

DATA STANDARDS: CALL FOR INPUT

PLSA RESPONSE

28 AUGUST 2020

GEORGE CURRIE



CONTENTS

THE PLSA	3
INTRODUCTION	4
QUESTION RESPONSES	6
DISCLAIMER	16

THE PLSA

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.

INTRODUCTION

1. The PLSA supports the Pensions Dashboards Programme (PDP) and welcomes the opportunity to contribute to this *Call for Input* (CFI) on behalf of its members. We continue to support the introduction of saver-focused pensions dashboards that help people to plan for retirement.
2. It is clear that the PDP has made significant progress over the course of 2020 and its work on data standards illustrates this. It is essential that appropriate data standards are released as soon as possible to allow pension schemes sufficient time to prepare the data they hold for onboarding.
3. The CFI addresses some crucial areas that require further consideration by the PDP. Our responses to the questions below have been shaped by PLSA members through our Policy Committees and our Pensions Dashboard Co-Ordination Group. We have also tried to take in the full range of views in our membership through a dedicated dashboard survey. This has provided us with some helpful insights into schemes' readiness to provide data to dashboards.
4. The key areas that members have highlighted in regard to the proposed data scope of initial dashboards are:
 - a. **Coverage:** Initial dashboards should show – at launch – all or very nearly all the benefits members have accrued. However, this objective should be achieved according to a well-defined timeline that gives schemes adequate time to prepare their data for onboarding and spread the cost of doing so over a manageable time period. In other words, although we believe that initial dashboards should show all or nearly all pension entitlements, we do not believe that the onboarding process should be rushed to achieve this end.
 - b. **Segmentation:** The PLSA does not believe it is easy to identify a segment of the population for whom the majority of pensions could be covered early by selecting a subset of providers, scheme types, or types of entitlement. This is a result of the complexity of the UK labour market and pensions ecosystem. As a result, initial dashboards should target broad coverage of individuals' pension entitlements rather than attempting to select a subset to cover early.
5. On the proposed data definitions set out by the PDP in its working paper, PLSA members have highlighted the following areas:
 - a. **Matching:** The main data items that schemes use to match individuals to their entitlements are National Insurance Number, Surname, Date of Birth, and Forename. Other, less common data items used for this purpose include Address and Policy Number (though the last of these depends on the type of provision – it is common in contract-based arrangements). However, there are several data challenges associated with matching, which are explored below.

- b. **Estimated Retirement Income:** It is important that ERIs for individuals' pension entitlements are available on dashboards from the outset. This is to ensure that savers are able to view data about their entitlements that is consistent. We believe this is important as a means of protecting them against the risks inherent in making decisions about their retirement savings on the basis of incomparable information. However, there are some significant challenges associated with the provision of ERIs (for both DB and DC entitlements), which are explored in what follows.
 - c. **Accrued Entitlements:** This information provides significant context to ERI figures. It is important that this information is current, so that savers have access to up to date information about their pension entitlements. This is straightforward for DC schemes, which will be able to provide a pot size figure from the last annual benefits statement (required by law). However, DB schemes do not have to provide savers with information on their accrued entitlements on an annual basis automatically (though IOPRII will require it – once transposed into UK law). Consequently, requiring all schemes to provide this information to dashboards will entail new costs for DB schemes. This needs to be considered as the PDP develops its onboarding timeline.
 - d. **Special Features:** Information related to accrued entitlement data that is of material significance to member outcomes (e.g. special features, such as GARs, GMPs, etc.) should be indicated on initial (and future) dashboards – otherwise members risk missing out on important benefits if they choose to transfer out of these products on the basis of information seen on a dashboard.
6. We look forward to taking part in further discussions on the data standards pension schemes will have to comply with.

QUESTION RESPONSES

DATA SCOPE

Existing user research indicates that people have a low tolerance for incomplete dashboards and would rather wait until the majority of pension providers and schemes are ‘online’. To be acceptable to individuals, what proportion of their pension entitlements should initial dashboards find? Please indicate any consumer or other research used in framing your response to this question.

