility Review

Expert Reviewers

Since 2002, KGC associates has been helping the pensions industry turn policy into practice. Independent and specialist, we bring strategic vision, governance expertise and market insight to trustees, sponsors, providers and policymakers. What sets us apart is our ability to see how policy and strategy can be implemented in reality, translating complex ideas into workable solutions.

We have earned a reputation for clarity and influence across the industry. From small pots consolidation and pensions dashboards to wider governance reform, our work consistently bridges the gap between policy ambition and operational reality. This means engaging with government, regulators and industry bodies to design solutions that can be delivered effectively, while always keeping member outcomes at the centre.

KGC is not a passive observer of change: we are an active contributor to how the next decade of pensions will evolve. Our involvement in this Feasibility Review reflects the trust placed in us to convene stakeholders, test ideas and provide thought leadership on issues which will shape the sector's future.

Lumera is a technology provider dedicated to the digital transformation of the European Life and Pensions industry. Founded in 2003, Lumera delivers advanced solutions for policy administration, data management and migration to a broad, blue-chip client base. As insurtech innovators, Lumera combines technology and industry expertise to offer a comprehensive range of specialist services, tailored for each local market.

Based in Stockholm, Lumera has a significant presence with offices in the United Kingdom, the Netherlands, Norway, Sweden, India and Vietnam. Lumera is majority owned by Monterro, the leading software investor in the Nordic region.

Lumera's involvement in the Feasibility Review reflects its deep experience in

delivering administration platforms for DC schemes and master trusts, and in enabling connectivity to pensions dashboards. With a strong understanding of international best practices and technical implementation, Lumera contributed to the evaluation of practical solutions that support long-term transformation in the pensions sector.

Governance Panel

When setting up this project, Pensions UK agreed with the DWP that there would need to be a Governance Panel supervising the work. The role of the Feasibility Review Panel was to discuss the progress of the work being carried out by the expert reviewers, and vote on the recommendations. The Panel signed off on the Review findings in early September 2025.

The Panel consisted of the following individuals:

Joe Dabrowski (Panel Chair), Deputy Director of Policy & Regulation, Pensions UK - “This Review is an example of the pensions industry working proactively with Government to tackle the challenge of small pots. It builds on the Small Pots Co-ordination and Small Pots Delivery Group’s findings and shows what’s possible when schemes, providers, regulators, and Government collaborate. Together, we’ve tested the concept of a Small Pots Data Platform, which could make automatic consolidation under the Multiple Default Consolidator model a reality.

There’s still more to do — from setting technical standards and improving data quality to strengthening governance and consumer protections — but the foundations are in place. The Government, in partnership with industry and the regulators, are well placed to take on the responsibility for delivering the next key phase of work required”.

Jonathan Hawkins, Independent Technology Expert - “As an independent technology-focused expert, I've aimed to provide oversight, challenge, and steering to ensure this feasibility review delivers a robust technical evaluation that balances the competing demands of industry, regulatory, and government stakeholders. My role has been to guide the technical thought and direction through the essential tension between transparency, oversight, commercial confidentiality, and the imperative to deliver practical, scalable technology solutions that provide value for money. The healthy challenge and debate I have seen throughout this process — particularly around technical architecture choices and the balance between centralised and federated approaches — has been invaluable in testing the technological recommendations from different angles, not least cost and deliverability.

This feasibility review establishes the foundation for what will be a collaborative industry and government project to deliver a small pots consolidation technology

solution. Through steering of the technical analysis, it is clear that while the architectural direction is sound, significant detailed design and implementation work remains. I am confident that the rigorous technical scrutiny applied demonstrates that the right technological questions have been asked to ensure the eventual solution will be both technically robust and practically deliverable.

Finally, it has been a privilege to lend my knowledge and experience to this process and work with Pensions UK, the authors, and government & industry stakeholders to deliver what I believe to be a study that creates a blueprint for what will become an essential service in the future pensions landscape of the UK, delivering better value and simplification for everyday pension scheme savers".

Lizzy Holliday, Director of Public Affairs and Policy, now:pensions – "My role on the panel was to represent the views of the funding schemes supporting the project. Despite the extremely tight timeframe, the authors enabled extensive and direct engagement with various parties across a range of disciplines and specialisms – such as policy, operational, legal and technology functions. This engagement was enabled via author-led workshops, Pensions UK facilitated co-funders group, and Panel sessions – all of which provided opportunities for feedback, exploration and challenge. The scope of the review was quite tightly drawn - relating to the technical feasibility of the small pots data platform, a delivery ambition for 2030, and an emphasis on lower cost options. The resulting document represents a significant step forward in concluding that the multiple default consolidator solution is deliverable from a technology perspective.

The document also provides valuable technical analysis to inform crucial next steps. This further work will need to include examination of questions and implications that arise from the report. For example - unpacking the policy implications of the options and recommendations, assessment of the liability models and costings, and further detailed development of the essential technical standards and governance structures. I would like to thank the co-funder representatives for enabling and informing input to the Panel. Also, thanks to the authors, panel members, Pensions UK, and Government - for the expertise, constructive challenge, and focus that all have brought to the project. By working together on this report - and continuing wider industry and government collaboration on the next steps – we can move more assuredly towards resolving the long-standing issue of small pots in the UK pensions system, supporting better outcomes for members".

Nicky Day (Observer of the Panel), Project Lead at the Pensions Policy Institute - "My role in this review was to observe and provide input based on project managing the Pensions Data Project, on behalf of The Pensions Policy Institute. The review entailed two workshops with schemes, where I noted that schemes were fully engaged in the process, and the potential model for delivering the Multiple Default Consolidator model.

The report is a good summary of these workshops, including providing more

information about alternative models considered and other issues raised. Future reviews will need to cover other concerns raised about some aspects of the policy, alongside determining technical standards, governance etc. It is also suggested that the findings from the Pensions Data Project, which is due to be published shortly, are considered in future reviews".

Executive summary

This Feasibility Review (the Review) has been based on the scope set out in the Small Pots Delivery Group (SPDG) Report published in April 2025, and the scope of work agreed between Pensions UK and DWP. This is to determine the viability and practicality of the policy design recommendations in relation to the infrastructure that will be required to enable the consolidation of small pots.

The Review specifically focuses on what the SPDG Report defines as the Small Pots Data Platform (SPDP). A service facilitating the consolidation process, including the automatic identification of a member's default consolidator under the multiple default consolidator (MDC) approach.

In the SPDG Report, the Government acknowledges the benefits of limiting the complexity of the SPDP, such as the decision the SPDP will not carry out member communications. It sets the objective of the Review to identify how the SPDP can be built in *"the most effective and efficient way providing value for money for members, pension schemes and the taxpayer"*.

The Review therefore considers whether a centralised or federated basis for delivering the SPDP would be the best approach to achieve this. Enabling the SPDP to be operational by the Government's stated intention to launch in 2030, in line with DWP's published Roadmap. The Review then scopes out an operating and governance structure to deliver the SPDP on that basis and evaluates this through engagement with industry participants and other contributors.

The immediate objective of the Review is to help DWP consider the implementation of the SPDP in the context of the passage of the Pensions Schemes Bill. On the basis of the policy positions as set out as 'Government conclusions' in the SPDG Report, including that the Review should examine *"whether or not the Small Pots Data Platform should hold and maintain data records"*. More generally, DWP has confirmed no assumptions were made about the level of centralisation of the SPDP design in the Government conclusions.

Where necessary we also sought separate clarification from DWP during the Review process. Where specific policy positions have a bearing on aspects of the analysis these are flagged, but the Review is not designed to challenge those decisions. Further detailed work is needed and DWP will need to consider the policy choices for the next steps of implementation as part of a, yet to be defined, stage two of the Feasibility Review.

Key conclusions

- The ability to develop and deliver a SPDP has the potential to improve outcomes for millions of DC savers. It can reduce fragmentation, minimise lost pensions and increase the likelihood savers will engage with and consolidate their retirement savings. It has the potential to materially improve outcomes for millions of savers and lay the foundation for a more connected and efficient pensions sector. For these reasons, the ability of the SPDP solution to be delivered to a reasonable timetable is of paramount importance.

- A centralised infrastructure model which maintains records relating to individual savers' default consolidation and matches these records to those held by schemes, such as the 'Clearing House' approach discussed earlier in the SPDG workshops, would be an entirely new record-keeping entity at the heart of the DC pension landscape that would need to interact with every scheme involved with small pots consolidation. It would also need to manage significant data integrations, particularly with the approved consolidators. This new entity would need to be designed, procured, built and maintained.

- The Review found no industry appetite to take on the centralised role. Central builds are costly and complex, particularly when involving sensitive personal data and multiple commercial and non-commercial stakeholders. The defined contribution (DC) market's fragmentation and commercial diversity make it difficult to mandate a single central solution without legislative compulsion. Similarly, the relevant stakeholders have varied levels of digital maturity and may resist central control over member data or process design. All these factors mean it could take many years for the policy to be deliverable.

- The usefulness of replicating areas of the pensions dashboards ecosystem to provide some of this central infrastructure was considered, but we concluded as dashboards are a member-led and consent-based 'business to consumer' service (B2C), this fundamentally means the central digital architecture infrastructure is not a suitable model for the 'business to business' and non-consent based data exchange required for the SPDP. We do believe much has been learned from the collaborative work of Government and industry on dashboards which will inform the design and implementation of the SPDP, such as approaches to data matching.

- A centrally developed, but more federated technology solution was also considered, one that would not hold personal details but would perform some of the processing required to identify an individual's default consolidator, as an example of a form of 'Central Data Service' as discussed in the SPDG. This technology does not yet exist and would also need to be

built out. It would require start up and ongoing funding by a wide range of providers with competing interests. It would present a collaboration challenge requiring agreement on matters such as technical specifications and integration, ownership and IP sharing. With no existing infrastructure or delivery mechanism in place, delivering such a solution in a reasonable time appears unlikely without significant early mobilisation and oversight.

- The alternative approach of a federated, industry-delivered model would not have these disadvantages. We therefore explored this in detail to determine whether such a solution was technically feasible. We concluded it is not necessary to create any significant new central infrastructure beyond that required to support governance and regulation. This design allows pension schemes and approved consolidators to interact directly or through service providers using agreed data and message standards. It supports scalability and can be delivered more efficiently than a central system.

- A federated design, utilising existing open standards and messaging frameworks, and delivered primarily through a service-provider led model similar to the one connecting thousands of schemes to the dashboards ecosystem is feasible. This avoids single points of failure and provides each scheme and consolidator with operational autonomy, provided consistent standards are followed. It effectively becomes a 'Small Pots Data Service', fulfilling the functions of what the SPDG Report termed the Small Pots Data Platform.

- The federated design for the SPDP would remove the cost and timescale issues which could arise from centralised builds. Industry would still need to undertake development and roll out of compliant connection solutions in a federated design, just as it would have to do on a centralised design. This would be a similar scale of development to that carried out for pensions dashboards.

- The estimated total ongoing costs of operating a federated model for the SPDP across all consolidators are £2-3 million p.a. (assuming five consolidators) and across all other ceding schemes are £5-10 million p.a. These were estimated using insight from the service-provider led market enabling schemes and providers to connect to pensions dashboards. The volume estimates for SWIFT costs, should SWIFT be chosen for message transmission, were £8 million for stock assuming a 2030 commencement, and £0.3 million p.a. for flow. We also concluded most of the costs of the federated model would still apply if centralised approaches were used. The costs of centralised approaches can therefore be viewed as largely additional to those of the federated model.

- The experience of industry's development of dashboards connections also gives confidence a similar development in respect of the SPDP could be

achieved in a reasonable timescale. In dashboards, a competitive market for connection service providers was quickly established, and soon considered a 'commodity service'. Some parties also chose to connect themselves directly instead. The timescales for industry build from a standing start to connection of over 2,600 schemes for dashboards will have been broadly similar to the time period available for the SPDP to be functional if in line with DWP's published Roadmap.

- DWP's Roadmap states the expectation there will be significant consolidation of DC schemes prior to small pots duties coming into force in 2030, meaning fewer participants for the SPDP. If this timescale was further extended there would be even fewer schemes participating, which is analogous to dashboards where the delays in the connection timetable meant that fewer schemes ended up in scope, but the service provider market was still established early on.

- A federated model would be enabled by strong governance, with a framework of regulations, standards, and regulators' monitoring process informed by the approach taken for dashboards, ensuring all parties have clear roles and responsibilities. Without a central operator, regulators will need to enforce service levels, ensure compliance and address any arising market imbalances.

- We did not rule out how a federated model could in the future be enhanced by creating a layer of centralised record keeping to support evolving requirements. This layer would not hold personal details, but could for example contain a ledger of allocations to approved consolidators which could be accessed by regulators. Our view is the time to evaluate this is when a federated service model, and the accompanying service provider market, has become established.

- For the reasons above, we concluded a federated, industry-delivered model is the most viable option for implementing the SPDP. This model works within the primary legislation parameters of the draft Pensions Schemes Bill and the 'Government Conclusions' in the SPDG Report. A number of areas of detail were identified which will need to be explored further in the, as yet undefined, stage two of the Feasibility Review and will also require secondary legislation. These are highlighted in the Report, including how to approach implementation phasing and handle exceptions. Some of these could feed back into future policy refinement.

