PENSIONS AND LIFETIME SAVINGS ASSOCIATION

# PENSIONS DASHBOARD

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# CONTENTS

## INTRODUCTION

We're the Pensions and Lifetime Savings Association; the national association with a ninety year history of helping pension professionals run better pension schemes. With the support of over 1,300 pension schemes and over 400 supporting businesses, we are the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

Our purpose is simple: to help everyone to achieve a better income in retirement. We work to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.

## OVERALL VIEW OF PENSIONS DASHBOARD PROJECT

The PLSA strongly supports the Pensions Dashboard project. Measures that make it easier for people to see all of their pensions savings (state and private) in one place, supported, ideally, by planning tools such as the PLSA's forthcoming Retirement Income Targets, offer a major opportunity to help savers to achieve better retirement incomes. To be successful, dashboards should deliver three principal benefits:

i. Help savers to locate their various pensions.

ii. Help savers to understand the value of their pensions in terms of an estimated retirement income.

iii. Help savers to plan for retirement.

To engender public trust and confidence in dashboards, we believe that there should, at least initially, be a single 'public service' dashboard focused on providing information to savers about their various pensions. Crucial to achieving this will be the presence of a public entity in the governance of the project. We have consistently argued that the Single Financial Guidance Body (SFGB) would be well-placed to play this essential role and welcome the consultation's recognition of this.

A strong public sector voice in the governance of the project, alongside representative industry and consumer bodies, would facilitate the sort of cross-sector coordination that is required to make the project a success. A clear public sector voice would also make it easier to include the State Pension on dashboards. For most savers, the State Pension is their biggest single source of retirement income. It is essential that it is included on dashboards, otherwise savers will not be able to view all their retirement savings in one place, which was a central element of the original remit of the project.

An important first step for the project will be to appoint a Chair of the delivery body's steering group. We believe that it is essential that the person chosen is:

- **Independent**, focused on achieving the brief set out by the Government and serving the needs of savers, while also being able to take account of the impact of the initiative on pension providers, schemes and employers.
- **Experienced** in managing large and complex projects on behalf of the Government and sufficiently familiar with IT projects to master the issues involved.
- **Knowledgeable** in regard to both occupational and contract-based pension provision, and be able to command the trust and respect of both sectors.

We welcome the phased approach to the project that the Government has set out in the consultation and believe that the 3- to 4-year timetable identified is, in principle, appropriate, so long as it is from the point of legal and standards certainty. However, it is important for the Government to recognise that it will be a significant undertaking for pension schemes to prepare and deliver the required data to the dashboard, and there are likely to be substantial challenges for pension providers ahead (particularly smaller and DB schemes).

We look forward to working with the DWP and other stakeholders to continue to shape the dashboard project in the future.

## CONSULTATION QUESTION RESPONSES

1. **What are the potential costs and benefits of dashboards for: a) individuals or members and b) your business (or different elements within it)?**

The PLSA believes that there are a number of potential benefits of dashboards for savers. To be successful, dashboards should deliver three principal benefits:

i. Help savers to locate their various pensions.

ii. Help savers to understand the value of their pensions in terms of an estimated retirement income.

iii. Help savers to plan for retirement.

There are several costs that schemes will have to meet, though these fall into two principal categories: a) project finance costs (covered in more detail in response to question number 14) and b) internal administration costs. In regard to the former, we believe the project will be supported by some form of industry levy. Indeed, we believe this to be the right approach. To be fair and equitable, any levy needs to be applied proportionately to schemes (taking account of the value of pension pots), providers, and other sector-specific stakeholders (e.g. regulated financial advisers) who will benefit from the creation and operation of dashboards.