1. We do not have research that indicates precisely what proportion of an individual’s pension entitlements initial dashboards should find in order to be acceptable to savers. However, we do have concerns about the potential implications of presenting savers with partial data about the extent of their pension entitlements.
2. An incomplete picture of an individual’s pension entitlements would present risks to dashboard users (i.e. savers) and the dashboards Programme. The primary risks we see arising from this situation are:
 - **Programme Failure:** Where users log on to a dashboard for the first time and find an incomplete picture of their pension entitlements, there is a risk that the service will appear redundant. This could have an impact on the likelihood of savers using dashboards in future and, as a result, the success of the initiative.
 - **Undermining Saving:** Given low engagement with pensions, it is likely that few people are considering whether what they are saving will be adequate for the retirement outcomes they hope for. Incomplete dashboards that show a partial picture of a savers pension entitlements (and therefore a potentially lower retirement income than is likely) could result in further saver disengagement and, as a result, lower future savings levels.
 - **At-Retirement Issues:** Where savers are approaching important decisions points, such as retirement, it is important they have access to information about the full range of entitlements they have accrued if they are to make appropriate decisions about their retirement income options. Incomplete initial dashboards risk misleading individuals in this situation, which could have unintended negative consequences for their retirement income.
3. The undesirable consequences set out above could be mitigated to some extent by the inclusion on initial dashboards of clear information about the likely timeframes according to which data on missing entitlements will become available and how this will be communicated to savers.
4. Nevertheless, we believe that initial dashboards should show – at launch – all or very nearly all the benefits members have accrued. The pre-eminent goal of dashboards identified in the *Data Scope Working Paper* is to ‘connect people with all their pensions’. Initial dashboards should prioritise this objective above all others.
5. This objective should be achieved according to a well-defined timeline that gives schemes adequate time to prepare their data for onboarding and spread the cost of doing so over a manageable time period. In other words, although we believe that

initial dashboards should show all or nearly all pension entitlements, we do not believe that the onboarding process should be rushed to achieve this end.

How long (i.e. how many months?) will most individuals find acceptable between first using a pensions dashboard (and finding only some of their pensions) and subsequently finding out that more of their pensions are now available to view?

6. Extensive user testing will be required to determine the exact period of time individuals will find acceptable. However, we believe that missing pension entitlements should, ideally, be included on dashboards within a short time period. An extended period will impact the credibility of dashboards in the eyes of savers and exacerbate the risks to savers identified above (i.e. those related to decisions savers nearing retirement need to take).
7. To achieve this end in a cost-effective manner that does not place undue burdens on schemes, we believe that the onboarding window should be delayed until schemes have had sufficient time to prepare the data they hold, ensure its accuracy, and the robustness of their matching process. This will need to be communicated to schemes in a clear, comprehensive timeline as soon as possible.

Are there any segments of the population for whom the majority of their pensions could be covered early by selecting a subset of pension provider/scheme types?

