PENSIONS AND LIFETIME SAVINGS ASSOCIATION

# CP22/3: PENSIONS DASHBOARDS: PROPOSED RULES FOR PENSION PROVIDERS: PLSA RESPONSE

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# CONTENTS

## ABOUT THE PLSA

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

We represent the defined benefit, defined contribution, master trust and local authority pension schemes that together provide a retirement income to 20 million savers in the UK and invest £1 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs and others who play an influential role in the governance, investment, administration and management of people's financial futures.

## EXECUTIVE SUMMARY

### The PLSA supports pensions dashboards

The PLSA has long been supporter of pensions dashboards and believes alongside Retirement Living Standards they could play a fuller role in supporting effective decision-making by savers. The PLSA has been an active member of the Pensions Dashboards Programme's Steering Group and we very much welcome the FCA's work in creating a regulatory framework for connecting to pensions dashboards.
We have been working with our membership and wider industry to support the successful launch of pensions dashboards.

### Discretion on the part of regulators

Schemes will be making their best endeavours to comply but there will be myriad teething issues. For 12 months following the Dashboards Availability Point (DAP), regulators must deploy a highly pragmatic and supportive approach to the exercise of their compliance and enforcement powers on schemes.

### Alignment of regulatory regimes

The application of fines and the reasons for deferring connection differ between TPR and the FCA. We do not believe that this is necessary, or desirable and believe there is room for alignment of rules for connecting to dashboards to reduce regulatory arbitrage.

### Staging Timeline

The existing staging timeline is not realistic for all pension schemes. We believe that many schemes will be able to achieve their relevant staging windows as set out but, due to their reliance on third party administrators and ISPs, it is not possible to say this with a degree of certainty. Our discussions with schemes, suggest that some are not at all confident of meeting their staging window.

The key to the success of pensions dashboards will be ensuring they are useful and understandable by savers at public launch. The staging timeline sets out when schemes should connect to the pensions dashboards architecture but there needs to be significant user testing prior to dashboards becoming visible to the public.

## Data matching remains a critical issue

In carrying out matching to respond to Find Requests, schemes must balance their existing GDPR and new dashboards duties. Given schemes have limited control over the ongoing accuracy of personal data items (i.e. it is maintained by third parties, such as employers, and deferred members themselves), the ICO must set out its policy for regulating how schemes take these "balancing" decisions. Currently the rules provide insufficient support to schemes on how to do this, and is likely to make it harder to meet the staging timeline.

## Dependencies on TPAs / ISPs

Pension schemes are wholly dependent on their Third Party Administrators (TPAs) (or potential new ISPs) to discharge their new connection duties. But as no TPA / ISP has yet developed a commercial ISP service, schemes do not yet know if they will be able to comply on time. This is a further reason why we are not confident the staging timeline is achievable for all schemes. The DAP testing criteria will help mitigate this considerable delivery risk.

## Disclaimer / liability waiver wording

All dashboards must clearly indicate that the figures displayed are indicative and as such schemes are absolved of all liability for actions taken (or not taken) by savers in respect of them. Schemes must not be liable for savers' misunderstanding of the information they see on dashboards, especially the mandated View data. This has so far been largely untested with users, and (for good reasons) it has to be simplified and standardised though this does leave room for saver misunderstanding. Mandatory disclaimer wording should be prescribed in the regulations (or the Pensions Data Project Design Standards) to help protect savers from confusion.

## Ongoing costs of compliance and the ecosystem

The regulatory requirements place new dashboards duties upon all pension schemes and commits Government to the ongoing spend for the central digital architecture. It is essential that the amount of these costs, and who will bear them, is clarified beyond those stated in the FCA's cost benefits analysis.

# Answers to Consultation Questions

## Introduction

The PLSA has given a comprehensive response, to many of the questions asked here, to DWP's consultation on Pensions Dashboards regulations. Some of the answers we give below mirror our responses to DWP's consultation but also reflect the difference in regulatory regimes between FCA and TPR. We are providing the consultation team at the FCA with a copy of our DWP consultation response as additional evidence.

