

“Pensions Dashboards: Working together for the consumer” consultation - Response from the Pensions Policy Institute

Summary

- Designed and implemented effectively, pensions dashboards could meet the stated aims of providing greater opportunities for people to understand their income and options in retirement and encourage active engagement with their pensions leading to improved personal outcomes.
- However, there are a number of issues in terms of design, implementation and operation that need to be considered and overcome if pensions dashboards are to realise and deliver these benefits.
- Implementation: The chosen model for the implementation of pensions dashboards will have significant impact upon the ways in which consumers will engage with them. A comprehensive dashboard would take considerable time to create, and staged approaches may run the risk of missing out on information that consumers might need, potentially damaging trust and uptake.
- Scope: Decisions as to the scope and nature of information included in dashboards is likely to have an effect on use and consumer confidence. There are also questions regarding the ongoing development of dashboards and the wider financial open culture.
- Governance and regulation: The white paper acknowledges that pensions dashboards are likely to require a new regulatory framework and a trusted culture of close governance with clear lines of accountability.
- Data privacy and trust: Research shows that data privacy is a concern for individuals, and dashboard providers may need to develop strategies to build and retain consumer trust.
- Engagement: Pensions dashboards are unlikely to drive up consumer engagement unless they form part of a wider strategic approach from both government and industry.

1. Response

- 1.1 This is the Pensions Policy Institute's response to DWP's "Pensions Dashboards: Working together for the consumer" consultation.
- 1.2 The Pensions Policy Institute (PPI) promotes the study of pensions and other provision for retirement and old age. The PPI is unique as it is independent (no political bias or vested interest), focused and expert in the field, and takes a long-term perspective across all elements of the pension system. The PPI exists to contribute facts, analysis and commentary to help all commentators and decision-makers to take informed policy decisions on pensions and retirement provision.
- 1.3 This submission does not address all of the specific questions in the consultation, neither does it seek to make policy recommendations. Rather, the response provides an overview of existing evidence and explores the challenges and opportunities involved in implementing and operating pensions dashboards.

2. Implementation

The chosen model for the implementation of pensions dashboards will have significant impact upon the ways in which consumers will engage with them. A comprehensive dashboard would take considerable time to create, and staged approaches may run the risk of missing out on information that consumers might need, potentially damaging trust and uptake.

There are several options for implementation:

- 2.1 A long lead-in time producing a comprehensive initial public dashboard with complete or near-complete information about pensions (both state and private) location, size and options for all users.

This approach could benefit from further investment in developing a well-tested and integrated dashboard ecosystem meaning that the initial launched product is as close to ideal as possible, providing a complete dashboard from day one.

However, this approach could mean lengthy delays to implementation and a loss of public trust and industry investment. It might also run the risk of missing out on industry innovation and technological advances, meaning that the dashboard is already outdated by the time of its launch.

2.2 A staged approach whereby a dashboard could be implemented initially with incomplete information about the number and value pensions, different providers and future options but which will be developed over time.

This approach has the benefit of allowing for an iterative learning process and real-time reaction to innovation and technological advances, whilst also introducing the idea of the dashboard in a timely fashion.

However, it could be that a dashboard that provides only partial information would deter potential consumers from seeing its potential and making best use of it.

2.2.1 There are a number of options within the staged approach.

a) Building on the existing work of the Pensions Dashboard Project, which has developed a prototype that provides basic information as to whether an individual has (a) pension(s) and their location. Further stages could then aggregate these pensions, providing information as to guaranteed income levels before a fully functional dashboard that allows for more active engagement such as enabling consolidation and exploring or purchasing decumulation products. This option would provide a more iterative approach, but would mean that the full potential of dashboards would take time to realise, and some early consumers would be unable to take advantage of interactivity having reached retirement during a relatively lengthy introductory phase.

b) Building on the implementation of automatic enrolment and starting with the inclusion of occupational Defined Contribution (DC) schemes and Master Trusts before then seeking to include state pensions, current and legacy Defined Benefit (DB) schemes and Self-Invested Personal Pensions (SIPPs) over time. This could allow for greater use of the interactive elements of dashboards, and would help to establish their use among people with DC schemes. However, potential consumers who could potentially benefit sooner from interactive, decision-making aspects of dashboards will have an immediate need for information on legacy DB schemes and state pensions, which the White Paper has suggested are not priority areas for early inclusion.

c) Staging via age cohort, starting with those nearest retirement, so as to ensure that the dashboard is relevant to those nearest the decumulation phase of their pensions journey. This approach would benefit those in

close proximity to, or in, retirement, and allow for active engagement from an early stage of development. However, those nearest to retirement are perhaps more likely to require precise information about state pensions and legacy DB schemes.

- 2.3 Much of the existing research has shown that consumers favour a single government-run dashboard, as something that would inspire more trust about the quality and neutrality of the information and advice on offer. There is a challenge here to overcome suspicion and distrust of financial institutions if a multiple commercial dashboard system is to be successful.
- 2.4 Research shows that the state pension is likely to remain a staple source of retirement income for many people, especially as they get older², and it may be that consumers would be less likely to see the value in a dashboard that does not include this information at an early stage. This can in part be met by referring consumers to the Pension Wise element of Single Financial Guidance Body (SFGB).

3. Scope of dashboards

Decisions as to the scope and nature of information included in dashboards is likely to have an effect on use and consumer confidence. There are also questions regarding the ongoing development of dashboards and the wider financial open culture.