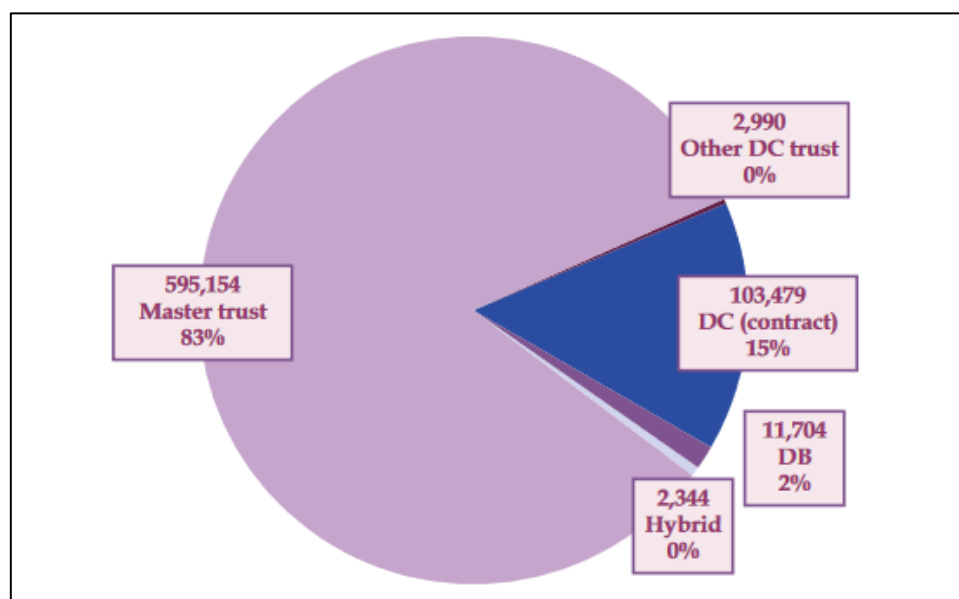
8. We do not believe it is easy to identify a segment of the population for whom the majority of pensions could be covered early by selecting a subset of providers, scheme types, or types of entitlement. This is a result of the complexity of the UK labour market and pensions ecosystem.
9. Research suggests that nearly two-thirds of UK adults have multiple pension entitlements.¹ This is a result of the evolving UK labour market (as well as other factors, such as the end of short service refunds in 2015), in which the average person now has approximately eleven jobs over the course of their lifetime.² As a result, an individual's pension entitlements could be spread across multiple employment periods in different industries, different forms of provision (DB/DC), and/or different DC scheme types (contract-/trust-based). This will make it challenging to target a particular segment of the population by onboarding a particular subset of the pensions landscape.
10. Moreover, some commentators have suggested that it is possible to cover individuals who have been automatically enrolled by onboarding master trusts earlier than other types of scheme. However, research by the Pensions Policy Institute (PPI) illustrates that the automatically enrolled population is divided between different types of provision (mainly master trusts and group personal pensions).³

¹ <https://www.pensionspolicyinstitute.org.uk/media/2855/201810-bn110-lost-pensions-final.pdf>

² <https://www.pensionspolicyinstitute.org.uk/media/2855/201810-bn110-lost-pensions-final.pdf>

³ <https://www.pensionspolicyinstitute.org.uk/media/3270/20190919-the-dc-future-book-2019.pdf>

NUMBER OF EMPLOYERS WHO HAVE AUTOMATICALLY ENROLLED THEIR EMPLOYEES INTO DC SCHEMES, BY SCHEME TYPE⁴



11. Just as it is not easy to target a particular generation of savers by contract-/trust-based arrangement, it is equally difficult to target a specific generation by type of provision (i.e. DB/DC). Although it is a widely held assumption that DB entitlements are the preserve of the Baby Boomer generation and older cohorts in Generation X, a sizeable number of Millennials are currently contributing to DB schemes.
12. Research by the PLSA, carried out for its report on [Retirement Income Adequacy⁵](#), found that:
 - i. In **Generation X** (those aged 35–54), approximately 5 million individuals or 37% of the individuals in this generation have some DB accrual;
 - ii. For **Millennials** (aged 22–34), approximately 1.9 million individuals or 25% of the individuals in this generation have some DB accrual; and
 - iii. Amongst **Baby Boomers** (aged 55–64) still in the workforce, approximately 1.3 million individuals or 31% of the individuals in this generation have some DB accrual.
13. These two examples alone illustrate why it is difficult to target a particular segment of the population by selecting a provider/scheme type or a specific type of entitlement.

If you have identified one or more population segments in response to Question 7, what simple, cost effective communication approach(es) could be adopted to explain to all individuals (both within and outside of the specified segment(s)) which pensions they should and should not expect be able to view on initial dashboards?

14. As stated above, we do not believe it is possible to target a specific segment of the population in the way suggested in Question 7.