Recommendations

- **Adopt:** A federated delivery model, leveraging existing open standards, messaging infrastructure and industry know-how, supported by new specific shared standards for interaction between ceding schemes and approved consolidators. With the right policy framework, coordinated action and ongoing regulatory support, this model presents a deliverable and pragmatic route forward for phased implementation in line with DWP's published Roadmap.

- **Avoid:** Initiating a central build, whether led by Government or an industry consortium. It is unlikely to succeed without a clear policy mandate and committed funding, particularly given the challenging delivery timescales. In any central build, industry would still need to invest in connecting to any new solution, on top of the build costs.

- **Ensure:** Early and strong Government stewardship to lead industry coordination, formalise governance frameworks and support onboarding processes. All within an agile, low bureaucracy environment. This would include the necessary detailed cost-benefit analysis to select the best approach to take to provide the messaging infrastructure.

- **Mandate or Endorse:** Message and data standards through regulation. These could be Government driven and mandated, or developed by an industry body and endorsed. This would include those standards relevant to matching, carousel operation and audit requirements. Undertake the necessary analysis to create proposals for new standards, such as prescribed matching criteria, and leverage existing open standards where possible.

- **Establish:** A regulatory-led Governance entity to oversee implementation readiness, ensure compliance across approved consolidators and schemes and maintain policy alignment. Establish a delivery entity and set clear timetables as early as possible to ensure industry will mobilise to build the necessary solutions, and consider following a similar approach to the 'voluntary participant' model used to encourage innovation by early adopters building dashboards connection technology. As the technology solutions for approved consolidators are more complex than for ceding schemes, the timeline for Government approving providers as MDCs will also be relevant to driving this activity.

1. Background

In November 2023 the Department for Work and Pensions (DWP) published a response to its consultation: *Ending the proliferation of deferred small pots*. The response set out the proposed solution to address the challenge of deferred small pots using a small number of authorised default consolidators. This proposed automation of the large-scale consolidation of small pots under the following framework:

Eligible pots:

- Those created since the introduction of automatic enrolment (AE)
- Those within the AE workplace pensions market, within charge capped default funds including Sharia compliant but excluding pots with guarantees
- Pots with no active contribution for at least 12 months
- Pots of £1,000 or less in value.

There is a requirement for schemes to transfer eligible pots to an approved consolidator. However, members are allowed to choose their desired consolidator or opt out.

The SPDG was formed in 2024 to support DWP in developing the policy, which is reflected in the Pensions Schemes Bill currently passing through Parliament. its purpose was to support the development of a viable, efficient, automated consolidation process for ceding and receiving schemes, while ensuring value for money for members, industry and taxpayers. The SPDG Report was published by DWP in April[1] and noted the consolidation process could be either federated or centralised, with this needing further exploration through a Feasibility Review. DWP noted this Review would inform Government on the key components required for the SPDP and the legislation needed for it to be delivered.

Implementation of small pot consolidation is expected to be delivered in full once a smaller number of large-scale schemes or ‘megafunds’ are established. The objective of the Feasibility Review was to identify the lightest touch operational solution which could deliver government policy by 2030, the timeline published in DWP’s Roadmap. Recognising the critical role of pension schemes in shaping the design and direction of the digital infrastructure required for small pot consolidation, Government concluded the Feasibility Review should be industry-led.

[1] Small Pots Delivery Group Report, 2025

At the request of DWP, Pensions UK (formerly the PLSA) agreed to lead the first stage of the Feasibility Review. The work has been supported by a funding consortium, consisting of trust, hybrid and contract-based master trust schemes, alongside DWP.

Pensions UK appointed an Expert Reviewer to engage with the wider pensions industry and key stakeholders and carry out the Feasibility Review objectives set out in Chapter 11 of the SPDG Report:

> *S191. The purpose of the Feasibility Review is to determine the viability and practicality of the policy design recommendations in relation to the infrastructure that will be required to enable the consolidation of small pots. The reviewer will examine and identify how the SPDP can be built in the most effective and efficient way providing value for money for members, pension schemes and the taxpayer.*
>
> *S192. The reviewer will examine two key components:*
>
> - *An examination of how to achieve the primary functions (identified by the SPDG) from a digital perspective, with the aim of building a specification and operating model assessing the relevant costs, benefits and risks – supporting the department to undertake a full delivery assessment.*
>
> - *An identification of which areas of the PDP's ecosystem could be replicated for the SPDP.*

To be clear, the Feasibility Review is limited to stage one of the delivery of the SPDP. It is not intended to create policy. The Expert Reviewers' remit was to evaluate the viability and practicality of implementing a digital solution to support a MDC model. A key requirement underpinning the Review was the requirement to identify the best and lightest touch model of making the SPDP work as per the brief given by DWP to Pensions UK and considered:

- Mitigating complexity of delivering the digital infrastructure needed.
- Mitigating costs, both regulation and build.
- Mitigating risks while optimising benefits.
- The solution's ability to meet a reasonable timescale.

To enable informed decisions on the optimal delivery model and the appropriate parties to deliver and maintain this essential infrastructure the Report also identifies:

- Questions arising from stakeholder engagement.

- Outlines of key legislative requirements.
- High-level process maps illustrating possible digital system designs.

The Review builds on the work of the SPDG and also reflects the Government's intention. The criteria for evaluating the solution address the following:

- Identifying the solution which is the best and lightest touch model of making the SPDP work.
- Ensuring the SPDP solution plays its role in ensuring effective support for members.

2. Industry & stakeholder engagement

Given their relevant experience and expertise, Kim Gubler of KGC Associates (KGC) and Maurice Titley of Lumera were appointed as Expert Reviewers by Pensions UK to conduct the feasibility analysis and draft this Review. Kim and Maurice have been involved in industry engagement on Small Pots solutions over time, including being members of the SPDG. Kim also sat on the 2020 Small Pots Co-ordination Group and Chaired its Data Sub-Group. They are both also closely involved in industry's work on pensions dashboards, through their leadership of the Pension Administration Standards Association Dashboards Working Group and involvement with the Pensions Dashboards Programme (PDP).

More widely, KGC has wide experience of working with the most senior stakeholders in the UK pensions industry and were well placed to consider how industry would want to contribute to the solution, and how an ongoing governance model could be established.

Lumera is a technology provider dedicated to the digital transformation of the European Life and Pensions industry. In the UK market, Lumera's experience in delivering administration platforms for DC schemes and master trusts, and in connecting those schemes to pensions dashboards, has been instrumental in evaluating technical solutions. Lumera's Fredrik Bodestedt played a key role in this analysis, drawing on his first-hand experience of how other countries have addressed similar challenges.

Appointed in early June with a delivery deadline at the end of July, the Expert Reviewers engaged rapidly with the industry.

The Pensions UK Master Trust Reference Group, co-funders of the Review contributed their expertise directly[2]. Their perspectives and operational constraints were explored through numerous individual virtual meetings, enabling iterative feedback and operational insight.

Legislative change will be required to allow Group Personal Pensions (GPPs) to undertake the bulk transfers without consent necessary for small pot consolidation. Government intention is for both trust-based and contract-based providers to enter the market at the same time and legislative changes are expected to be in place by the time policy is implemented. However, take up in this sector will depend on appetite at the time. The Expert Reviewers therefore also engaged with the Association of British Insurers (ABI) to ensure the Review reflected this wider scope and incorporated the perspectives of this market sector.

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[2] Co-funders: L&G, NEST, now:pensions, People's Pension, Smart Pension, TPT

To build on this engagement, two workshops were held on 2 and 3 July 2025 with operational representatives from the Reference Group. These are the individuals who would ultimately be responsible for implementing any small pot solution. The sessions explored 'the art of the possible' from an operational perspective, while ensuring they remained aligned within the parameters of the Pension Schemes Bill.

Oversight of the Review was provided by a Governance Panel[3] appointed by Pensions UK to ensure robust due diligence.

Regulatory oversight on trust-based schemes will be conducted by The Pensions Regulator (TPR). When GPPs are captured by legislation, they will be regulated by the Financial Conduct Authority (FCA). As key regulatory stakeholders, these regulators' views were considered as part of the Review.

A high volume of a narrow data set of personal data will need to be shared in an MDC environment, primarily the personal details used for matching records between schemes and approved consolidators. The workshops therefore included participants with a detailed practical understanding of how UK GDPR considerations were addressed within the Dashboards legislative framework. This will ensure the SPDP will operate effectively within current data protection laws. As the requirement for ceding schemes to communicate with members will be subject to secondary legislation, this was not considered.

The Expert Reviewers also consulted other expert contributors from within the pensions industry representing the Pensions Data Project. This is very relevant to the SPDP, particularly around data quality and matching challenges. Similarly, we consulted insurance software solution providers including Equisoft, as they have particular expertise in the use of open standards for messaging.

Finally, the different solutions were tested with individuals from outside of the UK pensions industry. There was input from the former CEO of the Swedish pensions dashboard who has significant experience of how similar governance challenges have been met in other European countries, and the MD of BridgingX, a company experienced in designing workflows automating interactions between diverse industry participants[4].

[3] Panel composition: Joe Dabrowski (Chair), Jonathan Hawkins technology representation, Lizzy Holliday Co-funder representation, Nicky Day as observer

[4] Anders Lundstrom and Stephen Stanton-Downes

3. SPDP solution considerations & challenges

3.1 Scale

The Government's intention is to end the proliferation of small pots and ensure all DC pension scheme members receive value for money from their pension providers. The Pension Schemes Bill published Roadmap targets 2030 for implementing this legislation. While the SPDG recommended a phased implementation for its introduction, there will still be a significant level of 'stock' small pots to consolidate at the outset. There is also the possibility in the future the Government could increase the £1,000 threshold for assessing the pot value as 'small' bringing more stock into scope. The annual eligibility sweeps will also mean there will be periodic 'flow' loading in the system. This underscores the need for any solution to be highly scalable.

3.2 Key principles

Any solution to address the small pots issue must distinguish between two dynamics:

- The existing stock of deferred small pots
- The ongoing flow of new pots created in the future.

The stock, estimated in 2024 at around 13 million, represents a one-off challenge with significant implications for the entire DC pensions sector, even if tackled in phases. In contrast, the flow of new small pots is an ongoing process, likely to exhibit natural peaks and troughs over time. While more predictable and manageable, this flow will increasingly concentrate among a smaller number of large providers, many of whom may also be acting as approved consolidators.

The Expert Reviewers acknowledge different solutions could mean the SPDP is in reality a federated ecosystem, with messages passing between participants, rather than a physical platform that sits between those participants. However, in keeping with the SPDG Report and subsequent feasibility scope, the naming convention of SPDP is retained throughout this Review. The key principles of the SPDP needs to accommodate the need for both scale and the different dynamics of 'stock' and 'flow' while:

- Reusing what is already available
  - Whether existing infrastructure and knowledge base can be utilised
- Minimising the need to build new central infrastructure
  - Maximising the chance of implementing within the desired timeline
- Designing the solution based on current knowledge
  - Not seeking to predict additional future requirements

It is acknowledged the design of the SPDP will have a material impact on the different stakeholders needing to interact with it. For example:

- Smaller schemes with less sophisticated systems and processes will need to be able to connect to the SPDP when eligible small pots are identified.
- Approved consolidators will need to integrate the SPDP into their core operational infrastructure.
- Regulators will need to obtain the reporting data they need to effectively govern the small pots consolidation, and depending on design decisions this may come from the SPDP itself, or directly from schemes and approved consolidators.
- Ceding schemes will be required to communicate with those members captured by the regulations. Although what this entails will require secondary legislation.

3.3 Standards and governance

As part of the overall governance approach for small pots consolidation, the SPDP will require specific governance and standards, to ensure:

- System wide integrity and consistency.
- All relevant DC schemes interact with the SPDP through standardised processes, delivering a consistent and comparable experience for all members.
- Government can exercise effective oversight and accountability.
- Once the enabling legislation is in place, Government and regulators are able to set and enforce key service level agreements (SLAs), monitor the effectiveness of the policy, and assess scheme behaviours.

3.4 Data quality preventing consolidation

There will be cases where a ceding scheme identifies a pot as eligible for consolidation, but a default consolidator cannot be identified. These scenarios may vary with the final design decisions for SPDP governance, but one such example is when the ceding scheme holds such incomplete personal data that it could not be reliably matched with a consolidator's record. Another potential scenario is where there is a close but inconclusive match between the personal data held by the ceding scheme and the consolidator's record, leaving doubt as to whether it is indeed the default consolidator for that individual.

Any viable solution for small pots must incentivise all parties holding personal details to resolve data issues identified and to automate as much as possible.

4. Feasibility of re-using the dashboards ecosystem

4.1 Comparing dashboards and the SPDP

While there may appear to be surface-level similarities between the pensions dashboards digital ecosystem and the requirements for a small pots consolidation solution, there are fundamental differences in service model and data flows.

The pensions dashboards ecosystem is a business-to-consumer (B2C) service initiated by the individual. Savers first verify their identity using the Government's One Login service, then consent to carrying out a search for their pensions.

The saver then consents to a search for pensions being carried out by submitting verified personal details, supplemented with additional data items provided by the saver, so that these details can be compared by schemes with the equivalent data items that they hold. When making these comparisons, schemes use their preferred approaches to 'matching' to determine if the saver has a pension in that scheme.

The result of this search is then retained as long as the saver remains an active user of dashboards, so they can view that pension.

In contrast, the SPDP will operate as a business-to-business (B2B) service initiated by the ceding scheme, without any member consent, when a member is identified as having an eligible dormant small pot.

