



## *The Money Charity response to the DWP consultation on Pensions Dashboards (Jan 2019)*

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

*The* **MONEY** *Charity*

The Money Charity (TMC) welcomes the opportunity to comment on the DWP consultation on Pensions Dashboards (Cm 9719). In our view such a Dashboard is a necessity, given the fractured state of the UK's pension system. It can potentially contribute to a significant advance in the UK population's awareness of pensions and ability to make and carry out successful lifetime financial plans.

## Key Points

- The Money Charity strongly supports the creation of a Pensions Dashboard. We think it will help people engage with their pensions, understand their projected retirement income and plan better for the future.
- The Pensions Dashboard should incorporate enhanced financial planning tools, enabling the user to see the different lifestyle outcomes of various levels of retirement income, what savings plans lead to different levels of income and what to do to achieve their savings goals.
- The Dashboard should show the user's National Insurance record (or link to that record) and link to reliable sources of pension guidance, advice and education, including that available from the charity and consumer sectors.
- The Money Charity favours the 'one dashboard – information on all pensions included' model.
- We are not in favour of the 'multiple dashboards – information on some pensions missing' alternative model.
- The Dashboard should be a key service of the new Single Financial Guidance Body.
- At launch, the Pensions Dashboard should, as a minimum, show users all the pensions they are aware of and in contact with, including the State Pension, defined benefit pensions (state and private sector), defined contribution pensions and personal pensions. Exemptions must be kept to a minimum, otherwise the credibility and usefulness of the Dashboard will be undermined before it has had a chance to establish itself.
- Ideally, the Dashboard should enable people to make contact with their lost pensions. The IT, data and human resource requirements for doing this are considerable, and we think the Steering Group should realistically quantify and plan for this at an early stage of the project.
- Going forward, all pension schemes should be required to make their membership data 'Dashboard Compliant', so that the match success rate rises toward 100%.
- The search direction should not only be consumer → pension data. Schemes that have large numbers of 'gone-aways' should be required to take more active

steps to match their 'gone-aways' into the Dashboard system, so that over time more people can find their lost pensions.

- The ID and Verification process must provide security but also not be so onerous that it puts people off. As far as possible, ID &V should make use of existing portals and authentication such as the Government Gateway.
- We support the idea of a broadly representative Steering Group, with several representatives from the charity and consumer sector to give the consumer voice effective mass. The Open Banking Implementation Entity has only a token level of consumer representation so should not be used as a model in this respect, though it may be appropriate for other aspects of governance.

### **Context – financial education and pensions**

The Money Charity approaches this consultation from its position as a leading provider of financial education to young people and adults. Pension planning features in our publications<sup>1</sup> and workshops and we find that even secondary school students are highly engaged with this topic, as it provides them with a way of thinking about lifetime ambitions. With our participants we discuss goal setting, savings plans, choosing between instant gratification and long-term interests, types of pensions and other savings products, budgeting and savings strategies. Thus we feel we are well equipped to comment on the usefulness and desired form of a Pensions Dashboard. If it is clear, simple to understand, complete in its information and accompanied by the necessary planning tools, we think the Pensions Dashboard could make a significant contribution to improving the financial capability of the UK's population.

Further, to many people our current pensions system is a minefield, being fragmented and hard-to-understand, with a plethora of terms (such as 'defined benefit', 'defined contribution', 'money purchase scheme') which are technical to the uninitiated and outside normal day-to-day vocabulary. This complexity makes the Dashboard a necessity. It can cut through the noise and bring all a person's pension information together in one place, expressing the key details in a way that everyone can understand: 'your combined pension pot is currently worth £x', 'this will give you an estimated annual pension income of £y', 'what you need for an adequate lifestyle in retirement is £z', 'this is how you can go about covering the gap.'

This is the vantage point from which we answer the questions posed in the Consultation Document.

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<sup>1</sup> See, for example, *The Money Manual*, page 17. Available at: <https://themoneycharity.org.uk/moneymanual/>

## Consultation Questions

### Wider benefits of a dashboard

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

We are not in a position to comment on the costs of setting up a Pensions Dashboard with data provided by all significant pension schemes in the country. Going forward, we think that costs can be reduced by requiring all schemes to make their member data 'Dashboard Ready', ie by designing their data collection and IT systems so that Dashboard access and file-matching will work seamlessly and with a high success rate.

For users, the costs should be low, providing access to the Dashboard is free. The main cost will be the time it takes to access the Dashboard and work through its planning tools, and the time taken to establish identity in the first place. It is important that the ID & V system, while secure, is not onerous. As much use as possible should be made of existing ID & V systems, such as the Government Gateway, to avoid duplication and save time.