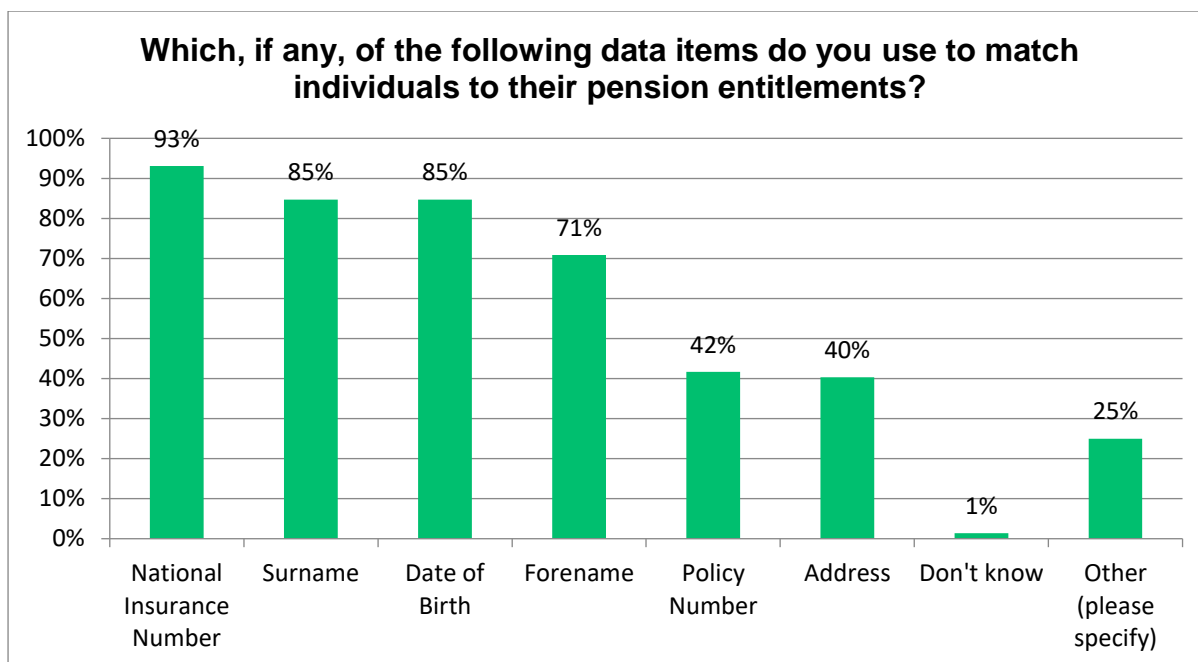
⁴ <https://www.pensionspolicyinstitute.org.uk/media/3270/20190919-the-dc-future-book-2019.pdf>

⁵ <https://www.plsa.co.uk/portals/0/Documents/0605-Retirement-income-adequacy-Generation-by-Generation.pdf>

DATA DEFINITIONS

Which data items do you anticipate could be used to definitively match individuals to their pension entitlements? Of the data items listed, are there some (or some combinations) that will provide a more accurate match than others?

15. PLSA members have indicated that the matching process is complex and can be reliant on a wide range of data, depending on the extent and accuracy of information individuals are able to provide and how that corresponds to the extent and accuracy of data schemes/providers possess about individuals.
16. PLSA members have identified several challenges they face when attempting to match a saver to his/her pension entitlements. In no specific order, the main challenges identified include:
 - **Source Data:** Poor data supplied by the employer upon enrolment of an individual into a pension arrangement;
 - **Buy Outs/Transfers:** Incomplete records of member pension entitlements resulting from poor record keeping related to transfers out or buy outs;
 - **Record Keeping:** Poor record keeping related to historic pension benefit entitlements;
 - **Low Engagement:** Limited contact with savers, particularly deferred members, leading to outdated information in key areas; and
 - **Service Data:** Records related to the same individual with multiple distinct periods of service (e.g. with different employers in the same local authority), particularly where key identifiers (e.g. surname) may have changed.
17. A recent survey of PLSA members (see graph below) found that the main data items that are used to match individuals to their entitlements are National Insurance Number (93%), Surname (85%), Date of Birth (85%), and Forename (71%). Other, less common data items used for this purpose include Address (40%) and Policy Number (42%).