In regard to the internal administration costs, these relate primarily to the costs entailed in preparing and supplying pension data to dashboards. Such costs will include those associated with:

i. **Data Cleansing:** Ensuring that savers' pension data are in a format that complies with the standards set out by the dashboard governance body will require some investment. Primarily, this process will be concerned with the completeness and correctness of data. As a result, the dashboard data standard must set out clearly the data that is mandatory and that which is optional. We believe that alignment with the existing data requirements of the FCA and TPR is important to ensure simplicity for schemes and limit additional costs.

ii. **Dashboard Connection:** Preparing systems and processes to connect to dashboards will have an associated cost. This will include the cost of ensuring that there are appropriate governance arrangements in place to manage the scheme's interaction with the pension finder service, integrated service providers (where necessary), and appropriate identity services, as well as the cost of the required technology itself. Moreover, the cost of preparing systems to provide data to dashboards may be reduced if the data required are currently present in the annual benefits statement, because most pension providers already have systems in place to locate this information.

iii. **Up-To-Date Data:** As the DWP recognises, the diversity of the pensions sector means that it will be more straightforward for some schemes to supply data to dashboards than others. A saver's pension entitlement changes daily. For Defined Benefit schemes, the cost of calculating this entitlement for a member is substantial and does not take place automatically on a daily basis. The data standard should, in our view, only require data to be correct as at an indicated date (e.g. at an annual frequency for DB schemes). This will reduce costs for pension providers and provide sufficient clarity to savers about their pension holdings.

iv. **Volume:** Understanding the likely volume of requests for data from dashboards to pension providers will influence the size of the infrastructure they will need to put in place to support the provision of data. The higher the volume of likely requests, the more significant the cost of infrastructure development will be.

**2. Do you agree with: a) our key findings on our proposed architectural elements and b) our proposed architectural design principles?**

**Architectural Elements**

We agree that the architectural elements set out in the consultation are the key features of a functioning dashboard.

i. Dashboards

Although we believe that it is appropriate to implement an architectural solution that is flexible enough to accommodate multiple dashboards hosted by different organisations, we maintain that, in the first instance, there should be a single non-commercial dashboard hosted by the Single Financial Guidance Body. This is essential to engender public trust and should be the principal output from the first phase of the project.

We recognise that there is likely to be demand for private sector dashboards that complement the publicly provided service, and welcome the innovation and choice they would bring. However, they should not be available until a firm and rigorous consumer protection framework is in place. We also feel that there would be considerable benefit in learning the lessons from a single dashboard before enabling multiple providers to offer such services. This would help the sector to understand how savers use dashboard services and guard against potential problems for consumers.

Moreover, the proposed architecture will require firms to provide data to dashboards either directly or through an ISP (i.e. not through the pension finder service). Questions remain as to how this process would be structured in the context of multiple dashboards. For example, would other dashboards be expected to get their data via the central dashboard or will providers and ISPs be required to develop new interfaces with each dashboard as and when they are created? The latter example would create significant additional cost for pension providers.

Consequently, we believe that there should be a two stage approach to the dashboard project. The first stage should deliver a public dashboard hosted by the Single Financial Guidance Body; the second stage could deliver additional private sector dashboards, but only once the appropriate regulation is in place and pension providers are clear about the requirements of submitting data to multiple entities.

ii. Pension Finder Service

We believe that the DWP has identified the right approach to data collection and management in the position set out in the consultation document. It is appropriate that pension schemes or administrators nominated by schemes remain responsible and accountable for members' pension data. As a result, we agree that the details and values of a pension should not pass through the pension finder service, nor should such a service aggregate data. This will help to ensure that savers are adequately protected from the risk of data breaches.

We also agree with the DWP that it is appropriate to have a single pension finder service. A single pension finder service would reduce cost and complexity for schemes by giving them a single system to connect to. This will make it easier for schemes of all types to connect to dashboards. A single finder service would also reduce risks associated with the governance of multiple services, as well as the possibility that schemes might be the subject of scams related to the use of multiple services.

iii. State Pension

We welcome the Government's intention to include the State Pension on dashboards. Indeed, we regard it as being essential. Given that, for most savers, the State Pension is their biggest single source of retirement income, any dashboard would be incomplete without it. PLSA members feel strongly that no dashboard should be established until it can include State Pension data in an appropriate form.

iv. Identity Service

The DWP is right to suggest that a saver's National Insurance Number (NINO) is used as a common identifier within the pensions industry and that it, alongside standard identity checks carried out by pension schemes, could be used in many instances to locate customer records. However, there are exceptions to this general rule and a number of reasons why a scheme might not have an up-to-date NINO for a saver, such as those set out below.