A recurring theme throughout our response below is the need for a grace period of 12 months after the public launch of dashboards, where schemes and providers are affording a degree of latitude by regulators.

Another recurring theme is the need for greater regulatory alignment between TPR and the FCA in respect of connecting to and maintaining connection to pensions dashboards. Both the application of fines and the reasons for deferring connection differ between TPR and the FCA. The PLSA believes that in this case the FCA has a more proportionate approach to fines for breaches on a handbook basis. We also believe that the reasons for deferring connection from both TPR and FCA are applicable to occupational pension schemes (OPS) and personal pension providers. Alignment between the two regimes is clearly possible to reduce regulatory arbitrage.

**Q1: Do you think that our proposals for connection are proportionate and deliverable? Please provide evidence in support of your answer.**

The proposals for connection can only be judged on whether they deliver a successful pensions dashboards ecosystem.

The key to the success of pensions dashboards will be ensuring they are useful and understandable by savers at public launch. The staging timeline sets out when schemes should connect to the pensions dashboards architecture but there needs to be significant user testing prior to dashboards becoming visible to the public at the Dashboards Availability Point (DAP). Otherwise, there is a reputational risk to dashboards if savers are either left confused or with unreturned values.

There are very considerable risks of making dashboards available to the public too early.

Users may:

a) not understand the very limited scope of initial dashboards.[1]

b) be confused by their mix of pensions displayed on their dashboard.

[1] At PLSA, we talk about dashboards needing to "walk before they run". Very basic, initial dashboards have to be launched in order to better learn what different users need, so that dashboards can be incrementally evolved. The diagram on page 9 illustrates in more detail what features will and won't be included in initial dashboards.

c) not realise that the figures shown are only indicative estimates.

Therefore, rather than contacting their schemes and providers for more details, they may take inappropriate next steps, potentially resulting in a number of the following:

- ❖ Loss of valuable guaranteed benefits (by transferring out)
- ❖ Failing to exercise options that were not communicated (e.g. retiring early)
- ❖ Reduction in contributions resulting in under saving
- ❖ Not increasing contributions resulting in under saving
- ❖ Increase in contributions resulting in over saving
- ❖ Taking on more risk/volatility compared to risk appetite
- ❖ Moving to a more costly scheme/not moving to a less costly scheme

*

We think there is a strong likelihood that many users will not immediately understand all these limitations. Effective approaches must be found, and mandated through the PDP Design Standards, to ensure as many users as possible do understand the limitations.

## Dashboards Available Points (DAPs)

Dashboards should not be launched to the public at the DAP until live testing shows that a range of various thresholds in respect of **coverage, data matching accuracy and saver understanding** have been met.

For example, it should be demonstrated that a certain proportion (to be agreed) of live test users: i) understand initial dashboards' limitations, ii) are not confused by the pension information they are seeing, and iii) do not take inappropriate next steps after viewing their pensions on a dashboard. These three elements should be tested in the context of an imaginary 'after the event' retirement scenario where the actual figures are materially either more or less than those shown on the dashboard, because these outcomes will be common.

The regulations should **prescribe that dashboards must not be made available** to the public (at the DAP) until **extensive live testing of dashboards** has demonstrated these thresholds have been passed. Every other successful international pensions dashboards ecosystem has launched either on this basis or carried out testing with a smaller group of data providers over a longer period first.

The regulations should also prescribe that **consumer groups**, **industry, Regulators and Government must collectively agree** these thresholds.

As the range of different UK pensions is so diverse, and the risks of saver confusion are therefore high, we envisage many months (at least 12) of live testing will be necessary from April 2023 onwards before these thresholds on coverage, data matching accuracy and saver understanding are met and the Full DAP can take place.