As discussed in the SPDG there also has to be a matching process involved in the SPDP to establish if the individual with the small pot also has an existing consolidation record. The comparison may be with a record held in a central database in a centralised SPDP model, or with a record held by a consolidator in a federated SPDP model.

In all cases there is, by definition, no opportunity for the member to verify their data as they are not involved in this process, so any matching must take place just on the data presented by 'both sides'.

There is a fundamental difference between a consent-based member-led process, and a 'behind the scenes' B2B process (see Table 1 below). Logically, there is limited potential to re-use or replicate components of the dashboards central digital architecture to enable the SPDP. There are however other components of the dashboards ecosystem, particularly the know-how established in creating them, which should contribute greatly to the successful establishment of the SPDP as identified in S4.2 below.

Table 1

	Dashboard	SPDP
Service	B2C	B2B
Initiated by	Member.	Ceding scheme/provider.
Data requirements	Basic personal data, plus potentially other data sets.	Only a small subset of basic data from the data standards, followed by pot value if more than one pot found.
Ecosystem linkage	Scheme providers use third parties to connect – few connect directly.	TBD

While the ultimate design of the SPDP architecture remains to be determined, it is clear adapting the dashboards ecosystem to support scheme-to-scheme processing would involve substantial re-engineering and cost. The existing dashboards infrastructure is not designed to support automated, provider-initiated consolidation activity, nor the streamlined data requirements such a service would entail. As such, it is not a feasible foundation for the SPDP. This means either fresh, innovative thinking is required which can re-use existing processes and protocols, or a rebuild of infrastructure and technology.

4.2 Re-usability of dashboards ecosystem components

Table 2

Ecosystem components	Dashboard usage	Relevance for SPDP
Identity service	Verification of a user's ID making use of One Login (Government IDV service).	This part of the ecosystem is not relevant as the individual is never involved in the SPDP processes by definition, and does not need to verify their identity. Data quality remains the responsibility of schemes and approved consolidators, which may use data verification techniques as part of their approach to data capture from employers, and ongoing data management.

Ecosystem components	Dashboard usage	Relevance for SPDP
Consent & authorisation	Manages user consent to find pensions and the PEIs[5] recording where pensions are held.	Consent is not part of the SPDP process. The actual PEIs held for a given member exist because a user has consented to finding their pensions for a dashboard, and they have been 'matched' with scheme records using scheme-specific matching approaches. These PEIs are then retained only while the user is a regular user of a dashboard. For these reasons they are unsuited to be re-used for a non-consented service which should involve a prescribed matching approach rather than scheme-specific matching conventions (See S7.2). The basic concept of storing PEIs in a data store is so generic, there would be little value in attempting to re-use this specific data store created for dashboards.
Pension finder service	Background service sending out requests to all data providers (and ISPs).	This is an API based service polling data provider 'end points' to search for data. This is a commonplace design in many API[6] based services. Conceptually it is similar to what could be needed by the SPDP, but there would be little value in trying to re-use this specific service.
Integrated service providers (ISPs)	Providers connecting pensions information on behalf of most (but not all) schemes.	The ability to access third party services to support compliance with new regulatory requirements is relevant to SPDP. Some functional requirements overlap with ISPs, but others will be very different and will need developing. A competitive market has developed for dashboards ISP services, which is becoming seen largely as a commodity service, but there are also a number of providers and administrators developing their own connection independently of any ISP. We would expect a similar situation to evolve for provision of the SPDP services.

[5]A PEI is a unique digital token generated by a pension scheme in response to a successful (or possible) find request. It contains no personal data, serving as a pointer indicating where an individual's pension data can be securely retrieved within the dashboards ecosystem.

[6] An API is an application Programming Interface is a secure standard set of rules and protocols allowing different software applications to communicate with each other quickly.

Ecosystem components	Dashboard usage	Relevance for SPDP
Standards	These define how schemes, providers and ISPs need to support pensions dashboards.	New standards would be required for the SPDP, for example around messaging and matching, but learnings can be taken from the approach taken to maintenance and governance of standards for pensions dashboards. The PDP data standard is very relevant however as it covers most of the data items likely to be required for matching within the SPDP. Although there are other existing standards which will also be relevant. The SPDP will not necessarily entirely follow the approach used for dashboards.
Governance register	Monitoring and reporting of compliance and security across the ecosystem.	The concept of a governance register has clear parallels in other legal, regulatory, and data-sharing constructs. Particularly where federated digital ecosystems are involved. These registers are typically used to maintain trust, security, and accountability between participants. As such this is a relevant concept for the design of the SPDP, but re-use of the actual register created for dashboards does not add value.

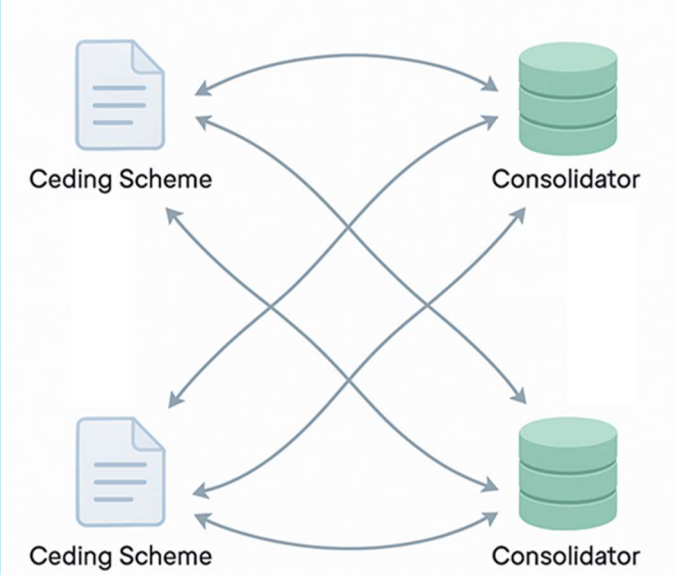
5. Potential SPDP federated approach

5.1 Federated industry solutions

A federated solution is a peer-to-peer model and would be where ceding schemes and approved consolidators communicate directly with one another on a one-to-many basis, rather than through a central authority. This is sometimes also referred to as a distributed solution, but 'federated' better emphasises the essential distinction where there is a much-reduced need for data sharing with a central service, and processing is deliberately carried out by the pension funds themselves.

Here the operational logic remains within each participating party, either the ceding scheme or the consolidator, as depicted in **Table 3** below. It requires strong coordination, but allows for decentralised execution.

Table 3



It should be noted a consolidator can also take on the role of a ceding scheme when ceding its own small pots.

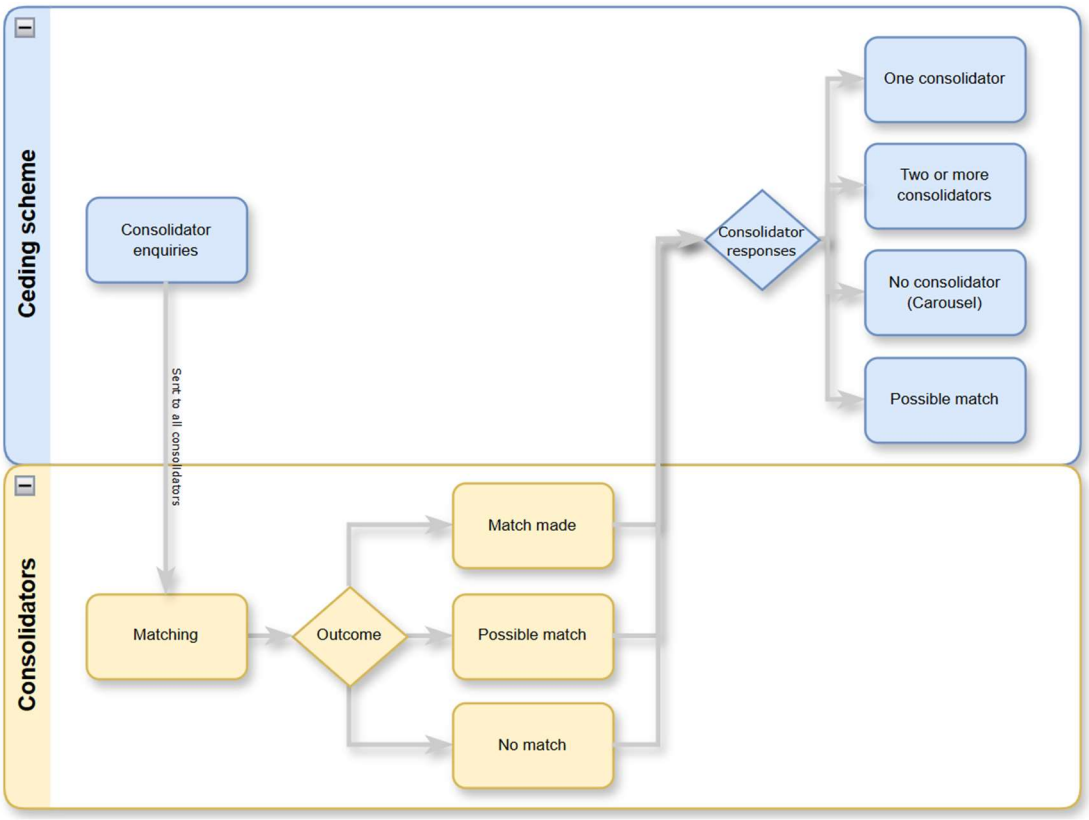
An industry-led service provider solution re-using existing messaging standards, like the data connection/ISP side of dashboards, gives a highly developed, but light touch solution. This leaves it to the market to innovate and compete, as they have done in the ISP market.

This would undeniably be the lightest touch approach to the SPDP. DWP has also confirmed no assumptions were made about the level of centralisation of the SPDP design in the Government Conclusions stated in the SPDG Report. This approach is therefore in line with those conclusions.

5.2 Allocation of responsibilities

To support the distribution of the SPDP, the Review developed a high-level process overview and allocation of responsibilities, as illustrated in **Table 4**. This outlines how key activities are shared between the SPDP, ceding schemes, and approved consolidators. A more detailed breakdown of each process step is provided in the following section.

Table 4



The scope of this model is intentionally limited to the functions falling within the remit of the SPDP. There are several other activities involved in the small pots consolidation process which will necessarily continue to be managed by either the ceding scheme or the consolidator, but which do not require support from the SPDP itself.

While there may be a future case for introducing more centralised support functions, the Review deliberately remained focused on the Terms of Reference: designing a solution specifically for the SPDP's role within the broader consolidation framework. This disciplined approach ensured clarity of purpose and a solution which is both practical and targeted.

Taking each stage in turn:

Step 1 – ceding scheme sends consolidator enquiries:

- Ceding scheme obtains list of current approved consolidators held centrally.
- Ceding scheme sends a 'consolidator enquiry' to each consolidator, utilising a new messaging standard, containing personal details of the member.

Step 2 – Consolidator carries out Matching:

- Consolidator receives the enquiry and compares it to their membership records using prescribed matching, and possible matching, criteria.
- Matching gives an outcome determining next steps:
- If a MATCH MADE, then consolidator responds with a positive result, and returns a flag to show whether the pot has been used for default consolidation before.
- Where a POSSIBLE MATCH a separate process is required (see S7.1).
- Where a NO MATCH responds with a negative result.

Step 3 – Consolidator responds

- Ceding scheme waits for responses from all approved consolidators then applies standard logic to assess the default proposal:
- Where logic results in a clear default proposal then consolidation proceeds*.
- Where result is two or more approved consolidators with pots for this member then send a 'pot size enquiry' to only those with a MATCH MADE, and on response chooses the largest.
- Where result is there are none with pots for this member then operate the carousel approach to select a consolidator.
- Where the result is a POSSIBLE MATCH follow options on how to proceed (see S7.1).

* Where a member has previously chosen a consolidator as their default consolidator, then this will be known to the consolidator and can be returned in its response to the ceding scheme.

Once it is decided a transfer should be initiated, then an additional step would be required for the ceding scheme to send a pot consolidation request to the consolidator, where the actual transfer process will be triggered. While this is outside of the scope of the SPDP, a similar approach could be taken to that set out in S5.3 to pass this instruction to the chosen consolidator, regardless of the process then followed to actually carry out the transfer.

Table 5 shows the chain of data controllers which would be involved in this model which is analogous to the PDP Data Protection Impact Assessment for the PDP Central Digital Architecture and related services. It would be a key re-use of the learnings from dashboards. The optional service provider carries out a role similar to a dashboards ISP.