- The employee has only just moved to the UK and does not yet have a NINO. Employers have to enrol employees into a pension scheme as soon as they are eligible, which in many cases is the day they start work. The scheme may, therefore, receive a new joiner file before a NINO has been issued. Though schemes should regularly review this with employers, some may not be as proactive as others. This could result in some savers' records being hard to locate.

- Savers have been issued with temporary NINOs during a period of employment that may not have been updated and indeed may be impossible to update without the intervention of the member, because tracing services may have insufficient data to identify individuals. Locating the pensions of customers using their NINO would, in this instance, prove to be very challenging. This issue is probably most prevalent in sectors with a high turnover of staff, such as the retail and leisure sectors, as well as in the 'gig economy'.

- Some schemes may not need to obtain a valid NINO straight away. Apart from Relief at Source schemes where a NINO is required to obtain tax relief from HMRC, a NINO would not be needed in practice unless there is a claim to report to HMRC or a tax charge to pay. This may not happen for many years.

- A NINO is one of the standard items that an employer has to provide for automatic enrolment schemes. However, this was not the case prior to automatic enrolment. Consequently, legacy schemes may have used temporary numbers instead and would not have had cause to obtain an updated number unless they had to report or pay tax to HMRC.

## Architectural Design Principles

We believe that the architectural design principles set out in the consultation document are appropriate and offer a firm foundation for consumer protection, which will help to build trust and confidence in dashboard services. In particular, we support the Government's approach to the protection of savers' personal data under the provisions of the General Data Protection Regulation (GDPR).

However, it is important to note that adherence to the requirements of the GDPR should not prevent the project from incorporating the most advanced technology available in the market, such as biometric identification techniques (e.g. fingerprint recognition). Indeed, such technology should be incorporated into the design of dashboards if they are to be 'future proof'. Biometric data is one of the "special categories of personal data"[1] identified by the GDPR and the privacy of such data requires proper protection.[2] The project steering group will need to consider how to incorporate this technology, which will require biometric information to be stored, without infringing on privacy regulations.

**3. Is a legislative framework that compels pension providers to participate the best way to deliver dashboards within a reasonable timeframe?**

The Government is correct to think that the only way to achieve widespread adoption will be to compel pension providers to maintain and provide the necessary data to parties engaged in the delivery of dashboards as a service to savers. We are pleased that the report recognises the need for phasing, given the ambition of the project, and agree, in principle, that the suggested 3- to 4-year time period seems appropriate. Such an approach has proved very effective for the implementation of automatic enrolment.

However, it is important that the legislation requiring compulsion is laid as soon as practically possible. Regardless of the delivery timeline, the existence of 'hard compulsion' in statute will ensure delivery projects are prioritised appropriately as a 'regulatory driven' project rather than a commercial one.

**4. Do you agree that all Small Self-Administered Schemes (SSAS) and Executive Pension Plans (EPP) should be exempt from compulsion, although they should be allowed to participate on a voluntary basis?**

We do not believe that there should be any exemption of schemes by type. All registered UK schemes should be required to submit their data to dashboards according to a reasonable and well-established timetable. Many EPPs were, in practice, simply used as workplace DC schemes and were not exclusive to senior people. As a result, any exemptions could significantly undermine the purpose of dashboards. Non-registered schemes, such as EFRBs or overseas schemes, should be allowed to subscribe to dashboards on a voluntary basis.