18. Other information, such as email addresses and/or mobile phone number can play a useful role in the matching process, they are less robust than the items identified above. This is because many people change these details regularly and do not update their pension scheme/provider.

19. Although PLSA member organisations most commonly highlighted National Insurance numbers (NINO) as the pre-eminent data item used to match savers to their entitlements (in combinations with other data items), schemes and providers can experience challenges with NINOs that can mean saver information is not up to date. Such issues include:

- **Recent Arrival:** 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 match.
- **Temporary NINO:** 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'.
- **Regulatory Requirements:** 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.

- **Legacy Schemes:** 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.

20. There are several issues we have identified that could influence the extent to which schemes are able to match savers to their pension entitlements, namely:

- i. **Variable Data:** The data held by schemes and their administrators on members vary between schemes, sometimes significantly. This is because all pension schemes and providers are reliant on employers and, following enrolment, individuals to ensure that the data required for matching remains up to date.
- ii. **Deferred Members:** Deferred members' details do not tend to be updated regularly. Often, this results in inaccurate data in key areas, such as primary address, being held by schemes and administrators. This could hinder the matching process and is particularly concerning, given that dashboards will be of most value to deferred members (who may have lost track of their pension entitlements) – especially those that are approaching retirement.
- iii. **Younger Members:** Wider socio-economic factors may make it more difficult to match younger savers to their pension entitlements. The increased frequency with which younger members, particularly renters, move house makes it more likely that the data schemes and administrators hold on primary address for these members will be inaccurate. Given that many of these people will have been automatically enrolled and, as a result, their scheme membership will be grounded on inertia, it may be more difficult to secure accurate information from savers in these cohorts than it will be for other cohorts.

In Level 1b, we have set out the administrative data items that will be useful to individuals, as these items will enable them to see where their pension entitlements are. Which of these items would be most challenging for pension providers and schemes to supply? Please indicate in your response why this would be the case.

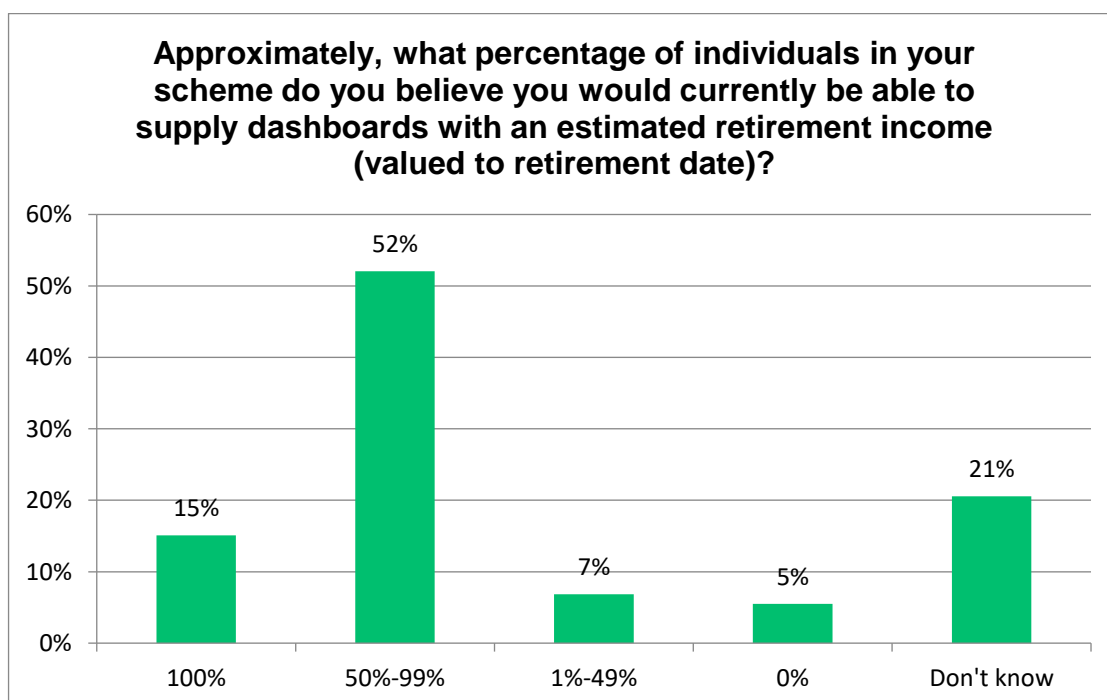
21. PLSA members have indicated that most of the data items contained in the Level 1b tables are held in a format that is relatively easy to provide to pensions dashboards. However, a number of the items cited could prove to be difficult for DB schemes to provide, such as retirement date.
22. For DB entitlements, retirement date tends to be a non-static field within scheme databases. It can change according to different tranches of entitlement within a single scheme, as well as potentially being different between different schemes. Equally, the data fields for start date, last status event date, and last status event reason may be inaccurate or missing in some cases. To a large extent, this will depend on past