However, PLSA estimates a **limited DAP** may be possible (for savers in schemes that have already connected to the dashboards ecosystem), and may? be beneficial for live testing, in **Q1 2024**. This could then potentially lead to a Full DAP (subject to the passing of the agreed thresholds mentioned above) in **Q4 2024**.

Dashboard users' expectations need to be managed – initial dashboards won't deliver many features that users might reasonably expect, as illustrated in the graphic below. And even those aspects that we would expect to see such as "click through" may not be possible for all onboarding schemes to deliver.

**PENSIONS DASHBOARDS: WHAT DO WE MEAN BY “WALKING BEFORE WE RUN”?**

| | Service feature of dashboards | “Walk” (Initially) | “Run” (Future) |
|---|---|---|---|
| 1. | Security of data and identity throughout the ecosystem | ✓ Must be nailed well before Full DAP (this is a basic user expectation) | |
| 2. | Different focus of dashboards for different user segments | ✗ Same offering for all users? | ✓ User-specific services? |
| 3. | **Finding my pensions:** 3a. All my schemes covered? | ✗ Some schemes not covered | ✓ All schemes covered? |
| | 3b. Finding my pensions in schemes that are covered | ✗ Many “maybe “matches” | ✓ Fewer “maybes”? |
| | 3c. Pension amounts returned straightaway? | ✗ Up to 10 days, or not available | ✓ Yes, figures straightaway? |
| | 3d. Pension amount information up to date? | ✗ Up to 12 months old | ✓ Up-to-date figures? |
| 4. | a. Indicative monthly total pension income shown … | ✓ Yes, if pensions are found & amounts are returned (always indicative only) | |
| | b. including progress towards a retirement income target | ✓ Yes, once 3. is delivered | ✓ PLSA RLS fully integrated |
| 5. | Getting help understanding the pension data I’m seeing | ✓ Click-through to schemes | ✓ Enhanced support? |
| 6. | Modelling, such as retiring later, paying in more, etc. | ✗ Possibly via an export option? | ✓ Integrated modellers? |
| 7. | Pensions in payment and drawdown shown? | ✗ No | ✓ Possibly in the future? |
| 8. | Benefits payable if I die shown? | ✗ No | ✓ Possibly in the future? |
| 9. | Investment questions like: How green are my pensions? | ✗ No | ✓ Possibly in the future? |
| 10. | Supporting action, such as merging small DC pots, etc. | ✗ No | ✓ Possibly in the future? |

Therefore it is important to get the extensive user testing done prior to a public launch of dashboards, to understand if thresholds on coverage, dating matching accuracy and user understanding are met.
The PLSA would ask from the FCA that a degree of latitude is applied with a grace period operating during the connection phase and 12 months after the Full DAP.

For further information on the PLSA view on connection proposals for Dashboards please see our answers to Q 1d of the DWP Dashboards consultation.

**Q2: If you are a pension provider, what challenges do you anticipate facing in meeting the implementation deadline?**

Although we believe that the staging timelines are potentially achievable for many pension schemes and providers, due to dependencies on third party administrators and ISPs we cannot say this with a great deal of certainty. The alignment of the staging windows is likely to result in crunch moments for TPAs and ISPs connecting pension schemes to the pensions dashboards ecosystem at the same time.

Some of the pension schemes we represent believe that their current staging timeline is very tight, and others have no confidence at all of meeting their window.

Many schemes would like to start preparing to connect to pensions dashboards but lack the necessary certainty about the precise requirements, from data matching protocols to estimated retirement incomes. We are therefore asking that Government and Regulators make their expectations clear as soon as possible.

We also note that the FCA's proposed reasons for deferral are different and more specific than in the DWP consultation, and are where providers:

- Have fewer than 1,000 pots in accumulation
- Rely on a third party ISP to achieve compliance

We have asked DWP to include the FCA stipulated conditions as a reason to defer for trust-based schemes that TPR regulate.

Similarly, DWP stipulated current "administration transition" circumstances that could be used as reason for deferring the connection deadline, we would like to see this included in the FCA reasons for deferral. It is important that there is consistency and regulatory arbitrage is limited.