On the other hand, the gains for the user could potentially be significant. The Pensions Policy Institute has shown<sup>2</sup> that most people are under-saving for their retirement, while increases in contribution rates, especially if started early in people's careers, can make a substantial difference to the pension outcome. By enabling people to focus on these choices in a way they can understand, and take the necessary steps, the Pensions Dashboard could have an impact on pension outcomes. It will complement and assist other forms of education about pensions, including that provided by The Money Charity. We do not wish to underestimate the challenge for many people of dealing with complexity and pension under-provision, but we think the Dashboard could make a difference.

Further, it has been estimated that 'lost' Defined Contribution pension pots could amount to nearly £20 billion,<sup>3</sup> enough to provide a pension income stream of £1 billion+ per year. This is money owed to UK individuals but not currently paid because they are 'gone-aways' in the pension scheme records, ie they have changed job and address and are no longer in contact with the pension scheme they used to belong to.

If the Pensions Dashboard can link users with lost pension pots, at least part of this income stream will become available to supplement pension incomes, a significant gain for pension scheme members and Dashboard users.

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<sup>2</sup> PPI 2013, *What level of pension income is needed to obtain an adequate retirement income?* Available at: [file:///C:/Users/David/Downloads/20131022\\_AE\\_Adequacy\\_FINAL\\_REPORT.pdf](file:///C:/Users/David/Downloads/20131022_AE_Adequacy_FINAL_REPORT.pdf)

<sup>3</sup> PPI Briefing Note Number 110, October 2018, *Lost pensions: what's the scale and impact?* Available at: <file:///C:/Users/David/Downloads/201810%20BN110%20-%20Lost%20pensions%20final.pdf>

## **Architecture, data and security**

### **II. Do you agree with: our key findings on our proposed architectural elements; and our proposed architectural design principles?**

We support the architecture as set out in the Consultation Document with the exception of three points:

#### **II.1 Multiple dashboards?**

We support the ‘one dashboard – information on all pensions included’ model rather than the alternative ‘multiple dashboards – information on some pensions missing’ model.

One of the key purposes of the Dashboard project is to simplify a complex environment. If multiple dashboards are authorised, the risk is that complexity and confusion will be added to a system that is already complex and confusing. When people search for ‘Pensions Dashboard’ (or whatever final name is chosen) and their screen fills with options, including ad-paid dashboard links sitting at the top of the search list, where are they supposed to go? How do they separate well-functioning dashboards from those with poor IT or lesser data coverage? Will they need a ‘compare the market’ service for choosing dashboards? How will they spot the fraudulent or scammer dashboards, seeking to get their ID information and steal money from them? Will one private sector dashboard emerge as the market leader (the Google or Facebook effect) and pocket the economic rents arising from network effects?

Furthermore, multiple dashboards may be a serious misallocation of resources. For the Dashboard project to work properly, the industry needs to focus on getting its data into Dashboard Ready form, linking to the Dashboard system, finding ‘gone-aways’ and trying to raise the success rate of Dashboard matching toward 100%. If instead, money, management time, IT and database resources go into creating multiple dashboards this could frustrate the success of the whole project. We have just seen with Crossrail how a major project can get into difficulties<sup>4</sup> when there has not been sufficient attention to data and software basics. We don’t want this to happen to the Dashboard project.

The Pensions Dashboard could be the ‘jewel in the crown’ of the service offered by the new Single Financial Guidance Body, simplifying the pensions search process, developing a recognised national brand and helping people make crucial decisions of lifetime significance. We want to see this promise achieved, not frittered away into multiple competing brands.

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<sup>4</sup> <https://www.theguardian.com/uk-news/2018/aug/31/what-is-happening-with-crossrail>

## **II.2 Delay to incorporating State Pension data?**

The wording in the Consultation Document, 'State Pension data to ultimately be part of the service' (page 33) suggests that State Pension data will not be in the Dashboard when it is first launched.

We think this would be wrong and a big mistake. For most people, the State Pension still forms the cornerstone of their retirement income, and many people rely exclusively on the State Pension. To leave this out would completely misrepresent the pensions landscape and make it impossible for Dashboard users to make realistic pension plans.

It is essential that State Pension information be available via the Dashboard from the outset. Indeed, the prototype Dashboard places State Pension information in the top row, which is where it makes sense for it to be.<sup>5</sup>

The Dashboard should also link to the user's National Insurance record, so they can understand how their State Pension entitlement has been calculated.

## **II.3 ID & V and the National Cyber Security Centre's Good Practice Guide 45**

The consultation document (page 33) refers to achieving a level of identity assurance that satisfies the National Cyber Security Centre's Good Practice Guide 45. However, this Guide does not set out a single standard, but rather four levels of identity verification with increasingly onerous levels of proof, including multiple forms of ID documentation and real-world surveillance. It is a set of standards that has emerged from a security environment dealing with terrorism, tax evasion, cyber warfare and crime.