[1] https://gdpr-info.eu/issues/personal-data/

[2] GDPR defines biometric data as "personal data resulting from specific technical processing relating to the physical, physiological or behavioural characteristics of a natural person, which allow or confirm the unique identification of that natural person" See http://www.privacy-regulation.eu/en/article-4-definitions-GDPR.htm

**5. Are there other categories of pension scheme that should be made exempt, and if so, why?**

At the outset, there is a good case for exempting schemes that have already triggered and are in the process of winding up. At the point at which compulsion is applied, a scheme that is in this position should not be required to provide data. All members would eventually be removed from the scheme in some form.

**6. Our expectation is that schemes such as Master Trusts will be able to supply data from 2019/20. Is this achievable? Are other scheme types in a position to supply data in this timeframe?**

We believe that DC multi-employer schemes (both trust and contract) that were designed for the purpose of automatic enrolment and contract-based pensions run by insurers will be better placed than others to supply data to dashboards. Such schemes tend to possess the most modern technology, which puts them in a good position to submit their data.

However, it is unlikely that they will be able to provide data in 2019/2020. This will depend on the speed with which the necessary data standards are designed and communicated to schemes. Without this technical information, schemes will not be able to submit data in a form that is consistent with dashboards. Our estimate suggests that most trust-based schemes will need at least 18 months (from the point of legal and standards certainty) to prepare their data for inclusion on a dashboard.

The Government should also bear in mind that the master trust sector is currently undergoing authorisation and, potentially, a process of consolidation. Those schemes that will not be applying or do not succeed in their application will need to be (or are already being) wound up. As a result, such schemes will not submit data to dashboards.

**7. Do you agree that 3-4 years from the introduction of the first public facing dashboards is a reasonable timeframe for the majority of eligible schemes to be supplying their data to dashboards?**

It will be a significant undertaking for pension schemes to prepare and deliver the required data to the dashboard. Different types of scheme will encounter different challenges. However, it is important that dashboards are not launched until such time as there is a critical mass of pension schemes able to support them.

We are pleased that the report recognises the need for phasing given the particular challenges for many types of schemes, especially smaller schemes and DB schemes. These challenges are primarily administrative. DB schemes have been able to pay accurate pensions to savers, as and when they fall due, on the basis of limited data holdings. Dashboards will require them to hold more data in future and they will need time to prepare their systems and processes to perform this function.

Moreover, the pension entitlement of a saver in a DB scheme changes daily. The cost of calculating this entitlement for every member is substantial and does not take place on a daily basis. Preparing systems to perform this function, if desired, will take very significant time and investment. There are already some DB administrators in the market that offer automated online illustrations on a monthly basis. We do not see a need for more frequent valuations for DB and, in fact, less frequent valuations may be desirable. Our view is that annual estimates would be sufficient.

In view of these potential challenges, we believe that the suggested 3- to 4-year phasing period seems appropriate. However, this will only be the case if the proposed timescale comes into effect once all of the legislation and data standards have been finalised (i.e. schemes will have to submit data within 3- to 4-years of certainty about the requirements). If costs turn out to be prohibitive, it should be possible for schemes to request additional flexibility on the timescale for compliance with the dashboard legislation.

**8. Are there certain types of information that should not be allowed to feature on dashboards in order to safeguard consumers? If so, why? Are there any other similar risks surrounding information or functionality that should be taken account of by government?**

We believe that dashboards should not, at least in the first instance, be transaction tools and should be designed to provide useful information to savers about their pension resources. As a consequence, we do not believe that DB transfer values should be displayed on dashboards, as this may encourage savers to take poor decisions (e.g. to transfer out of guaranteed benefits without regulated advice into, possibly, cash).

Given that they will be used to aid in the retirement planning process, we believe that dashboards should, ideally, display the level of annual retirement income that could be generated from accrued benefits. In the context of DC pensions, this would mean that dashboards would not just show a saver's pension pot size but also an estimated retirement income that the pot could 'buy'. We accept that this is technically challenging and will require consistent assumptions to be made across the industry about how to make this calculation.