We also stated in our response to the DWP consultation that the deferral justification "administration transition" should be broadened to include other major scheme/provider changes such as a change to the management of the scheme's core data. In effect we would expect to see a range of appropriate reasons for schemes and providers to apply to TPR or FCA for deferral, to be considered at TPR's or FCA's discretion.

**Q3: Do you think that our proposals for finding and matching are proportionate and deliverable? Please provide evidence in support of your answer.**

Successful data matching is at the absolute heart of dashboards success. We welcome that the data matching criteria is aligned with TPR's and also the referral to PASA's guidance on data matching to enable pension providers and schemes to determine their matching criteria.

As the consultation outlines, the existing GDPR duties and the new dashboard duties are both subject to regulatory requirements. The DWP consultation document made clear that it remains the responsibility of the Information Commissioner's Office (ICO) to investigate any breaches of data protection law, whilst schemes' and providers' compliance with the new dashboard duties will be a matter for the FCA/TPR.

The FCA has set out its approach to compliance, but no associated *ICO compliance and enforcement policy* is mentioned. In this context, PLSA member schemes feel that such an ICO policy is essential.

It is well understood in pensions administration that schemes have limited control over the ongoing accuracy of the personal data they hold. This is because it is (or isn't) maintained by third parties, such as employers and previous providers, and updated (or not) by deferred members themselves. Therefore we would expect a pragmatic approach to enforcement from Regulators.

**An ICO policy setting out how this area will be regulated, and is expected to work in practice, is needed urgently** to help schemes and pension providers make their decisions on how to "balance" their GDPR and dashboards duties.

It is also worth noting that HMRC have been slow to issue national insurance numbers to new workers, especially during the pandemic. But the employer must auto-enrol them anyway, as that's their statutory duty.

When the employee leaves service before HMRC have issued the number, the employer often does not then provide it to the pension scheme.

Pension schemes don't have anywhere to go to fill the gaps on their database. Although there are various commercial sources to rectify other forms of missing data we are not aware of a service that can supply schemes these missing national insurance numbers. A method for supporting schemes in correcting national insurance numbers is likely to be welcomed.

This is also relevant to a wider point that for deferred members of pension schemes there will be a degradation of data accuracy over time and regulators will also need to be cognisant of this in the 12 months after the Dashboards Availability Point (DAP).

**Q4: Do you think that our proposals for returning view data are proportionate and deliverable? Please provide evidence in support of your answer.**

Please refer to our answer to Q 5 in this consultation in respect of user understanding.

**Calculations in line with ASTM1**

The PLSA participated in the work of the Joint Forum for Actuarial Regulation (JFAR) on the proposed ASTM1. Our members appreciate the move towards greater consistency and comparability that the proposed growth and decumulation assumptions could bring.

However, the PLSA feels it would be more relevant for savers to see **DC incomes which are more comparable to DB incomes** (i.e. increasing during payment, and continuing at a lower rate to a spouse /dependant on death). If this is not adopted, then to avoid substantial risk of saver detriment, very clear labels should be added to DB incomes highlighting that, unlike the DC pension incomes shown, they include indexation and spouse's benefits (where this is the case).

The FCA proposals on the application of the new ASTM1 for projections from the 1 October 2023 on the Pensions Dashboards is reasonable and may give pensions schemes and providers enough time to adapt.

The PLSA will give fuller answers on the proposed new ASTM1 standards in our response to the FRC Consultation.

**Response Times**

No schemes or administrators we have spoken to support the proposed 3 (DC) / 10 (DB) working day response times as helpful; neither for a good user experience, nor for TPA operations.

If a scheme cannot return the prescribed figure straightaway, then there is probably something fundamentally complex about the case which an extra 3 or 10 working days isn't going to help resolve. In this case, the notification to the dashboard user should be: *"We are unable to show you a figure for this pension, contact your scheme / provider"*. In other words, there should be a binary response: provision of a pension figure straightaway, or notification to contact your scheme.