Table 5

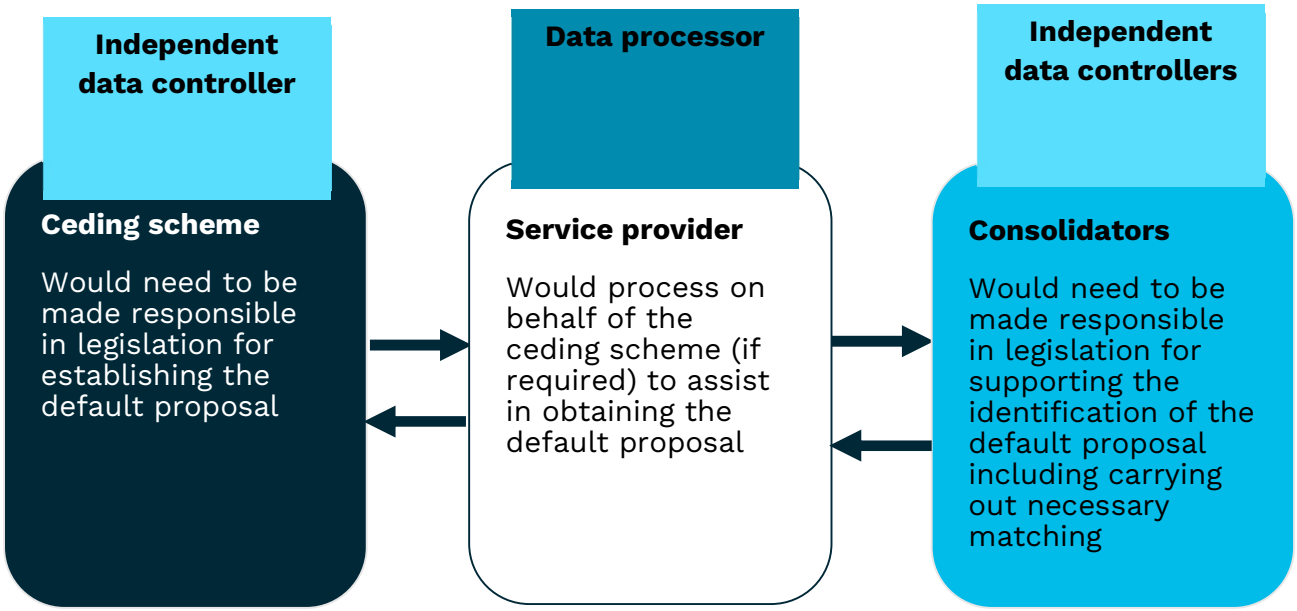
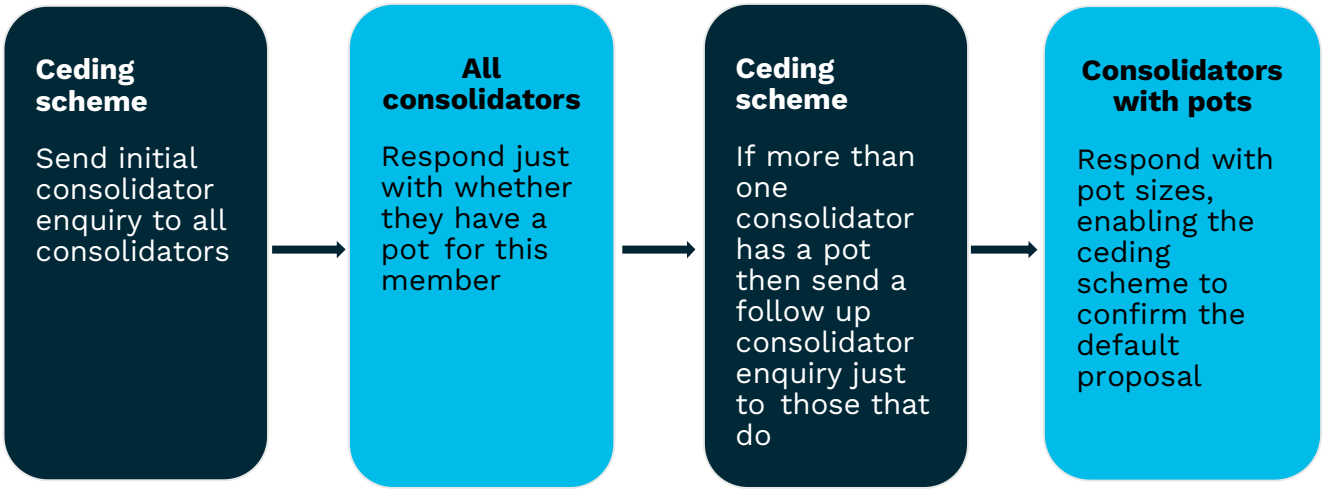


Table 6



The use of a follow up messaging enquiry to establish pot sizes, minimises the data provided to the ceding scheme to establish the default proposal as demonstrated in **Table 6**. In many cases, where there is only one pot to consolidate to, pot sizes will not be relevant to the default proposal.

5.3 Standards and message transmission

The Review concentrated on existing trusted technology and open standards to develop an implementable solution for message transmission within the SPDP.

We strongly recommend open standards should be used for defining the structure of the messages within the SPDP:

- ISO 20022 Standards are used widely by financial institutions as a standard for message structures and processes and have almost 'off the shelf' applicability to this use case.
- The use of open standards was previously recommended by Government in earlier work on small pots in 2015.[7]

The Review proposes creating a new Standard, based on existing ISO 20022 standards, to define the message structures to be sent between ceding schemes and approved consolidators for the operation of the SPDP. This should be much simpler than the current open transfers standards.

Creating and governing a new standard:

Creating a new messaging standard is simple but the bigger questions are how it would be governed and controlled as a market practice, and how security can be maintained:

- The current Open Transfer Standards are governed by the UK Electronic Transfers & Re-Registration Group (UKETRG), a group of around 400 providers.
- The new standard for the SPDP would need to be governed by a new entity,[8] potentially the same entity governing the SPDP in a wider sense (see S9).
- The new Standard would be entirely independent of how schemes facilitate their actual transfers, and whether they use UKETRG or other existing approaches.

The Review proposes SWIFT would be one option for transmitting information, but other options should be explored from a cost/benefit perspective. This would be entirely independent of how schemes facilitate actual transfers, and whether they use UKETRG or other existing approaches.

[7] DWP 2015 report on Automatic Transfers: A Framework for Consolidating Pensions Savings. *"We have decided that utilising ISO20022 as the basis for the pot matching … is the appropriate approach"*

[8] Or an existing entity with new responsibilities

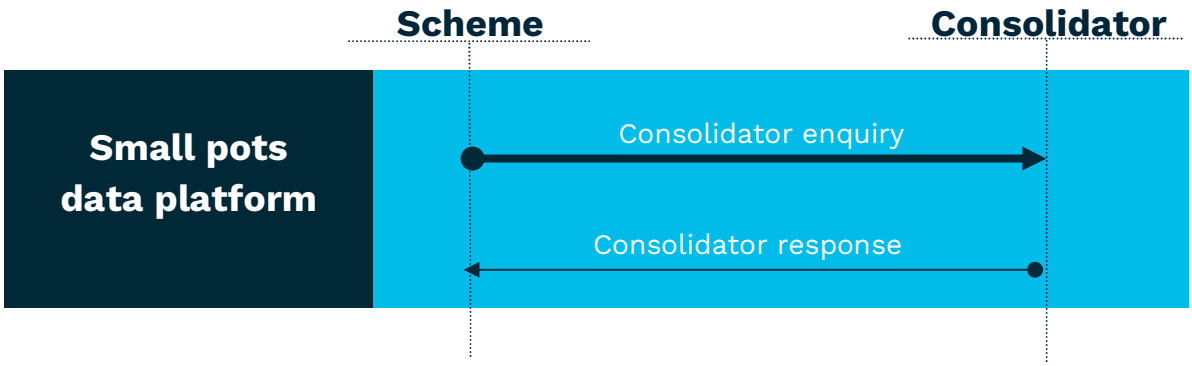
Evaluation of choosing SWIFT for message transmission:

Financial institutions use SWIFT to securely transmit information and instructions through a standardised code system, primarily used to transmit details relating to payments.

- More than 11,000 global SWIFT member institutions sent an average of 44.8 million messages daily through the network in November 2022.
- SWIFT is the messaging network behind the UKETRG open transfers ISO 20022 standard. It is therefore already tried and tested in the UK pensions sector.
- Fees for SWIFT messaging may be bundled by service providers (as they can be for open transfers), with the option for a large scheme to operate their own direct connection should they wish to. With the help of our contributors, we have carried out some analysis to estimate the level of SWIFT charges that may be incurred by schemes and providers, which we report later in this section.

To demonstrate how simple it would be to define the actual standard, we created examples using ISO 20022 and SWIFT as shown in **Table 7**:

Table 7



A base SWIFT message would be used for Account Holder Information Request SESE19 which is a good match for this scenario and would allow the SPDP to reuse existing secure and widely used messaging. Amendments could be made to the base message. The Consolidator would then respond using SWIFT messaging.

A new (or repurposed) Governance entity (see S9) would then define amendments to this base message. **Table 8** shows an example of how straightforward the end product of a Consolidator Enquiry message could look like.

Table 8
Question for the consolidator: *'Do you hold a pot for this member?'*

```
<Document xmlns="urn:iso:std:iso:20022:tech:xsd:sese.019.001.08">
    <AcctHldgInfReq>
        <MsgRef>
            <Id>CONS-ENQ-00000001-00000001</Id>
            <CreDtTm>2025-06-01T00:00:00.00</CreDtTm>
        </MsgRef>
        <PmryIndvInvstr>
            <Nm>Mary</Nm> <!--Member First Name-->
            <GvnNm>Miggins</GvnNm> <!--Member Surname-->
            <BirthDt>2000-01-01</BirthDt> <!--Member DOB-->
            <SclSctyNb>AB123456A</SclSctyNb> <!--Member NINO-->
            <IndvInvstrAdr>
                <PstCd>AB1 1AB</PstCd> <!--Member Post Code-->
            </IndvInvstrAdr>
        </PmryIndvInvstr>
        <TrfrAcct>
            <Id>AR-PEN-123456</Id> <!--Policy Identification-->
            <Svcr>
                <AnyBIC>AAAAGB2A</AnyBIC> <!--SWIFT BIC of Offering Scheme-->
            </Svcr>
        </TrfrAcct>
        <Trfee>
            <AnyBIC>BBBBGB2B</AnyBIC> <!--SWIFT BIC of Consolidator-->
        </Trfee>
        <MktPrctcVrsn>
            <Nm>NMPG-GB-IF-SmallPots</Nm>
            <Dt>2025-06</Dt>
        </MktPrctcVrsn>
    </AcctHldgInfReq>
</Document>
```

The example of the initial consolidator response is shown below in **Table 9** and **Table 10**:

Table 9

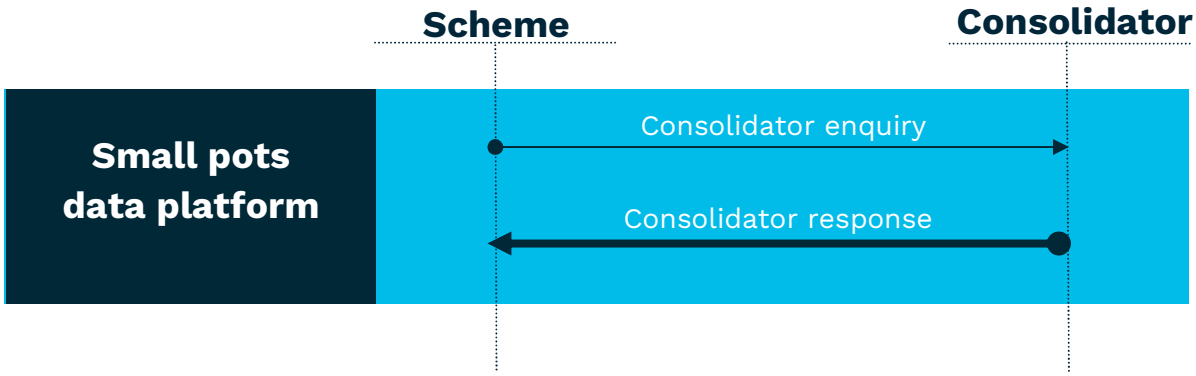


Table 10
Example response by the consolidator: *'Certain match made, we do hold a pot for this member'*

```
<Document xmlns="urn:iso:std:iso:20022:tech:xsd:sese.011.001.09">
    <TrfInstrStsRpt>
        <MsgRef>
            <Id>CONS-RSP-00000001-00000001</Id>
            <CreDtTm>2025-06-01T00:00:00.00</CreDtTm>
        </MsgRef>
        <Ref>
            <RltdRef>
                <Ref>CONS-ENQ-00000001-00000001</Ref> <!--Enquiry Message Being Responded To-->
            </RltdRef>
        </Ref>
        <StsRpt>
            <TrfSts>
                <Sts>
                    <Sts>MACH</Sts> <!--Indicator Showing Match-->
                </Sts>
            </TrfSts>
            <StsIssr>
                <Pty>
                    <AnyBIC>BBBBGB2B</AnyBIC> <!--SWIFT BIC of Consolidator-->
                </Pty>
            </StsIssr>
            <StsRcpt>
                <Pty>
                    <AnyBIC>AAAAGB2A</AnyBIC> <!--SWIFT BIC of Offering Scheme-->
                </Pty>
            </StsRcpt>
        </StsRpt>
        <MktPrctcVrsn>
            <Nm>NMPG-GB-IF-SmallPots</Nm>
            <Dt>2025-06</Dt>
        </MktPrctcVrsn>
    </TrfInstrStsRpt>
</Document>
```

5.4 Considerations of a federated approach

The key requirements of a federated system in general are:

- **Robust network protocols** to manage peer discovery, communication and data consistency across all parties.
- **Security mechanisms** to ensure trust, authentication and data integrity within a decentralised environment.
- **Data standards**, so each peer understands the structure, format and expectations of the data being exchanged.
- **Governance mechanisms**, including access for regulators to relevant data, to ensure oversight and policy compliance.

The key advantages of a federated system in general are:

- **Industry independence:** The solution does not rely on Government building a central infrastructure. Technical development can be led entirely by the industry.
- **Resilience:** The model avoids single points of failure, although each failure point must still be resolved before a consolidation process can be completed.