Equally, projecting a likely income from a DB pension will also be a challenge, though it is important to note that a number of third party administrators are now providing online projections of this sort. For DB schemes in particular, we suggest that projections on dashboards should reflect what was produced in the most recent annual benefits statement, rather than real time data.

Moreover, to help savers to understand what such a projected income might buy, we would like to see the PLSA's retirement income targets included on dashboards. These targets, due to be released in the first half of 2019, are being developed by Loughborough University and will show savers how much annual income they need to live a minimum, modest, and comfortable lifestyle.

Finally, to ensure that dashboards are genuinely useful to savers, it will be important to embrace the underlying motivation for the recent work that has taken place on the Simpler Annual Statement. In other words, stakeholders should aim to ensure that the presentation of information on dashboards is as simple as possible, without omitting essential details (i.e. the scheme and expected annual income).

**9. Do you agree with a phased approach to building the dashboard service including, for example, that the project starts with a non-commercial dashboard and the service (information, functionality and multiple dashboards) is expanded over time?**

Yes, we believe this is the right approach. We are pleased to see that appropriate recognition is given to the need for some activities to be regulated. We believe that the provision of dashboards should become a regulated activity, similar to the way that account information services have been classified under the Open Banking initiative. We agree wholeheartedly that such regulation needs to be in place before any commercial dashboards can be brought to market.

**10. Do you agree that there should be only one Pension Finder Service? If not, how would you describe an alternative approach, what would be the benefits and risks of this model and how would any risks be mitigated?**

We believe that the DWP has identified the right approach to data collection and management in the position set out in the consultation document. It is appropriate that pension schemes or administrators nominated by schemes remain responsible and accountable for members' pension data. As a result, we agree that the details and values of a pension should not pass through the pension finder service, nor should such a service aggregate data. This will help to ensure that savers are adequately protected from the risk of data breaches.

We also agree with the DWP that it is appropriate to have a single pension finder service only. A single pension finder service would reduce cost and complexity for schemes by giving them a single system to connect to. This will make it easier for schemes of all types to connect to dashboards. A single finder service would also reduce risks associated with the governance of multiple services, as well as the possibility that schemes might be the subject of scams related to the use of multiple services.

We are aware that some stakeholders are concerned about the monopoly risk of opting for a single service provider. Although we recognise these concerns, we believe that this risk can be mitigated by including provisions in the legislation that require a review of the service provider on a periodic basis (perhaps every five years), which could lead to a new tendering process if the existing service provider is felt to be inadequate. The provisions would also need to ensure that the incumbent provider has appropriate business continuity plans in place in the event of a system failure or security breach. This would need to be reviewed regularly and tested as part of the ongoing governance requirements.

In order to minimise any potential conflicts of interest, the selection of a single pension finder service for dashboards should, if it is provided by the private sector, be carried out according to the public procurement process.

**11. Our assumption is that information and functionality will be covered by existing regulation. Do you agree and if not, what are the additional activities that are not covered?**

We welcome the Government's desire to use existing regulation and agree that this should be done where possible. However, new regulation may be required to ensure consistency in the presentation of information on dashboards. In particular, it is our view that the methodology governing retirement income projections from pot sizes will need to be consistent across the pensions industry and additional regulation might be required to achieve this.

It will take some time to develop a standardised methodology of the sort described here and this should not be underestimated. The assumptions underpinning it need to be dynamic, so they change with market conditions, but stable enough to ensure that pension schemes and administrators do not have to make frequent changes to systems. This is a core element of consumer protection that is essential to ensure trust and confidence in dashboards is maintained.