There are two further complications of the proposed added 3 / 10 days:

a) This will clash with service standards for other business as usual work, such as high priority requirement quotes, and
b) It is the process of mixing digital and manual environments which will add (potentially significant) complexity to the refresh of data held by ISPs once value data is available. This is because the request for data will be made digitally through the dashboard

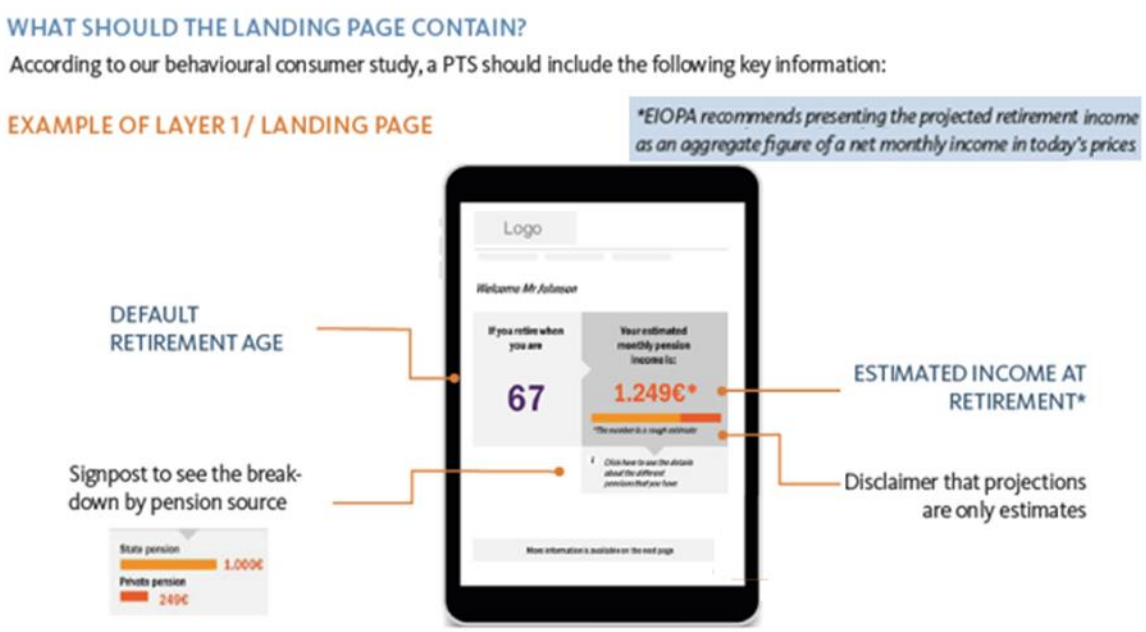
ecosystem, the information will calculated manually, and then will be input into a digital system, so it can be returned digitally; every switch between digital and manual adds complexity.

**Q5: Do the proposals set out above deliver the right balance between the needs of consumers and industry burden? If not, how might a better balance be achieved?**

The PLSA believes that the balance between the needs of savers and the industry burden could be better  struck in a way that benefits both. We set out our thoughts on this below.

One of the core challenges for delivering meaningful pensions dashboards for savers is that most savers crave simplicity.  Yet there is a huge complexity in the wide range of pensions, and options, they have across the UK pensions universe as a whole.

User research and testing, in Sweden in 2015, The Netherlands in 2019, wider European work in 2021, and from Pensions Data Project (PDP), has consistently shown that most savers just want to see the monthly total income they might get in retirement.  This is best illustrated with an example.  Below is what EIOPA's 2021 consumer research found most people want to see initially on dashboards (or pensions tracking services (PTS), as dashboards are called in the European Economic Area):




What this clearly shows is that the first thing most people want to see on a dashboard is:

- **a total estimated monthly income figure** (aggregated across all their pension sources, ideally net of income tax, although a gross figure may be acceptable)

- **at one single retirement age**
- **in today's prices**.