- **Autonomy:** Each peer can operate independently within agreed parameters, preserving flexibility while adhering to essential standards, particularly around security.

Key concerns raised by some participants during our workshops regarding a federated approach for the SPDP are:

- The wide sharing of personal data without consent between ceding schemes and all approved consolidators:
    - The sharing of personal details from a ceding scheme to a consolidator so that a check can be carried out to see if that individual has a pot with that consolidator is a key requirement of any model for the SPDP. Even if a central database was set up under a fully centralised infrastructure option, this type of check would still need to happen for members who have not yet got a default consolidator recorded in the central database.
    - The SPDP is by design part of a process that operates without member consent, so any sharing of data will be taking place under an appropriate lawful basis. As an example from dashboards, it is worth noting an equivalent 'sharing of personal data without consent' is already something happening in that context. Dashboards users are consenting to making their own FIND request at the consumer end of the process, but scheme members are not consenting to having their personal details transferred to ISPs in order for FIND requests to be checked, and potentially incorrect POSSIBLE MATCHES raised against their data – in these scenarios the data controller will still have an appropriate lawful basis for that processing.
    - As noted, the workshops included an expert in the application of UK GDPR and how it is addressed for data flows in the pensions dashboards ecosystem. We therefore argue that the data protection model proposed earlier in this Review gives comfort this approach can work as well for the SPDP as it does for those data flows for dashboards.

- The risk of commercial sensitivity when providing fund values to a ceding scheme to establish which is the largest fund and hence the default consolidator - the commercial sensitivity being that a ceding scheme, who may also be an approved consolidator, may be able to build up a competitive portrait of their peers over time:
    - In the workshops, a contributor with knowledge of drafting regulations proposed that those regulations would need to be clear that data was only to be used for the purposes for which it was provided. Again there is an analogy with pensions dashboards here, in that vast quantities of personal details are sent to every connected party to be matched against their records, and there are strict rules that this data cannot be exploited for

other purposes, and has to be deleted when it is no longer required, such as when no matches are found by the connected party.

- The two-stage messaging process we propose minimises the data sharing required, which we suggest would be good practice. Fund size data would only be shared if there is a match in more than one consolidator, and it is required to make a decision on the default proposal. Data would only then be retained if needed for onwards processing – for example it is decided that the data should form part of the audit trail that the ceding scheme holds on why it chose that consolidator for a member.

- Where liability would lay in the event of an error:
  - The SPDG Report identified a liability framework whereby ceding schemes will take responsibility in the short term for errors, with the Pensions Ombudsman determining on where blame and/or compensation should lay. **This is outside of the scope of the Review,** but we note ceding schemes may wish to, or be required to, retain audit information regarding the decision-making process behind a choice of default consolidator.

- Whether there would be enough market appetite to create a competitive market in the type of service provider needed to act between ceding schemes and approved consolidators:
  - The Review concluded the dashboards environment demonstrates there should be an effective market. There are a smaller number of potential customers for this new service provider market, but there is a lot of support we expect them to be seeking. Approved consolidators may decide to create or buy a 'consolidator version' of the service which carries out the matching as well as connecting to the ecosystem, similarly to how master trusts have made decisions on dashboards connection.

- There still has to be regulation directing industry to deliver. As without a strong business case, backed by regulatory intent, many organisations will find it difficult to develop the business case to deliver on government policy. **This is outside of the scope of the Review, but we are assuming such an approach to regulation will be implemented.**

5.5 Costs to schemes of a federated approach

Based on the experience in the two most relevant areas of recent industry innovation - pensions dashboards and open transfers – we expect most schemes and providers

will choose to use specialist service providers to support the federated SPDP, rather than handling the processes directly.

This expectation of a service provider led model provides a basis on which to estimate the costs to schemes of the SPDP, by making the simplifying assumption all schemes and providers choose to use a service provider. For these purposes, these are termed a 'small pots service provider'. For the small number choosing not to, it can be assumed their cost/benefit analysis is favourable to this decision. Hence these estimates may be an over-estimate in these cases.

In line with the scope of the Review, these estimates are in respect of the SPDP itself and do not cover the other costs schemes will have irrespective of the choice of design of the SPDP. For example, the costs of member communications.

As shown in **Table 11**, two levels of service provision will be required by schemes and providers:

- **Standard:** Provides all the functionality to support the SPDP interactions for ceding schemes.
- **Advanced:** As per standard, but also adds the functionality to support the additional SPDP processing for consolidators, most notably in respect of matching.

Table 11
Service components to support the SPDP

Service level	Components	Functional areas
Standard	1 - Core service and admin platform connectivity	• Connection to admin platform (API, or SFTP) • Provide results back to admin platform APIs, notifications or manually through UI • Maintain full audit trail of activity • Allow for export of data to support scheme operations, regulator requests, etc.
Standard	2 - Small Pots Data Platform business logic	• Preparing data to submit in consolidator enquiries • Processing responses to consolidator enquiries • Applying carousel logic where needed • Identify default proposal and alternative proposals • Report back possible match responses
Standard	3 - Scheme to Consolidator message transmission	• Maintain SWIFT connection (or equivalent) • Send and receive messages in defined ISO 20022 compliant format

Service level	Components	Functional areas
Advanced	4 - Consolidator-only functions	• Matching engine • Specific reporting requirements

The combination of components 1, 2 and 4 above can be argued to be broadly similar to the capabilities of ISPs offering dashboards connection services. Lumera has good insight into this market through its Pension Fusion partnership with Equisoft. The market formed in 2022 and has settled into a competitive landscape with a number of providers to choose from, with buyers of services including individual schemes, third party administrators and pension providers.

One obvious difference between the markets for dashboards connection services and small pots services is the numbers of schemes and providers involved. Dashboards duties cover over 3,000 entities, while small pots duties will cover a lot less when they come into force. Using TPR's 2024 data[9] there were 320 DC schemes being used for automatic enrolment, and only 130 if micro-schemes of under 12 members were excluded. These schemes are expected to reduce in numbers further by 2030.

Lumera's insight has been used to estimate market size and by implication the annual costs to industry, of using dashboards connection solutions, excluding those segments of the market for dashboards connection services that will definitely not be requiring small pots services. This could only be done at a high level so the total market size will still be an over-estimate of what will really be needed to support schemes, but it provides a credible upper bound.

The other factor to consider is only approved consolidators will also require the Advanced functionality shown in Table 11, which includes the data matching engine.

Component 3 is the functionality to transmit ISO 20022 messages between schemes and consolidators. In order to estimate costs for this the assumption is this is carried out over a SWIFT connection, as suggested in the Review.

Under this approach a small pots service provider would have costs in respect of SWIFT covering building and maintaining a SWIFT connection, and volume-based 'per-message' fees.

Similar to dashboards connection services, a competitive service provider market has evolved for open transfers which also provides services over SWIFT connections, and there is every expectation this would also happen in the case of small pots service providers. How providers would 'bundle' costs for these services varies, but

[9] Occupational defined contribution landscape in the UK 2024 | The Pensions Regulator

it is possible to get a good indication of the total volume-based 'per message' fees that would be incurred.

Table 12
Assumptions for message volume estimates

Area	Assumptions and sources	Impact on volume estimate
Number of consolidators	Assume 5 consolidators.	Impact on number of enquiry messages per pot
Stock of small pots	Delivery Group Report estimates 13m in 2024, with 3m added since 2020. Assume 3m added every 4 years, so 17.5m in 2030.	Impact on number of enquiry messages in total
Flow of small pots	Delivery Group Report estimates 3m added in 4 years, so assume 0.75m p.a.	Impact on number of enquiry messages in total
Likelihood of small pot being held with a default consolidator	Given high concentration in largest master trusts who are also likely consolidators, assume 50%.	Reduces need for enquiry messages as pot held at one of the consolidators
Likelihood of follow up enquiries being required where more than one consolidator holds a pot	From contributor input we have made an assumption that 50% of individuals with a small dormant pot will have a pot with two default consolidators, and hence require the follow up enquiry.	Impact on number of enquiry messages per pot
Service provider efficiency over time	Where ceding schemes share the same service provider as the consolidator they are 'messaging' then there may be no need to send these through SWIFT.	This may reduce the overall number of SWIFT messages and create an efficiency in the market over time. We have not allowed for this, so are giving a more cautious estimate.

Message volume estimates

On the basis of the assumptions above, including that the stock of small pots that exist at 2030 will be 17.5 million with five approved consolidators, our volume estimates are shown in **Table 13**. This highlights how an increase in consolidators would have a proportionate increase in message volumes.

Note in Table 13, consolidators will be sending all the messages in the first column, because the small pot is also held by a consolidator, which is then the ceding scheme. This means only half of the messages in the second column will be sent by a consolidator, because the small pot is held by a ceding scheme which is not a consolidator.

Table 13

Area	Pot held with consolidator	Pot not held with a consolidator
Total stock of small pots	17.5m	
Percentage of small pots stock held	50%	50%
Breakdown of stock of small pots	8.75m	8.75m
Initial enquiry messages per pot sent by the ceding scheme	4	5
Responses from consolidators to initial enquiry messages (per pot)	4	5
Number of initial enquiry messages and responses	70m	87.5m
Percentage of pots needing a follow-up enquiry	50%	50%
Follow-up enquiry messages per pot sent by the ceding scheme	1	2
Responses from consolidators to follow-up enquiry messages (per pot)	1	2
Number of follow-up enquiry messages and responses	8.75m	17.5m
Messages to process the stock	**78.75m**	**105m**
Total flow of small pots (p.a.)	0.75m	
Breakdown of flow of small pots (p.a.)	0.375m	0.375m
Messages to process the flow (p.a.) (calculated by ratio of flow to stock)	**3.38m**	**4.5m**

Estimated total costs to schemes of operating the SPDP

Using the analysis and assumptions stated above, the estimated costs to schemes and consolidators of operating the federated approach to the SPDP, assuming the service provider-led approach is set out in Table 14.

How service providers would choose to structure these fees would evolve in the competitive market. For example, some may be charged on a transactional basis (like the SWIFT per message fees) and others on a bundled basis, but this analysis should give an idea of the quantum of fees.

We have not included an estimate of the one-off cost to schemes and providers of installing and integrating with the service providers. For dashboards connections in our experience these costs are often not substantial, but do depend on factors such

as the level of integration that each provider wants to achieve. This could be estimated in detail in a Stage 2 review.

Table 14

Area	**Total across all 5 consolidators** (who also act as ceding schemes)	**Total across all other ceding schemes**
Core service, admin platform connectivity, applying SPDP business logic	• **£2m-£3m p.a.** • Range reflects uncertainty around extent of specific consolidator functionality and complexity of matching.	• **£5m-£10m p.a.** • Estimated from ISP equivalent fees, range reflects uncertainty over the spread of relevant schemes in 2030.
SWIFT message fees to process the **flow**	• **£0.2m p.a.**	• **£0.1m p.a.**
SWIFT message fees to process the **stock**	• **£5.6m**	• **£2.3m**

Important Note: in line with the scope of the Review, these fees are simply in respect of the SPDP, and not any other aspects of the schemes fulfilling their small pots duties, or carrying out actual transfers.

The following assumptions for the analysis relate specifically to SWIFT charges:

- An indicative SWIFT 'per message' cost of EUR 0.05 following input from subject matter experts familiar with SWIFT charges and converted to GBP at the five-year average of 0.86.
- The estimated costs above do not take account of how service providers would bundle the underlying cost of the SWIFT connection. This is not expected to be material to the analysis, as most interested service providers will already operate a SWIFT connection.

6. Centralised approaches to the SPDP

6.1 Centralised infrastructure to support ‘clearing house’

Some potential consolidators expressed a preference for a centralised approach. Reasons given were:

- Insulating the consolidator from the burden of the matching process.
- Reducing the sharing of large amounts of personal data to multiple approved consolidators.
- Mitigating the risk of sharing commercially sensitive data.