**12. Do people with protected characteristics, or any customers in vulnerable circumstances, have particular needs for accessing and using dashboard services that should be catered for?**

We are not aware of specific vulnerabilities that might make it difficult for particular types of customer to use dashboard services, aside from basic sight and language challenges that will need to be addressed. However, in order to guard against the exclusion of any customer, dashboard services should provide:

i. **Effective Support:** Customers should be able to access practical, jargon-free information and help through a range of communication channels.

ii. **Specialist Help:** Customers should have access to specialist support to help make informed choices in light of their individual situation.

iii. **Scam Protection:** Customers particularly at risk of being scammed or financially abused need to be (and feel) protected by their financial service provider.

iv. **Customer Focused Reviews:** Evaluation and monitoring procedures should be easy to navigate and centre on obtaining a positive outcome for the customer.

v. **Complaint Process:** A robust complaint handling policy with the onus placed on pension providers to manage and resolve issues with respect to their own customers.

**13. The Department has proposed a governance structure which it believes will facilitate industry to develop and deliver a dashboard. Do you agree with this approach? If not, what, if anything, is missing or what workable alternative would you propose which meets the principles set out in this report?**

Strong governance is essential in order to engender public trust and to ensure savers are appropriately protected. To promote continued good governance throughout the project, the strategic objective of dashboards should be written in to the legal framework the Government establishes for the project. This will ensure that it remains a point of reference for the steering group.

Steering group members should be selected according to the value they add to the project's overall objective, which, as noted above, needs to be clearly articulated by the Government. We are pleased to see that the proposed steering group will represent all parts of the pensions industry and consumers, and welcome the DWP's suggestion that the Single Financial Guidance Body be given responsibility for putting in place an effective governance model and appointing the steering group Chair.

The selection of an appropriate Chair will be an extremely important first decision. We believe that it is essential that the person chosen is independent and focused on the needs of savers, and is able to take account of the implications of the project for schemes. Beyond these basic criteria, we believe the Chair should be:

 

- **Independent**, focused on achieving the brief set out by the Government and serving the needs of savers, while also being able to take account of the impact of the initiative on pension providers, schemes and employers.
- **Experienced** in managing large and complex projects on behalf of the Government and sufficiently familiar with IT projects to master the issues involved.
- **Knowledgeable** in regard to both occupational and contract-based pension provision, and be able to command the trust and respect of both sectors.

Aside from the strategic governance of the project, which the consultation focuses on, it will need a strong executive function to deliver the central dashboard and manage ongoing operations as a live service. The contours of such an executive function are not set out in the consultation and require further definition.

We note that the proposed governance structure includes several levels that will give stakeholders the opportunity to participate in the design of the standards dashboards will have to adhere to. We believe that it is important that experts from the pensions industry, technical experts from outside of the industry, consumer representatives, and public sector experts are able to participate at all levels of the project, from the working groups to the steering group. This will help to ensure that standards are fit-for-purpose.

**14. What is the fairest way of ensuring that those organisations who stand to gain most from dashboard services pay and what is the best mechanism for achieving this?**

We believe that funding for the project should be provided via a levy on the industry that is designed to be proportionate to the amount of benefit likely to be derived from dashboards. Any levy should take account of the value of pots held by savers and apply not just to pension schemes but to all commercial entities that will derive benefit from the existence of dashboards, such as regulated financial advisers.

The levy should be structured so that it reflects the financial demands of the development stage and be reduced appropriately to meet business as usual costs once the central dashboard is up and running. Moreover, no levy payer should be charged twice; this is a particular risk for firms that currently contribute to both FCA and TPR levies if existing levies are used to raise funds for the project.

**15. Do you have any other comments on the proposed delivery model and consumer offer?**

This is a complex project that will take time and considerable effort to deliver. We believe that it would be better to deliver the project well than to deliver it quickly. To that end, it is essential that the Government is clear about the objective of the project and ensures that the design of dashboards is consistent with it.

It will be essential for the dashboard project steering group to set out a clear scope at the earliest possible time to enable pension providers to start the process of systems development. Given the high level nature of the consultation, it is difficult to estimate potential costs and timescales accurately.

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