practices of scheme administrators. Once a member leaves service and leaving service entitlements have been calculated, the start date is no longer required.

23. More broadly, where the administrator of a scheme has changed, administrative data of this sort may well have been lost as part of the transition process. Where remains available, some data items may only be held on a member file (i.e. a paper file), rather than on an electronic file. Transferring this data to dashboards is unlikely to be a swift process. These are significant challenges that schemes and administrators will have to address prior to onboarding into the dashboards ecosystem.

One of the DWP design principles is that dashboards will initially be used for presentation purposes only (i.e. they will not alter the source data). This means that initial dashboards cannot calculate projected pensions, meaning that pension providers/schemes must supply an Estimated Retirement Income (ERI) for each pension. This includes situations where there are multiple “tranches” within a pension, i.e. multiple ERIs with multiple Payable Dates may need to be supplied. The Level 2a data table sets out our assumptions on the simplest way for pension providers/schemes to meet this requirement. Please comment on these assumptions.

24. The PLSA believes that it is essential that ERIs for individual’s pension entitlements are available on dashboards from the outset. This is to ensure that savers are able to view data about their entitlements that is consistent, which we believe is important as a means of protecting them against the risks inherent in making decisions about their retirement savings on the basis of incomparable information. Consequently, we welcome the Programme’s focus on delivering ERIs for individuals’ entitlements.
25. A recent survey of PLSA member organisations found that more than half (52%) believe they would, today, be able to supply dashboards with an estimated retirement income (ERI) for 50% to 99% individuals (though this did not specify the basis of the ERI – e.g. SMPI, accrued entitlement only, etc.) and more than one in ten (15%) say they are able to provide this data for 100% individuals.



26. However, PLSA members have identified several technical challenges associated with providing dashboards with ERIs that will influence the timeline necessary to deliver them. These challenges include:

- **Calculations:** PLSA members have highlighted the difference between ERI and other data a dashboard could potentially display, namely an ERI is the result of a set of complex calculations; it is not a data item in the sense of an individual's name, date of birth, accrued entitlement, etc. For many scheme members, this is a field that is not currently provided and, as a result, mandating ERIs for dashboards will create significant additional work for many schemes.
- **Automation:** In a substantial minority of cases, ERI calculations are sufficiently infrequent or complex that they are not automated and there are serious questions about whether it makes sense, economically, to automate them. In the absence of automation, it will be difficult for schemes to provide an ERI to a dashboard in a timely manner, unless they undertake batch calculations for all entitlements held (at a point in the calendar year) and store the results ready for dashboards. This will require significant investment in IT infrastructure. Several PLSA members have highlighted the capacity challenges in the pension technology market that could slow the potential upgrades required.
- **Retirement Age:** PLSA members have indicated that a mixture of practices currently exists regarding ERIs on annual benefits statements (where schemes produce them as a matter of course). Some schemes project active members' pension entitlements to normal/selected retirement date, assuming future service/contributions, whereas others assume no further service. Deferred member benefits are often stated as at date of leaving, with no projection into the future. An additional issue is that scheme tranches can often be projected to different retirement dates.

