ASSOCIATION OF CONSULTING ACTUARIES

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Pensions Dashboards – Working together for the consumer

This document sets out the response by the Pension Schemes Committee of the Association of Consulting Actuaries to the consultation of the above name issued by the Department for Work and Pensions on 3 December 2018.

Wider benefits of a dashboard

I. What are the potential costs and benefits of dashboards for:

a) individuals or members?

b) your business (or different elements within it)?

At the outset we would like to express our support for the pensions dashboard initiative – please take the comments that follow in this light.

You have listed the minimum benefits to members in paragraph 71 of the consultation document, with which we agree, but note that the extent to which members will welcome dashboards depends in no small measure on the information that they will convey and the degree to which this information is kept up to date.

We are concerned about the costs that will be imposed on contributing schemes, particularly DB schemes that are not necessarily set up at the current time to communicate individual benefit information to members electronically 'at the touch of a button'. For many DB schemes there will be costs associated with data cleansing and electronic storage, potentially along with fees to integrated service providers. The consultation document barely discusses this issue and consequently schemes may not be aware of the likely additional costs that they will shortly be compelled to bear.

Architecture, data and security

II. Do you agree with:

a) our key findings on our proposed architectural elements; and

b) our proposed architectural design principles?

If not, please explain why.

We agree with the approach – in particular, the single pension finder service and the ability of integrated service providers to act as a conduit between schemes and the pension finder service.

We do have concerns about security of the eco-system. If it is breached by hackers they will presumably be able to access extensive personal and financial information about millions of people and potentially go on to try to hack their way into individual pension schemes where certain malicious actions, such as changing investment choices in DC schemes and changing death benefit nominations in any scheme, might be open to them. We feel it essential that there are protections for trustees and sponsors from prosecution should members' personal data be illegally obtained from dashboards.

The issue of security does not seem to have been addressed in any detail in the consultation paper.

Providing a complete picture

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

Yes, but such compulsion needs to be delivered sensitively, having regard to the data cleansing and electronic uploading that will be necessary ahead of schemes being able to contribute data. It is also far from clear what data needs to be supplied to the dashboard and the frequency of updating.

To incentivise schemes we ask that you subject the disclosure legislation to a complete overhaul to see whether, if schemes provide information via a dashboard, they can be exempted from having to separately provide the same or similar information by other means.

IV. 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?

Yes – we see no great value in enforced participation of such micro schemes – certainly not at the initial stage where the focus should be elsewhere. We assume that when you refer to SSAS you are also intending to include those set up on a DB basis. We would agree that they should also be exempt from compulsion.

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

We suggest that you give consideration, at least at the initial stage, to exempt small DB schemes (say less than 100 members) as in a number of instances they may currently be administered by means that do not lend themselves to easy transmission of electronic data and for whom the costs of participating would be significant. If that is not possible we suggest that any compulsion should be limited to identifying that the individual searching does have a pension entitlement and a contact for further enquiries.

Implementing dashboards

VI. 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?

Our initial thought is that this timescale is vastly ambitious for any scheme, including those already operating fully automated electronic systems, because to date there has been no public exposure of all the necessary protocols for sharing data, still less the actual elements of data to be shared and for what purpose.

VII. 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 is not possible for us to judge whether this timeframe is reasonable based on the information about the dashboard that is set out in this consultation document. We would like to think that it is a reasonable timeframe , but at this stage there appear to be so many unanswered questions about the operation of the dashboard.

It also does not seem right for this consultation document to be talking about compelling individual schemes to provide data for the dashboards when HMRC is not able to provide state pension data in the same timescale. We suggest that individual schemes should have the same option that you are proposing for the state pension of being allowed to say 'here is where you can find out about your pension with X' (rather than having to supply the full data to the dashboard). We suggest that you should consider phasing along these lines – i.e. existence of pension ahead of details of it – as well as having a staging process ("onboarding" in your jargon) by scheme size/type. It will presumably be necessary to have the potential for sanctions for those that do not engage within a suitable timescale.