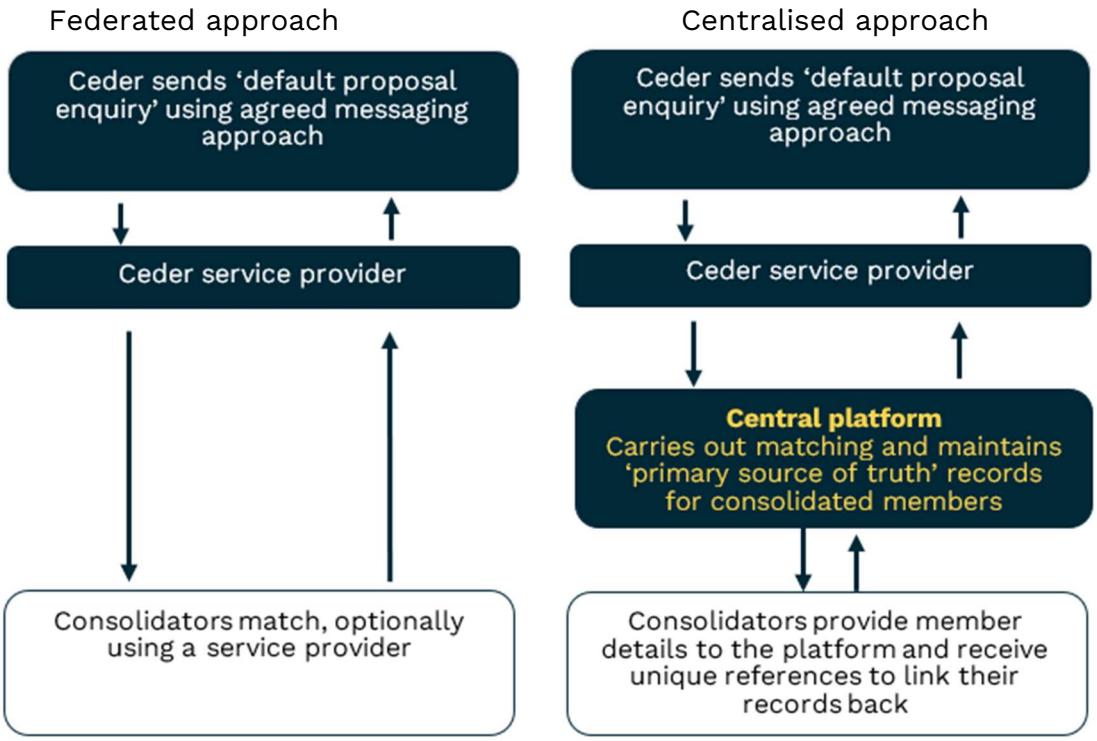
A fully centralised digital architecture means the SPDP would become a physical technological entity, maintaining records of individuals and the consolidator they have been assigned to, and making new assignments based on the agreed rules. This kind of data service would be able to support the ‘clearing house’ approach discussed in the SPDG. Based on the conclusions in Section 4, where little of the dashboards ecosystem itself can be repurposed or reused, any such centralised solution would need to be independently designed and operated.

This central platform would act as a processing hub. It would be responsible for verifying data in order to match deferred pension pots across the system and facilitating their consolidation into receiving schemes.

This model may suggest a degree of simplicity and control, as less data would be shared between ceding schemes and approved consolidators directly, but the implications are significant. A platform of this nature would, by design, need to hold large volumes of personal data, making it subject to the full scope of UK data protection legislation.

As a minimum, a central platform would need to hold and maintain sufficient personal details so that it could match the personal details of a ceding scheme’s small pot holder with the central platform’s records of individuals previously assigned to consolidators. Where no record of previous consolidation currently exists for that small pot holder then the central platform would either still need to contact consolidators to ask them to search their records and apply their own matching, or it would need to have access to a maintained copy of consolidator-held records so it could do its own matching against that data. The latter scenario is depicted below, and contrasted against the federated approach.

Table 15
Centralised infrastructure approach contrasted with the federated approach



The operators of a central platform would need to clearly establish whether they are acting as data controllers or processors, and would need to implement comprehensive safeguards, including data minimisation, security protocols, retention policies, and clear legal arrangements with all data-contributing schemes.

Government policy is the SPDP should not be involved in member communications, it will therefore have no direct relationship with individuals. This lack of relationship becomes problematic because of the decisions required around data matching and verification on behalf of the data subjects. Any breach or failure in the system could have industry-wide repercussions, raising serious questions about liability, redress, and public trust.

Operationally, a centralised platform would also require constant data inflows from a wide range of pension providers and administrators, each of which maintains its own systems, standards, and update cycles.

Ensuring data accuracy, timeliness, and comparability would demand an ongoing effort in data validation, exception handling, and synchronisation. This would not be a static database but a living infrastructure requiring continuous management and robust oversight, and would come at significant cost. There would also still need to be 'ISP-like' connectors to bring schemes and approved consolidators together with the central entity, just as there are in dashboards. A service provider market would therefore still need to be established to support this.

All of the same MATCH MADE and POSSIBLE MATCH considerations noted in Section 7 (below) remain. However, there would be easier and more direct access for reporting, audit and statistics monitoring required for governance oversight.

In addition to technical complexity, the delivery of a centralised platform would necessitate a formal procurement process to appoint a technology partner or consortium capable of designing, building, and operating the system. This would involve specifying functional requirements, running a competitive tender, assessing suppliers' capabilities and costings, and establishing contractual frameworks ensuring accountability, security, and service continuity. The procurement itself could take 12–18 months or more, depending on scope and stakeholder alignment, before any development work even begins.

The financial and structural requirements should not be underestimated. A platform of this scale would involve significant upfront capital expenditure, sustained operational funding and a permanent governance framework to oversee performance, compliance and future development. Unlike the pensions dashboards ecosystem, where Government played a convening and funding role, there is currently no indication of this for small pot consolidation. A final decision on where responsibility will lie for developing, procuring, owning and maintaining any new infrastructure has yet to be made. This will become clearer to Government once the design has been fully agreed. Regardless, Government will retain control.

Government has made clear it expects the industry to innovate where existing infrastructure cannot be reused or repurposed. While an independently operated, not-for-profit (NFP) solution remains attractive in principle, particularly as a means of addressing potential consolidators' concerns and delivering a consistent, secure approach, the practicalities of achieving this are challenging.

It would require early and sustained coordination, significant capital investment, clear governance and agreement on system design, all within a constrained timeframe. In today's fragmented and commercially diverse pensions landscape, securing the necessary alignment and commitment would prove difficult – particularly without the appetite to engage amongst the pool of potential consolidators. With no delivery mechanism currently in place and the implementation target drawing closer, it is hard to see how such a model could be realised – even with strong policy direction and long-term regulatory support. The Review did not find any appetite in the consolidator cohort for this approach.

6.2 Central services to support federated approach

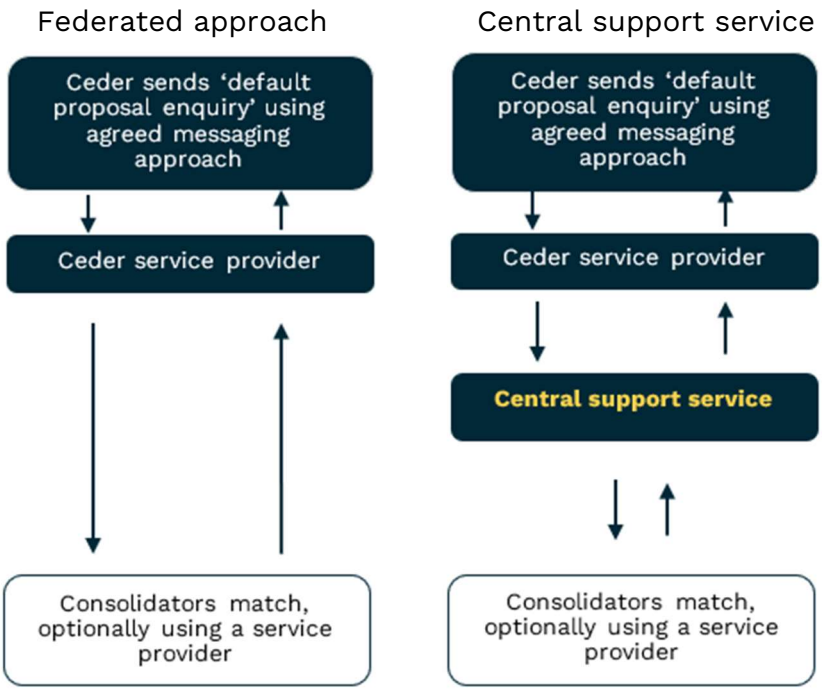
The challenges of creating a centralised system have led to suggestions of an alternative model, such as a federated technology approach designed to replicate key aspects of centralisation without physically holding data in one place.

This yet to be developed technology solution would act as a shield between ceding schemes and approved consolidators. Again, this would help manage competition concerns, data sensitivities and liability issues.

This would be a common software layer or integration component which would most likely be accessed through bespoke API connections with the systems of both ceding schemes and approved consolidators.

This model has been described as a 'technology shield', designed to sit between parties and carry out functions which do not require the processing of member data. Such as applying the logic to establish the Default Proposal, or choose a consolidator from the 'carousel'. However this common software layer could not carry out functions such as matching, which need access to the personal details being compared. This is depicted in Table 16 below.

Table 16
Central support service contrasted with the federated approach



While this may appear less centralised in operation, it would still require significant centralised development effort. Including the design, build and ongoing maintenance of the shared software. In this respect, it presents many of the same challenges as a traditional central infrastructure project. Particularly around funding, governance and implementation timescales.

The creation of Origo provides a relevant precedent for how the pensions industry has previously collaborated to establish a shared utility. Initially funded through capital contributions from a small group of aligned life insurers, Origo delivered infrastructure which became central to digital pension and ISA transfers. Over time,

the ecosystem matured and commercial competitors entered the market, further driving innovation. This illustrates how a NFP model can succeed where there is a clearly defined, shared objective. However, it is important to acknowledge Origo was established in a very different context, among a relatively concentrated group of stakeholders with closely aligned interests and a strong incentive to reduce operational friction.

The success of this approach would be highly dependent on achieving industry-wide consensus across a diverse group of consolidators. These organisations would need to agree not only on the functionality and standards of the technology, but also on ownership, licensing, and any shared intellectual property. Such alignment can be difficult to achieve in a competitive market, particularly where providers may have differing commercial strategies, technical capabilities, and priorities.

Even with consensus on design, each participant would need to be willing and able to integrate the solution with their own systems. This raises further questions around compatibility with existing IT infrastructure, information security protocols, and regulatory compliance frameworks. In practice some providers may face constraints which could delay or prevent adoption, whether these are technical, legal or operational.

A federated technology model may offer a more flexible alternative to a centralised operator, but it is not without complexity. It would require coordinated investment, shared standards, and strong governance to ensure it can function effectively across the industry. Any assumption it could be delivered more easily or cheaply than a more fully centralised system should be treated with caution.

6.3 Comparative costs of Centralised Solutions

Just as in the pensions dashboards model, any more centralised solution by definition requires all parties to support it and connect to it.

Looking at the four areas where schemes would incur costs under the federated model, as covered in Section 5.5, the extent to which they would still apply in a more centralised approach depending on the extent of the centralisation is shown in **Table 17** below.

Table 17

Components	Centralised infrastructure	Central services
1 - Core service and admin platform connectivity	No reduction expected – connectivity still required using bespoke APIs.	Minimal reduction – connectivity still required which could still be via a mechanism like SWIFT.
2 - Small Pots Data Platform business logic	Some reduction – but schemes still need to 'pick up the baton' to continue their part of the processes.	Some reduction, but less so for consolidators who would also still need to carry out matching.
3 - Scheme to consolidator message transmission	A central infrastructure approach would likely have its own APIs to support, so would not have message transmission costs.	Central services could well still use a mechanism like SWIFT, so no reduction expected.
4 - Consolidator-only functions	Consolidators would either still need to carry out matching themselves, or manage two-way data flows for the central infrastructure to make these decisions instead. Either option would mean limited reduction in the complexity of the support they would need and the associated costs.	Limited reduction for consolidators, as key functions like matching would not be covered under these more limited 'technology shield' services.

This leads to the conclusion there would only be limited reduction in the direct costs to schemes to support small pots consolidation if centralised approaches were taken as opposed to the proposed federated approach.

In terms of indirect costs, this is outside of the scope of this Review. However, some insight can be gained by looking at the PDP as detailed in the 2024 National Audit Office report.[10]

PDP is mainly funded through the two industry levies that fund Money and Pensions Service's (MaPS) operations – the Financial Services Levy on regulated financial institutions, and the General Pensions Levy on occupational pension schemes.

The costs of PDP building and operating the central infrastructure over the period 2019-2031/32 are estimated in the NAO report to be £289 million.

[10] Investigation into the Pensions Dashboards Programme

It is reasonable to propose the costs of a centralised infrastructure approach to implementing small pots consolidation could be analogous to those of the PDP if approached in a similar way.

In any event, whatever these costs are, and however they translate into increased levies for schemes and providers, they would largely be in addition to the costs schemes and providers would incur under the federated approach. They are not 'instead of'.

6.4 Conclusions on centralised solutions

A centralised solution could, in theory, be funded through capital or development contributions from providers. This would be similar to how Origo was originally established. Alternatively, it could be supported through a pooled funding model or an industry-wide levy.

However, the real challenge lies in securing the long-term commitment needed to govern the platform and ensure it can evolve effectively over time. This is not to say a collaborative approach is impossible, but any delivery model must be realistic about the limits of voluntary coordination and may ultimately require regulatory direction or statutory underpinning to gain traction and deliver at scale.

As noted, the Review did not find any appetite for the fully centralised infrastructure approach that holds records of personal details and primary 'consolidation records'.

An approach of creating central services to support the federated model would also present great delivery challenges at the outset as described above. We believe it could be considered in the future, such as adding a central layer of 'meta data'[11] record-keeping to support evolving reporting requirements. But this would be when the service provider market was established, the industry and regulators are in a better position to form a consensus on the value of this, and also the post-scheme consolidation landscape is clearer.

[11] **Metadata** is data that describes other data. It provides information about a file, dataset, document, or digital asset, helping users or systems understand, manage, or process it more effectively

7. Matching approach for the SPDP

Matching was covered in some detail in the SPDG Report and the Government's conclusion stated:

"To ensure that a member's pot is allocated to the correct place the government agrees that a high-risk tolerance will be set for partial matches, while balancing the need to achieve strong levels of consolidation."