27. Alongside the technical challenges is a communications challenge. PLSA members have indicated that it is not common practice for DB and DC pension entitlements to be presented alongside one another on benefit statements. In some cases, even different sections of the same DB scheme provide separate benefits statements. In other words, at present, schemes do not tend to provide a consolidated picture of an individuals' pension entitlements. Consumer testing will be required to understand how savers interpret and would likely act on a consolidated view.

Are there any “disclosure items” (i.e. items required under current disclosure regulations) that are currently challenging to supply digitally? If so, please indicate how many months it would take to make these “disclosure items” available digitally?

Level 2a vs. Level 2b Data

28. We view the data items contained in Level 2b (on accrued entitlements) as important data that will provide additional context to ERI. Although we understand that some stakeholders view information on accrued entitlements as being more important than ERI estimates, we believe that ERI is essential for the purpose of engagement.

29. Behavioural research suggests that “employees have difficulty understanding how numbers like savings rates, expected rates of return, and volatility translate into changes in their lifestyle when they are old. These abstract concepts can be brought into focus by offering translations into concepts anyone can understand.”⁶ ERIs offer a relatable concept of this sort: the notion of an income.

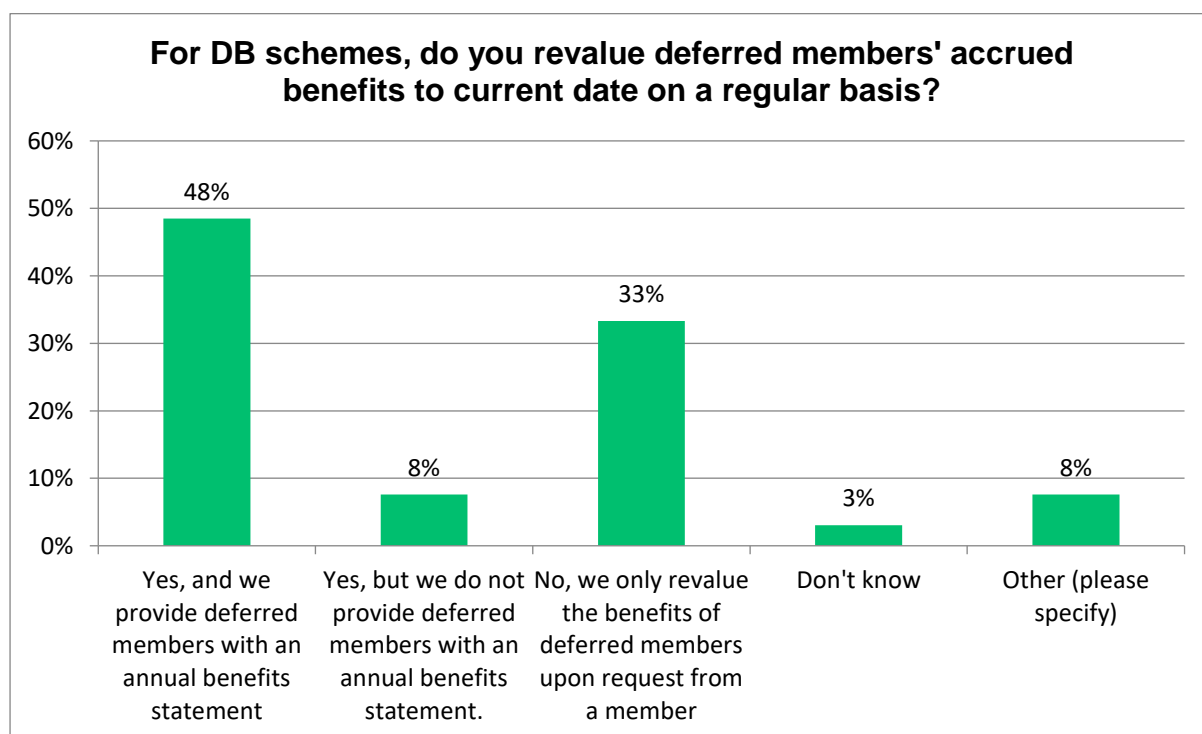
Accrued Entitlements: Current Data

30. Although most schemes are likely to be able to provide data related to disclosure requirements in a digital format, there is a question about how current that data will be. Existing disclosure regulations require accrued entitlement amounts to be provided to savers either annually (DC) or upon request (DB).

31. In other words, DB schemes do not have to provide savers with information on their accrued entitlements on an annual basis automatically (though IOPRII will require it – once transposed into UK law). Requiring all schemes to provide this information will entail potentially significant costs for DB schemes. This needs to be considered as the PDP develops its onboarding timeline.

32. For DC schemes, this information will be readily available in most cases (as a pot value). This will be correct as at current date or the last annual benefit statement. However, for DB entitlements, a mixture of practices exist that govern the extent to which data on accrued entitlements is up to date.

33. For active members, accrued entitlement data tends to be revalued each year to current date, though this is by no means the case universally (as not all schemes provide annual benefits statements to active members). For deferred members, many schemes only revalue accrued entitlement information to date when a saver requests a retirement quote. A recent PLSA survey of its members (see graph below) explored this issue.