We agree – and indeed it is essential – to verify users of the Dashboard, in order to prevent fraud, however it is important at the same time that ID & V does not become onerous. The project needs to find a way of verifying ID that does not put people off using the service. We suggest that as much use as possible be made of established proofs of identity, eg via the Government Gateway, so that people do not have to repeatedly revalidate themselves to 'the system'.

## **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?**

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<sup>5</sup> <https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/>

Yes. This is a key Government initiative with UK-wide application. Every effort should be made to make the Dashboard as complete as possible, in the sense of showing all users all their pensions, current and past.

There is a powerful 'network effect' in this project. A significant part of its value lies in its completeness. If some major pension schemes delay, or exempt themselves on the grounds of difficulty or cost, this will cause significant gaps in pension searches and undermine the reputation and value of the whole scheme.

#### **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?**

Although this is floated in the Consultation Document, it is not clear how many of the 30,000 schemes in the 2-11 member category would be covered by the proposed SSAS/EPP exemption. There needs to be more information about this before a decision is made.

We are concerned in general that too many schemes may be exempted, or delayed for a significant period of time, and that this may damage the project. We think a careful evaluation needs to be made of any proposed exemptions.

We note that the Consultation Document (page 16) suggests there are far fewer pension administration companies (4,500) than there are pension schemes (40,000) meaning that many small schemes are managed by large companies. These companies should have the administrative capacity and data skills to enable their datasets to feed into the Dashboard.

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

Again, we are generally opposed to exemptions, for the reasons set out above. All large and medium-sized schemes should be required to participate. A strong case would need to be made for the exemption of any small schemes. It would be better if everyone accepted participation and this became the social norm. Going forward, it should be compulsory for all pension schemes to be Dashboard Compliant and have their data in Dashboard Ready form.

### **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?**

We can't comment on practicable timetables for individual firms or types of firm, but clearly the sooner schemes participate, the better. We do not wish to see the Dashboard held up by prevarication over readiness. The industry should commit to moving forward expeditiously.

Going back to the 1950s, the industry has fought for a pension system based on multiple private sector providers. An outcome of this is the complexity and fragmentation the Dashboard is designed to address. Having created the confusion, the industry should not now delay the remedy.

**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?**

No, this gap between becoming public facing and 'the majority' participating is too long. We think that the inevitable missing records in the reports generated by the Dashboard will have done irreparable damage by then. There needs to be a critical mass participating from the outset, including the State Pension and all the major Defined Benefit and Defined Contribution schemes, public and private sector, ie a significant majority. The Consultation Document refers to overseas examples where public launch was delayed until a sufficient body of participant schemes had been built up. We suggest that the Department and Steering Group consider this option.

This is another reason to stick with the Single Dashboard model – to keep the system simple and make sure companies focus on the data and IT needs of the project rather than putting their energies into creating multiple dashboards.

**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 Dashboard is not intended to be a 'compare the market' tool for pension schemes, but rather a means for consolidating key information about an individual's pensions into a single place, to assist retirement income planning. The Dashboard should concentrate on this key function, which will be challenging enough without adding the features described in paragraph 188 of the consultation document. We agree broadly with the Department's view set out in paragraph 187, though we think it would be useful to add a simple tool showing users the relationship between different levels of retirement saving and the resulting levels of retirement income. The key functionalities we would like to see, from a financial capability point of view, are:

1. Accurate information on each of a person's pensions (including state pension), showing the capital value of the pension and its projected annual income at payment age. The Dashboard should add all the annual incomes into a single sum.
2. A benchmark to aim for, ie income needed in retirement. This should be expressed as three possible levels: subsistence, comfortable and comfortable+ (or similar terminology). From this menu, the user should be able to choose a target income using a simple device such as a slider bar.
3. To achieve her target retirement income, does the user need to raise her contribution rate, and if so, by how much? The functionality of the Dashboard should show the contribution rate required to achieve the target income, or, if the user feels this contribution rate is unrealistic, at least to achieve a higher income than the current projection.
4. Signposting to reliable pension guidance, advice and education, including that provided by the charity and consumer sector.

The Consultation Document (paragraph 188) floats the idea of excluding certain types of information from the Pensions Dashboard report, for example the Cash Equivalent Transfer Values for Defined Benefit pensions. We understand the argument for excluding such information (not encouraging people to cash in their DB pensions) but from a financial education point of view it is useful to show the capital value of all pensions (including the state pension) providing these values are calculated by a robust and widely accepted method, especially as the standard measure for DC pensions is the current capital value of the 'pension pot'. Capital values and annual incomes are mathematically related and, providing the Dashboard explains the different rules relating to each type of pension (eg 'you can't cash in your State Pension'), we think the educational value of including capital valuations along with estimated future incomes would make it worthwhile.