In wanting to reuse and make the most of the discoveries of the dashboard work, it is important to understand its objectives and what will be different for SPDP matching compared to dashboards matching:

- Even higher bar set for making matches: a strong MATCH MADE criteria follows from Government's conclusion for a very low tolerance for false positives.
- Highly focused approach for identifying possible matches: focused POSSIBLE MATCH criteria need to be identified where it is almost certainly the same member. This is because NO MATCH can still result in member detriment, i.e. setting up a new consolidator pot with slightly different personal details.
- Allow for the fact verification is not part of the SPDP process: a dashboard user verifies a good portion of their data used to match pensions records. This cannot be the case for the SPDP as there is no member involvement.

7.1 Process for possible matches

In the context of small pots consolidation, a POSSIBLE MATCH response will only be returned when it is very likely the individual in the ceding scheme is the same person who holds a pot in the consolidator scheme.

Based on previous research and testing carried out by Pension Fusion,[12] very tightly defined approaches to POSSIBLE MATCH criteria where specific minor discrepancies in forename, surname and date of birth are picked up through 'fuzzy matching', may be expected to occur in around 1% of cases. As there are other data fields to consider here as well, such as NI number and email address, a cautious estimate would be at least 2% of cases would go down this route, representing around 260,000 of the stock of 13 million small pots.

A simple example to illustrate the policy and operational considerations:

[12] Getting to the Heart of Matching 08 September 2022. Pension Fusion release large scale pensions dashboards research on matching | Pension Fusion

A ceding scheme receiving a single POSSIBLE MATCH response from a consolidator, but no definitive MATCH MADE confirmation. In such cases, two principal policy options have been identified to determine the appropriate next step:

- **Option 1:** Ceding scheme responsibility
  Treat the POSSIBLE MATCH as a MATCH FAILURE, meaning the pot remains with the ceding scheme. Under this approach, the responsibility lies with the ceding scheme to identify the data fields which did not align and to review any fuzzy[13] matching rules applied during the process. The ceding scheme may seek to improve the quality of the record, although this effort could also be taken forward by the consolidator. In the absence of a resolution, the ceding scheme would be expected to retry the match after a defined period and to maintain records of such unresolved cases for regulatory reporting and oversight purposes.

- **Option 2:** Consolidator responsibility
  Allows the pot to be transferred to the consolidator, but into a new account. Responsibility in this case shifts to the consolidator, which would apply their existing internal processes to 'merge pots', such as third-party data verification, to determine whether the new account can be safely merged with an existing one. If this process is inconclusive, or in the unlikely event it is determined the individual is definitely not the same person with the existing pot generating the POSSIBLE MATCH, then the newly created account would remain as a separate default pot.

Both options raise questions of liability, data governance, and member experience, and further policy development will be needed to determine which approach best supports the goals of secure, accurate, and efficient consolidation.

In the Review workshops, there was strong support for an approach which started with Option 1, so the extent of POSSIBLE MATCH responses can be established. Then changes to the approach could be considered based on established experience.

More complex POSSIBLE MATCH scenarios are shown in Table 18 below.

[13] Techniques used to identify a likely match between a consumer's data and pension record, even when the information is not identical but close enough to suggest it may be the same person. It is a key concept for handling real-world data, where minor discrepancies are common. Such as spelling errors, name changes, formatting differences or out-dated contact details e.g. Jon Smith v Jonathan Smith

Table 18

Possible match scenario	Options
There is also a MATCH MADE with pots held by one or more consolidators.	Ignore the POSSIBLE MATCH and make the default proposal just based on the MATCH MADE pots.
There are no MATCH MADE pots, but there is more than one POSSIBLE MATCH pot.	If the approach is ceding scheme responsibility, then it is with them to improve records. If the general approach is for the consolidator to take responsibility, then the highest pot could be chosen *(noting though, it is unknown for sure these belong to the same individual*), or it could revert to ceding scheme responsibility to resolve.

7.2 The need for prescription

To ensure small pot transfers are accurate and secure, and to meet the high bar required by Government, the SPDP must operate within a clearly defined and consistent matching framework. This includes establishing robust criteria for both confirmed matches (MATCH MADE) and less certain but likely matches (POSSIBLE MATCH).

A high bar for MATCH MADE responses inevitably leaves a group of near-matches still to be considered. These are best identified using more flexible or fuzzy matching techniques under POSSIBLE MATCH rules.

POSSIBLE MATCH criteria must be carefully calibrated. If too strict, legitimate consolidation opportunities may be missed. If too loose, there is a risk of consolidating pots incorrectly or pulling in pots belonging to members with similar, but unrelated, data.

7.3 Defining match criteria

Setting the standard for matching criteria, including the prescribed MATCH MADE criteria or a prescribed minimum standard approach will require some statistical analysis on false positives. This could be undertaken by an industry body such as the Pensions Administration Standards Association (PASA), which has been involved in defining industry standards for dashboards matching. PASA's Guidance[14] on defining matching criteria is broadly accepted as an industry standard by both industry and regulators.

[14] Pension Administration Standards Association: Data Matching Convention (DMC) Guidance July 2025

For example:

- For MATCH MADE, PASA recommends maximising coverage by running as many different tests as possible, as long as each of the tests meets the tolerance bar for false positives.

- For POSSIBLE MATCH PASA recommends using focused tests to limit false positives, essentially meaning the responses are very likely to be to the scheme member, and therefore limiting false positives.

Given the extent of PASA's experience in defining match criteria, the overall principles of PASA's Guidance should also apply to small pots once the results of the statistical analysis are known and can feed into the prescribed process.

7.4 Standardising matching criteria in practice

While the PDP currently places responsibility for defining matching criteria with individual schemes and providers, there is emerging evidence a more standardised approach can be achieved in practice. In preparation for early dashboards data requests, many scheme administrators have adopted internal 'house views' applying consistently across the schemes they manage. This trend includes external AVC providers, over which scheme trustees often have limited or no influence. This further reinforces the potential for common criteria to be implemented at scale.

This experience demonstrates where matching criteria are sufficiently robust, it is possible to implement a standardised framework across multiple schemes and providers. This offers an encouraging precedent for small pot consolidation, where a consistent and prescribed approach to MATCH MADE and POSSIBLE MATCH responses would help ensure confidence in the process and reduce variability in outcomes.

Any move towards prescriptive criteria must also take into account the responsibilities of data controllers under UK GDPR. There is a legitimate question as to whether a data controller can simply be instructed to apply a specific MATCH MADE standard under regulation. One potential solution is to establish a **minimum standard**, which data controllers could choose to exceed (by applying more restrictive criteria), but not dilute (by making them less restrictive). This would preserve an element of discretion while ensuring a consistent baseline across the industry, but would also run the risk of impeding policy objectives by making the criteria too restrictive, which is the same inherent conflict faced when setting dashboards matching criteria.

Prescribing criteria for POSSIBLE MATCH responses presents fewer concerns, as these responses do not result in the automatic release or transfer of personal data, and therefore pose a lower risk in terms of data protection. This distinction may

support a phased approach, where POSSIBLE MATCH standards are settled first, with further evolution of MATCH MADE standards following on once statistical evidence and operational experience allow for refinement.

Taken together, the dashboards experience indicates with appropriate guidance, sector cooperation, and regulatory clarity, a consistent approach to matching criteria is achievable and standardised prescribed matching criteria would act in members' best interests. This is provided the framework allows sufficient room for operational flexibility and protection of member data.

7.5 Data improvement & verification

Improving the accuracy and completeness of member data is critical to the success of small pots consolidation. The SPDG Report addressed this in detail, and Government has since reinforced the expectation all pension providers must take reasonable steps to improve their data as part of the consolidation process. As stated in Government's conclusion to the SPDG Report Data Matching section:

"To ensure that all members can benefit from consolidation of their small pots, pension providers will be required to take reasonable steps to improve their data, as part of the consolidation process. The government encourages pension providers to undertake this activity in advance of the introduction of legal duties in preparation for implementation of the multiple default consolidator approach."

In practice, many schemes already undertake member data verification as part of their existing internal processes, particularly when attempting to merge multiple pension pots belonging to the same individual within their schemes. These procedures inherently involve verifying personal details, and in doing so, help improve the underlying data quality.

The introduction of the POSSIBLE MATCH response from the SPDP may further increase the demand for data verification. Depending on the operational model adopted, verification may need to occur either at the ceding scheme or at the consolidator. In either case, ensuring the accuracy of member records will be essential to support safe and efficient transfers.

Encouraging a broader culture of data verification across all schemes will be essential to maximising the effectiveness of the SPDP. This is not only in the context of merging small pots, but for wider member benefit. Early investment in data improvement will help reduce match failures, limit the risk of errors, and increase confidence in the system among both industry participants and scheme members.

8. Approach to carousel

Once a ceding scheme has found no MATCH MADE for a pot it will be allocated to a consolidator using a 'carousel' approach. For example, there may be a single small pot held by an individual with no other UK DC pension savings, such as an overseas worker or someone at the very start of their pension journey.

The carousel concept comes from the requirement for small pot consolidation to ensure fairness. The Government Conclusion to the SPDG Report referenced how the carousel was described in the Government's 2023 consultation response:

In cases where a member does not have a pot with an authorised consolidator, we will look to allocate members to an authorised consolidator based on a carousel approach. The carousel approach will divide pots at an equal proportion, between the approved consolidators.

However, equality of carousel allocation cannot be assured at the outset because the carousel is not transactional. For example, where a ceding scheme has established a default proposal supported by the SPDP there will be further communication attempts with the member by the ceding scheme before a transfer is initiated. It is therefore possible a member's activity could abort the transfer process, and therefore any measure of how equally approved consolidators have been allocated pots can only be made through 'after the event' reporting.

8.1 Allocation approach

The carousel approach is designed to distribute pots fairly across multiple approved consolidators where no MATCH MADE or POSSIBLE MATCH is identified.

Table 19 illustrates two possible mechanisms for implementing this approach in the federated model:

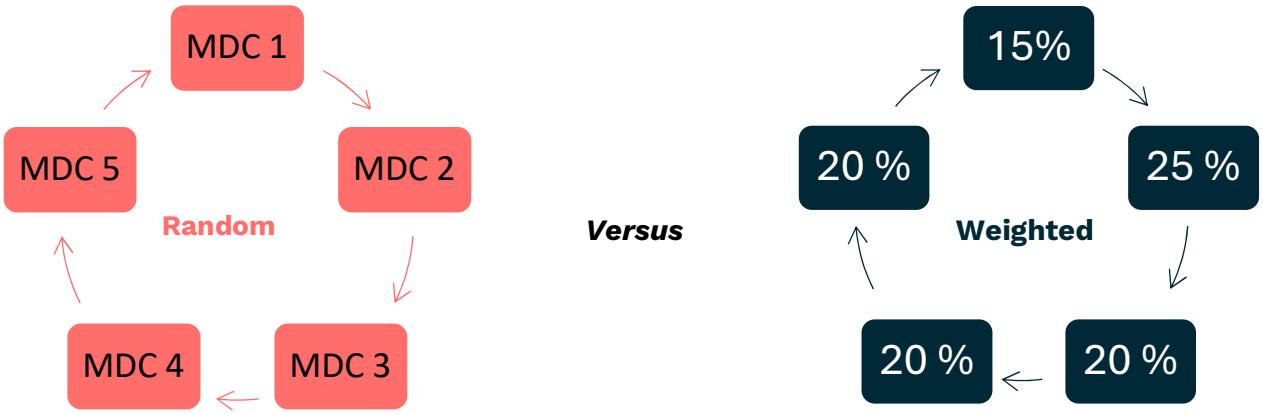
- A simple randomised model
- A more refined weighted distribution.

In the simple approach, ceding schemes (or a service provider) use an approved algorithm to randomly select a consolidator from a central register. This selection operates like a carousel, beginning from a random start point and working sequentially through the central register. Over time, it is expected such randomised selections will balance out, and this could be assessed centrally by regulators through reporting by ceding schemes and approved consolidators on how pots have ultimately been allocated. How this would work would need to be explored further in Stage 2 of the Feasibility Review and be subject to secondary legislation.

Stakeholders raised concerns about the reliability of this approach in ensuring equitable distribution over time. Consequently, a more complex, weighted approach was viewed more favourably. This model would store each consolidator's weighting in a central register and periodically adjust it based on actual allocation of transfers data. The algorithm would then apply these weightings to rebalance the distribution in favour of approved consolidators who may have received fewer transferred pots than expected under a fair share model.

It was also raised that the weightings could be used to accommodate a consolidator trading under two different brands, so their total allocation would be the same as any of their competitors, but split between the brands.

Table 19



The approaches considered reflect the need for a mechanism which ensures transparency, equity and resilience as the consolidation system evolves. A weighted approach is likely to be the most robust in achieving fair outcomes without relying solely on long-term statistical balance.

9. Governance options

Both FCA and TPR have been engaged as part of the Review and provided useful insight into what regulatory oversight would be needed. Both agreed delivering the SPDP will require a robust and coordinated governance model. Discussions highlighted Government will need to be mindful of the differences between the strict rule-based regulation of the FCA and the principles-based regulation of TPR.

Lessons from the PDP provide a useful precedent, particularly in terms of defining standards, managing service provider relationships and ensuring effective oversight.

DWP will need to explore how small pots regulation and governance will work in practice during stage two of the Review.