- 3.1 Research published by Which? in 2018³ showed that when consumers are presented with the idea of a pensions dashboard, they have high expectations both as to what it should include and how it should operate.
- 3.2 The research also indicated that people are likely to require different information at different stages of their pension journey, a factor explored

¹Saint-Warrens, S. & N.Allen (2017), Pensions Dashboard Research, the Money Advice Service, London

²Dependency on the State Pension through retirement, Pensions Policy Institute Briefing paper, No.104, PPI, London

³Lindley, D. (2018), The pensions dashboard: How can we make it work for consumers? Which?, London.

in greater detail by PPI in a research report on consumer engagement throughout the lifecycle⁴.

- 3.3 The wide range of information desired by potential dashboard users may present challenges in terms of expectation management and governance, giving rise to a number of questions as to what information users can expect to see.
- 3.4 For example, there is debate over the usefulness of including information on costs, charges and projections in that while this might provide an extra layer of transparency, it might also lead to confusion in terms of understanding relative value for money⁵.
- 3.5 Questions remain about the wider scope of dashboards and what they might include and exclude. For example, whether dashboards will include other financial information such as life insurance or death-in-service benefits and the identities of beneficiaries, or whether they would be expected to include a mixture of schemes in decumulation and accumulation, whereby a user may be in receipt of payment from one scheme, but not others? There is a balance to be struck between the provision of complete information regarding pensions, allowing for greater customer understanding and engagement and the associated costs and potential over-complexity of a more complete approach.
- 3.6 A further question concerns the continued development of the original Single Financial Guidance Body (SFGb) hosted (yet commercially-developed) dashboard after the introduction of commercial rivals. Is it envisaged that this dashboard will continue to evolve and expand, or will users be expected to migrate to commercial dashboards as they come on stream? The former option would mean continued investment from the commercial sector into a non-commercial competitor, while the second would require strategies for moving customers from a familiar brand to a new commercial interface.
- 3.7 As well as dashboards being a source of information, there is scope for them to provide guidance and information about saving and planning for retirement, something that could prove useful for consumers in the early stages of saving. However, this may replicate the work of SFGb and little

⁴PPI (2017), Consumer engagement: the role of policy through the lifecycle. <https://www.pensionspolicyinstitute.org.uk/media/2640/20170719-consumer-engagement-the-role-of-policy-through-the-lifecycle.pdf>

⁵Lindley, D. (2018) op.cit.

more than linking to existing resources may suffice. This would ensure that the guidance was consistent, neutral and also potentially provide the trust that consumers see as central to their financial decision-making processes.

- 3.8 Finally, there is the possibility of pensions dashboards forming part of a wider open financial culture, whereby consumers can access a wide range of personal financial information from a variety of providers through single portals. This could include information on life insurance, mortgages and other financial products.
- 3.9 In order to ensure that users have a consistent experience and can make the best use of dashboards, a degree of compulsion may be required to ensure participation from some schemes. This is likely to focus on smaller legacy DB schemes that may not have existing capacity to produce digital records.

4. Governance and regulation

The white paper acknowledges that pensions dashboards are likely to require a new regulatory framework and a trusted culture of close governance with clear lines of accountability.

- 4.1 The greater the amount of information hosted by dashboards, and the potential to offer advice and guidance as well as facilitate decision making, the greater the need for complexity and clarity in governance.
- 4.2 Much of the work undertaken by pensions dashboards will fall under the remit of existing regulatory authorities (FCA, tPR, ICO), however, care needs to be taken to ensure that all aspects are covered. Consumer confidence and use are likely to be increased when clear lines of accountability are defined, and regulations applied consistently and transparently.

5. Data, integrity and trust

Research shows that data privacy is a concern for individuals, and dashboard providers may need to develop strategies to build and retain consumer trust.

- 5.1 Early discussions about the development of dashboards considered whether it would be appropriate to use the GOV.UK Verify service to confirm identity. However, this scheme has recently been closed and the technology opened up to the private sector for further development. It remains to be seen whether consumers will respond positively to identity verification services run by industry, or whether they will perceive there to be a potential conflict of interest.
- 5.2 A key element of the success of pensions dashboards will be the willingness of consumers to share their personal data. Research undertaken by Experian in 2018⁶ suggests that 65% of respondents saw privacy and security as very important when considering using dashboards.
- 5.3 A YouGov poll from 2018⁷ on open banking also shows that trust remains a potential barrier to sharing financial data. Over three quarters (77%) of respondents indicated that they would be concerned about sharing their financial data with companies other than their main bank, whilst just 6% would not be. This suggests that commercial dashboard operators may need to develop strategies to overcome similar barriers with regard to pensions.

6. Engagement

Pensions dashboards are unlikely to drive up consumer engagement unless they form part of a wider strategic approach from both government and industry.

- 6.1 The development of pensions dashboards has the potential to drive up consumer engagement with pensions, but is unlikely to do so without investment in promoting their value. Automatic enrolment and pension freedom and choice both provide opportunities for a co-ordinated approach from government and industry to building consumer knowledge and engagement that could benefit consumers, employers and providers. .

⁶<https://www.experianplc.com/media/news/2018/65-say-privacy-and-security-key-for-pensions-dashboard/> .

⁷<https://yougov.co.uk/topics/finance/articles-reports/2018/08/01/three-quarters-britons-havent-heard-open-banking>

6.2 The successful roll-out of automatic enrolment has seen more than 9 million people participate in workplace pension schemes, but engagement remains low. Research conducted by the CBI and Aegon in 2018 suggests that employers bear the greatest responsibility for ensuring that employees are engaged with their pensions⁸, and dashboard providers may need to develop strategies for communicating with employers.

⁸<https://www.aegon.co.uk/content/dam/ukpaw/documents/CBI-pension-engagement-report.pdf>