VIII. 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?

The consultation document suggests that it might not be appropriate for the dashboard to display cash equivalent transfer values for DB schemes because it might unduly encourage members to "give up generous DB pension rights". Whilst we appreciate the concern we do not object in principle to dashboards displaying such information, so long as it is appropriately caveated. The issue of caveat also needs to be explored – is it the schemes or the dashboards? And where does liability rest if people claim they have been misled/didn't understand the full range of options on the basis of the information presented on the dashboard?

It will be useful for the final version of the dashboard to incorporate information on both DB and DC that enables them to be compared e.g. comparing DB transfer values with DC funds, and/or DB pension with a projected DC income on some agreed basis. We note in passing that DB benefit simplification would enhance the comparability of DB pensions as benefits would then be of similar quality, whereas as things stand, two DB pensions of £10,000 pa may have significantly different values depending on pension increases and survivors' pensions. DB simplification should also make it easier for schemes that undergo this process to supply data to the dashboard.

On the premise that the member is operating in a secure environment when accessing pension information through the dashboard, we cannot think of any pension information that should specifically not be allowed to feature.

One caveat to this is that the consultation paper does not discuss how commercial dashboards will be allowed to develop. Clearly, if the prime purpose of a particular commercial dashboard was to facilitate DB transfers and there was little by way of controls over what it was allowed to do, we would have great concerns.

IX. 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?

We think it most important that the non-commercial dashboard engenders confidence by all stakeholders, particularly consumers. Therefore, it should not be rushed out to meet what is now an arbitrary 2019 deadline. We suggest that the prime purpose of the first roll out of the non-commercial dashboard is to enable consumers to be reunited with their "lost pots", which means that the pension finder service should be able to find all pensions, if not be able to quantify them. If it is rolled out in some "half dashboard" form, with limited finding capabilities, it will surely get a deserved bad press.

X. 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 agree that there should be only one Pension Finder Service. It is not obvious what public policy objective would be realised by commercialising the search aspect at this stage of the dashboard's implementation. Maybe in time, this should be revisited, but having more than one Pension Finder Service at this stage could further delay an already significantly delayed implementation of the 2016 Budget decision.

Protecting the consumer

XI. 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?

As the consultation document at this point contains no detail on what this existing regulation comprises on which you are seeking to rely we are not in a position to either agree or disagree with your working assumption.

Accessing dashboard services

XII. 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?

Yes, and we hope that the industry working group will work on ensuring that these needs are met.

Governance

XIII. 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?

We have no particular comments to offer on the governance structure you have set out in the consultation paper. However, it will clearly need to be paid for and we note that, at this point in time, there is no indication of the budget that will be necessary for this structure to operate.

Costs and funding

XIV. 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 are not in a position at this stage to answer this question. However, we note what underlies it. In order to enable the non-commercial dashboard to operate, schemes will have to meet the costs of data provision, including potentially via an Integrated Service Provider, and contribute in some way towards other elements of the service. It would clearly be unfair if at a later stage, commercial dashboards are allowed to use that data without contributing.

More generally, the consultation speaks about the benefits of the dashboards, but it is not clear that there are any to individual pension schemes other than perhaps reform of the disclosure regulations. Commercial organisations like third party administrators or insurance companies may get further benefits, but only if they decide to set up commercial dashboards themselves. It therefore would seem unfair for anyone other than the commercial dashboard providers to have to pay a levy, but by definition, the initial stages of the dashboard will have to be undertaken before it is clear what commercial providers will enter the market. We cannot see a fair way of addressing this except with Government funding up front, to be recouped in due course from commercial providers, but that is clearly not in line with your thinking. We suggest that legacy DB schemes in particular should be exempt from any levy as (unless they become used as consolidation vehicles) it is hard to see many of them being interested in creating commercial dashboards.

General

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

No.

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