9.1 Core governance principles

A distributed ecosystem such as described in Section 5 must be underpinned by clear roles, enforceable standards and regulatory oversight. Governance should be designed to ensure:

- **Clearly defined roles and responsibilities:** All parties involved (ceding schemes, approved consolidators, and service providers) must have their duties clearly articulated in legislation.
- **Mandatory adherence to standards:** Technical and operational standards, such as those for data matching, must have legal standing to ensure consistent compliance across all participants.
- **Service provider accountability:** Much like ISPs in dashboards, the majority of compliance obligations will fall to service providers. These obligations should have regulatory oversight, including reporting, system management and operational standards.
- **Regulatory visibility:** Regulators will require a mechanism to monitor compliance within the SPDP ecosystem, ensuring activity is appropriately tracked and enforced.

The governance design will likely be analogous to that of pensions dashboards, where reporting is required from approximately 2,600 connected schemes and providers, but in practice, most of the burden is carried by around 20 service providers. The dashboards model demonstrates how a standards-led approach with concentrated reporting responsibilities can deliver effective oversight without unnecessary duplication.

9.2 Specific areas requiring governance

Certain features of the federated SPDP will need to be specifically accommodated in governance structures, including:

- Standards for matching criteria (including MATCH MADE and POSSIBLE MATCH).
- SLAs and minimum performance thresholds.
- Management of a central register of approved consolidators.
- Reporting requirements, such as carousel allocations and match rates.
- Defining ongoing reporting requirements, such as around carousel allocations and match rates.

There are of course wider governance considerations related to the broader small pots consolidation policy. **This is outside the scope of the Review**.

9.3 Potential industry governance bodies

The **implementation phase** for the SPDP, and wider aspects of small pots consolidation, will require a delivery entity to be established. Just as PDP was set up for dashboards.

In the case of the SPDP there is no central infrastructure build to undertake, but a significant amount of work will still be required, such as in creating standards, facilitating the development of service providers' solutions, and allowing them to be tested in a coordinated manner.

We discussed how a delivery entity could be structured and governed with the participants in our Review. The PDP is a potential model in the UK, which reports into MaPS. An alternative suggested was for a delivery entity to report into an existing UK industry body, such as the ABI, PASA or Pensions UK.

Whatever form this governance takes, it will need to work hand in hand with regulatory-led working groups to oversee implementation readiness, and ensure compliance across approved consolidators and schemes. Just as regulators have worked alongside PDP on pensions dashboards preparation.

A contributor with international experience advised on the structures of similar delivery entities connected with European dashboards, generally referred to as pension tracking services. Typically, these have involved public/private partnerships of some kind. An example is Norway where a new private company was formed jointly by a consortium of pension providers. In the set-up phase, the Norwegian Government also had a seat on the board to provide more direct influence, but no longer needs this as the framework of regulatory oversight is sufficient. Norway is particularly interesting to explore further, as covered in the Appendix, as there is now a separate related private company assisting members to consolidate DC pension pots, which itself is administered by an industry body.

However governance is implemented, it seems likely there will be a close level of government stewardship in the early phases. If this is the case, like the Norwegian example, it should be able to step back once in BAU operation.

Once the SPDP reaches its BAU phase, depending on the nature of the delivery entity it may or may not still be in existence. In any event, we discussed with Review participants which bodies they saw being actively involved in governance.

It was agreed the regulators are most likely to take the lead role in overall ongoing governance, with The Pensions Regulator carrying out this role for occupational schemes and master trusts.

When it came to maintaining standards, and dealing with more technical matters like SLAs, it was felt industry bodies may be the most appropriate to lead. For example, it was noted PASA has taken the lead on setting matching guidance for dashboards, and they could be well placed to carry out that function for the SPDP. More specifically, if a standards-based data transfer protocol such as ISO 20022 or SWIFT is adopted, existing industry groups already involved in open transfer governance could play a meaningful role in the SPDP oversight. These include:

- **UKETRG/UKFMPG:** Focused on establishing practical standards for ISO 20022-compliant transfers.
- **TeX (TISA Exchange):** A contract club of over 100 life offices, platforms, and pension providers that provides standard terms, obligations, and service levels.
- **ViaNova Group:** A collaboration forum for corporate pension administrators seeking to improve operational efficiency.
- **Criterion:** An independent standards and governance organisation which gained independence from Origo in 2017.

These groups have already combined to support the governance of open transfers and offer a valuable foundation for oversight functions within the SPDP, should similar technical infrastructure be used.

Finally, the international examples we have included in the Appendix describe how successful solutions have been implemented and governed in other countries, some using centralised technology approaches that are feasible in those countries – not least due to the availability of a reliable National ID, a topic discussed in detail in the SPDG sessions.

We should however be able to learn from their approach to governance and delivery, and this could be taken forward in Stage 2 of the Review. The examples include both federated and centralised solutions, with the closest example to UK small pots being the Norwegian EPK – Own Pension Account.

10. Conclusions & recommendations

This Feasibility Review was commissioned to assess the potential for delivering the SPDP to support the MDC model. The purpose of the SPDP is to enable the automated matching and consolidation of eligible deferred small pension pots. The Review set out to evaluate the operational feasibility of the SPDP, determine the most effective delivery model and identify the governance and technical frameworks required for implementation.

10.1 Scope of evaluation

The Review has considered the following critical dimensions:

- **Operational Models:** Including centralised and federated technology approaches.
- **System Requirements:** For data matching, routing of instructions and auditability.
- **Technology Feasibility:** Including integration needs, system design principles and security protocols.
- **Governance:** Exploring regulatory oversight, service levels and trust architecture.
- **Reusability of Infrastructure:** Particularly the potential and limitations of the pensions dashboards ecosystem.
- **Market Dynamics:** Including commercial behaviours, digital maturity and industry appetite for collaboration.
- **Implementation Timelines:** Alignment with DWP's 2030 published roadmap.
- **Cost and Risk:** Considerations for both delivery and long-term sustainability.

10.2 Key conclusions

- The Review identified the key components required to provide a solution to the proliferation of small pots. But they could sit in a number of places and policy tension still exists for Government to address.

- Recognising the time constraints of the Feasibility Review, while there are still design and cost issues to map out and agree, the work carried out demonstrates there is a solution which delivers the lightest touch approach required.

- A federated model is viable and preferable. It will allow ceding schemes and approved consolidators to interact directly or through intermediaries using standardised APIs and messaging. This model avoids the risks and delivery delays associated with centralised infrastructure, while still achieving consistency through shared standards.

- A centralised infrastructure model would require significant procurement, public investment, and sustained policy intervention to build, govern, and maintain. Without immediate action, legislation, and funding it is not feasible it could be delivered within the next five years.

- A shared 'technology shield' is conceptually attractive but operationally complex. While it could mitigate liability and data-sharing concerns, it would still require centralised development, widespread integration and consensus on design and ownership. It does not reduce delivery risk relative to purely federated approaches.

- Reusing pensions dashboards infrastructure is of limited value. The dashboards ecosystem is member-led (B2C), while the SPDP is scheme-led (B2B). Technical components such as matching logic can inform design, but wholesale reuse is not feasible.

- Even with phasing, the implementation of ‘stock’ will have a high volume of messages exchanged, and of course actual transfers to subsequently carry out. This will be a significant task for approved consolidators to absorb.

- There is clear agreement across industry and key stakeholders there is a need for a control and governance framework. Regulatory stewardship is essential. Without a central operator, regulators must be empowered to monitor performance, enforce standards, and address potential anti-competitive behaviours.

10.3 Recommendations

1. **Proceed with a federated delivery model**
    - Focus on enabling data exchange and automation through shared APIs and message standards.
    - Leverage existing provider infrastructure to minimise build costs and reduce delivery risk.

2. **Avoid pursuit of a centralised infrastructure**
    - Deprioritise a fully centralised platform given delivery risks and complexity. Particularly as Government has been clear the chosen system needs to be the most deliverable and cost efficient.

3. **Prioritise industry standard-setting**
    - Mandate early work on matching criteria, routing protocols, and security models.

- Consider using an industry body to coordinate and publish these technical standards.

4. **Clarify governance and regulatory oversight**
   - Government and regulators should define a supervisory framework for the SPDP, including SLA monitoring and dispute resolution.
   - Establish expectations for reporting and transparency to ensure consistent delivery.

5. **Enable early industry mobilisation**
   - Initiate an implementation group drawn from schemes, potential consolidators, TPAs, and software vendors.
   - Develop a roadmap including technology pilots, testing frameworks and member impact assessments.

6. **Support data improvement at source**
   - Place obligations on both ceding schemes and approved consolidators to improve data quality and member verification processes in advance of go-live.

7. **Resolving issues**
   - Where questions have arisen during the Review, it is imperative they need to be addressed in a timely manner. Additionally, there remain some points of policy detail which Government will need to address before agreeing on a way forward.

10.4 Final reflection

This Review confirms a practical and cost-effective solution is possible if Government enables early direction and the industry moves quickly to agree standards and commit to coordinated delivery. The SPDP, if developed and governed well, could materially improve consolidation outcomes and member engagement across the DC landscape. While complexity remains, momentum must now shift from analysis to action.

Appendix 1

1. International evidence on similar solutions

This chapter presents cases where technology needs similar to those of the SPDP have been addressed. While none of these examples have a direct equivalent of the UK small pots legislation, they all offer relevant insights. The Norway example is by far the most similar context to the legislation being implemented in the UK.

It should be noted all cases cited are from Scandinavia, where National Identity Numbers, central address registries, and digital IDs make data exchange between industry participants far simpler.

1.1 Norway: Egen Pensjonskonto (EPK – Own Pension Account)

Since February 2021, private sector (over 2.5 million) DC workplace scheme members can consolidate their pension pots into an "Egen Pensjonskonto" (Own Pension Account). This digital, centrally built system, called "Pensjonskontoregistret" (PKR), is managed by a provider-owned, not-for-profit company. Members are automatically consolidated unless they actively choose a provider or opt out for specific pots. All interactions are made through providers or the pension dashboard—members do not deal directly with PKR.

Unlike the UK Small Pots legislation, there is no carousel. A provider may connect to the PKR either as a full provider or as a partial provider. Full providers are able to offer pension schemes to employers and include protection benefits, while partial providers only offer pensions and can be chosen by individual members. A member's pots are transferred to the scheme selected by their employer unless the member actively chooses a consolidator. For inactive members, the consolidator may change according to their employment status.

In 2016, labour market parties requested the Norwegian Government to update private sector defined contribution workplace pension legislation. Within five years, the law was amended and the reform implemented. Development of the central solution, along with provider adaptations, took less than a year. The service has since undergone further development, and current discussions involve expanding to include public workplace pensions, introducing a procurement tool for transferring complete pension schemes, and enhancing data management between Dashboard (Norsk Pensjon) and PKR.

Why it worked

- The Government and regulator set clear expectations for member outcomes, including an all-digital experience, fast transfers, transparency, and options.
- The Government and regulator did not address the specifics of the solution.
- To implement the EPK, the industry established a dedicated project. EY oversaw the project management, while Nets (Mastercard post acquisition) designed and developed the central infrastructure in close collaboration with the providers, dashboard, and regulator. EY and Nets served as impartial third parties, facilitating cooperation between all stakeholders. This strong collaborative approach and shared understanding were essential to the project's success.
- Meeting the specified timeframe with a centralised infrastructure and standardised data was achieved through defined project ownership. Industry input was solicited; however, final decisions regarding design and standards were made by the project team.
- Connecting to, and complying with, the standards of the PKR are mandatory.
- Clearly defined SLAs, including specified turn-around times (for example, a transfer may require no more than 10 days).

1.2 Sweden: Clearing houses for collectively agreed pension schemes

In Sweden, the vast majority of workplace pensions are collectively negotiated by strong trade unions and employer associations for entire industries. These schemes are managed via a central clearing house jointly owned by labour market parties, which handles member interactions, calculates contributions, and distributes payments to pension providers. Investment choices are made with the providers.

Why it worked

- The strength of Swedish trade unions and the size of the procurements effectively disarm the pension provider who must comply to the standards of the clearing house and the commercial terms decided by the procurement.

1.3 Sweden: Data sharing between providers

In Sweden, pension providers are permitted to request and receive member scheme data from other providers if the member has signed a letter of authority. To enable digital data exchange, the industry has established a data standard and implemented a federated network for transferring the data. A framework and security protocol, comparable to SWIFT, have been set up so providers interact directly with each other rather than through a central infrastructure. Some providers have established their own connections, while others use independent

service providers. Additionally, a central registry for letters of authority has been created to further support the exchange. The process of reaching agreements and implementing these measures was lengthy due to the absence of external pressures such as legislation or trade union involvement.

Why it worked

- The cost of manual operations outweighed the potential loss of revenue from simplifying transfers.
- The initiative was overseen by industry organisations analogous to Pensions UK and PASA.

1.4 Denmark: Centralised transfer hub

Denmark presents a unique scenario in this context. In the absence of legislative mandates, trade union influence, or external pressures, the industry has developed a longstanding, fully digital, voluntary transfer hub. Comparable in scope to Origo but operated on a not-for-profit basis by Pensionsinfo (the Danish dashboard), it oversees all pension transfers within Denmark. The policy transfer agreement is managed by Pension og Forsikring, the Danish equivalent to Pension UK or ABI, and is voluntary for a provider to agree to. Most providers do, however, and failure to transfer within the SLAs stated in the agreement leads to interest payments. Similar to Norway, members can initiate transfers either via the dashboard (limited to smaller pots) or through their provider, both of which are connected to the central infrastructure. However, transfer payments are executed directly between providers.

Why it worked

- Close cooperation and mutual understanding between providers.
- Close cooperation with dashboard.

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