⁶ R. Thaler et al, *Nudge: Improving Decisions About Health, Wealth and Happiness* (2009)

34. The mixture of bases on which accrued entitlement data could be displayed on dashboards is concerning. In the absence of appropriate contextual information about entitlements (given that dashboards will only offer savers a snapshot), savers may end up more confused about their pension entitlements than if they had not used a dashboard. This would be a negative outcome for savers and the Programme.

Special Features

35. Moreover, we are concerned that dashboards will not be able to communicate essential information about accrued entitlements to savers, such as information on special features related to particular products (e.g. death benefits). The range and complexity of special features is not easy to communicate to savers and is unlikely to be captured on dashboards (even dashboards in the BAU phase - i.e. post-initial dashboards).
36. Ordinarily, these benefits tend to be lost where a saver chooses to transfer out of the related pension product. As a result, dashboards should signpost savers to appropriate contextual information about their pension entitlements to protect them against the risk of making decisions that are not in their best interest (even though any transfer activity would necessarily take place outside of the dashboard ecosystem).

Most data items in level 3 are not currently required to be made available to individuals under the current disclosure regulations. Would any of these (or other) areas of data be able to be supplied voluntarily for initial dashboards?

37. It is likely that a high proportion of pension schemes will be able to provide the additional data on a voluntary basis. However, we are not convinced that it is desirable to display different depths of data to savers on the basis of schemes being able to provide it voluntarily.
38. Although it is essential to carry out rigorous consumer testing to understand how savers would likely react to varied information depth about their entitlements, we are concerned that such an approach could result in consumer detriment. This is a particular concern where savers are approaching retirement, as they might take irrevocable decisions on the basis of uneven data about their pension savings. This suggests that the information presented on initial dashboards should be uniform, regardless of particular schemes'/providers' ability to provide additional data.
39. Moreover, certain data items that could be considered to be non-core and, therefore, might only be supplied voluntarily in the first instance, could be of significant importance to an individual or his/her immediate family. We see guaranteed or special features (see above) in this category, as well as data on any spouse's pension elements that may be applicable. These are core pieces of information that initial dashboards should reflect.

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