In the UK, because of the underlying scheme complexities, it will be very challenging, if not impossible, to produce this display. And yet this is what user research consistently shows people want to see (or they will try to get to it by manually adding up figures).

Simplifying what savers see on dashboards means figures shown cannot be accurate; they can only ever be estimates. **Therefore, EIOPA made a recommendation, which PLSA strongly endorses, that all dashboards should include disclaimer wording explaining that the pension incomes shown are only estimates.**

### Disclaimer / liability waiver wording

In simplifying pension dashboard displays, there is a considerable risk that pension scheme members, when they view their pensions on a dashboard, may not:

- understand that the pension income figures are purely indicative estimates, or
- realise that a range of varied options may exist for each of their different pensions.

Therefore, savers may take actions, or fail to take actions, based on a misunderstanding of the full details of each pension.

It is very important that schemes are not liable for these actions (or failure to act). Nor should the View data schemes return to be viewed on dashboards in any way change their liability. For example, schemes must not be liable to pay the figures shown on dashboards, as they were only estimates.

So strong disclaimer, and liability waiving, wording must be shown on all dashboards. Users may not read, or understand, this wording, but it is essential, nevertheless. Ideally the **regulations should mandate the disclaimer wording** that all QPDSs, and the MoneyHelper dashboard, must display. Alternatively, the PDP Design Standards could mandate that this wording must be displayed by all QPDSs and the MoneyHelper dashboard. It needs to be crystal clear that this wording extinguishes schemes' liability from users making poor decisions based on View data.

The wording must be **understandable and unambiguous**. We would be happy to work with DWP, PDP, FCA and others to suggest and refine the final disclaimer wording, and we have already begun working with some of our members to do this.

### How Schemes and Providers are regulated

Schemes will be making their best endeavours to comply but there will undoubtedly be myriad teething issues to be resolved.

For 12 months following the Full DAP, regulators (including TPR, FCA, ICO, etc.) must deploy a highly pragmatic and supportive approach to the exercise of their compliance and enforcement powers on schemes. This has to be for 12 months **after** the Full DAP, as compliance with Find Requests & View Requests will not be tested at scale until then.

PLSA member schemes asked us how FCA will set their policy, how it will be implemented over time, what amnesty will apply, what approach will be taken to proportionality, and whether different enforcement approaches might depend on whether a breach is the result of a system issue or poor administration.

**Monitoring against standards**

Finally on standards, we understand that PDP (or its successor entity at MaPS) will monitor schemes', providers' and QPDSs' compliance with all standards, but it will be FCA and TPR who will take any enforcement action against schemes and providers for any non-compliance.

More detail is needed on the relationship between MaPS/PDP as the envisaged creator and monitor of standards and TPR and/or FCA as the regulators. For MaPS this new role will be a divergence from their current role as a guidance body and from their strategic role on financial capability/wellbeing. For TPR and/or FCA questions remain regarding how much of their usual requirement setting, supervisory and enforcement roles they are effectively delegating to MaPS/PDP over time, and how this whole structure would be governed.

**Q6: Do you have any comments on our cost benefit analysis in Annex 2?**

The consultation has limited the estimated costs used to familiarisation and gap analysis, which may prove useful for planning purposes, but it is limited in scope. The benefits outlined have a much broader scope, reflecting the benefits of the whole pensions dashboards ecosystem.

The PLSA understands that the FCA is not in a position to do a full cost benefits analysis considering the cost of implementation and the ecosystem as a whole. We also understand that fuller cost benefits analysis will be forthcoming from DWP in the near future.

However, the PLSA believes that the FCA could have gone further with its cost benefit analysis to consider ongoing compliance with the regulations. As an example, the consultation has outlined record keeping and reporting requirements, upon which estimated costs could have been gathered and analysed to assess their relative merits.

## DISCLAIMER



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