**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?**

As indicated above, we think the project should begin and end with a Single Dashboard run by the Single Financial Guidance Body. The Consultation Document (pages 42-43) confirms that this type of single, authoritative dashboard is what the public is looking for.

The industry should concentrate its resources and attention on getting its data and IT systems into Dashboard Ready condition, in the shortest time possible.

**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?**

Yes, we agree with the single Finder Service model. The data and record matching challenges of the Dashboard project are likely to be significant and would be compounded by having multiple pension finders. Even with a single finder service, there will be up to 40,000 data relationships to establish. With multiple finders, this number would rapidly escalate, again drawing energy away from the key task, which is for pension schemes to get their data into Dashboard Ready form so they can successfully match all their records (including 'gone-aways') into the system, when a request is processed.

Gone-aways are described as 'gone away' because they have changed job and address (and maybe name too) and the pension scheme is no longer in contact with them. It is precisely these data gaps that will make record matching difficult. The Pension Finder service will need to use sophisticated data matching techniques to achieve a high rate of successful matches and a low rate of false negatives. Such techniques are likely to be data and software intensive and it is unlikely they can be reproduced to the necessary level of sophistication by multiple finder services.

One problem we are aware of with the existing Pension Tracing Service is that it requires matches that are too exact. For example, one company may have many name variants (divisions, subsidiaries, branches) but the Tracing Service requires the user to know the exact name variant for their pension. This is unrealistic and underlines the need for sophisticated data matching in the Pension Finder system, including the ability to intelligently see 'near misses'.

We suggest that where a person is aware of a pension from earlier in their career that does not come back in a search using the Pensions Dashboard, functionality be developed to turn this into a 'learning point' and enlist the user in the process of finding the lost pension. For example, the user could be steered to a contact point for that pension so they could update their records to enable a match to be made.

The project should also consider reporting 'near misses' to the user, so the user can help with the match. For example, after listing all the definite matches, the Dashboard could report: 'based on our data analysis, there is a possibility you have a pension with

ABC Corporation from the years 1993-1995. Does this look familiar to you? If so, we suggest you contact the ABC Corporation pension fund at the following contact number to update your details. After you have done this, run the Pensions Dashboard again to get an updated report.'

This type of near-miss reporting could be immensely helpful in tracing lost pensions, but, to be successful, will require the Dashboard Project to use cutting edge AI-based data-matching tools.

## **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?**

We are not in a position to comment on the detail of regulation in relation to data and functionality, but we agree with the Consultation Document's general approach. Accompanying the official Dashboard, there should be an effective prohibition of unregulated offers that purport to provide a similar service. The focus needs to be on creating a secure, authoritative Dashboard that consumers can trust.

## **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?**

The Dashboard will inherently be a digital proposition. Disabled charities and consumer organisations have considerable experience at creating 'disabled accessible' functionality and we suggest the Department and the Steering Group consult carefully with these organisations about the practicalities, for example aids to hearing and vision.

For the significant minority of people who remain non-digital (which includes people over the age of 65 in receipt of pensions, who may be 'gone-aways' for some pension schemes, so missing out on current income) there will need to be an analogue means of access, either by phone, by making an in-person visit to an office or by delegated access. The project will need to plan to make such access available conveniently.

## **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 support the idea of a broadly representative Steering Group, providing it has significant, not token, representation from the charity and consumer sector.

The Consultation Document refers in a number of places to using the Open Banking Implementation Entity as a governance model. While this may be appropriate for some aspects of governance, in our view the OBIE has only a token level of consumer representation (1-2 people) out of nearly 30 attendees at OBIE meetings, which are heavily dominated by firm representatives. The OBIE group also seems too large to us.

The number of consumer representatives should be significant and in reasonable proportion to the total size of the steering group, in order to give the consumer voice effective mass. This is one way of making sure that the Dashboard ‘works for the consumer’.<sup>6</sup>

The size and membership of the Steering Group should be defined (it should not be opt-in) and the members of the Steering Group should be clearly identified on the Pensions Dashboard implementation website,<sup>7</sup> with their organisational affiliation and relevant experience in relation to the work of the Dashboard project.

The Department should give the Steering Group clear terms of reference, so it does not get involved in litigating things (eg unwanted extra dashboard features) that have been ruled out by policy decision.

It should be clear that the Steering Group is focused on delivering a ‘one dashboard – information on all pensions included’ model and that its role is to find efficient answers to the inevitable IT and data challenges of delivering this model.

## **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?**

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<sup>6</sup> Consultation Document sub-title.

<sup>7</sup> This is not the case for OBIE, where the reader has to look for the minutes of meetings to find the OBIE membership.

We agree with the Consultation Document that the Dashboard project should be primarily and largely industry funded, with a division of costs proportional to the size of the players and no firm advantaged by its funding position. There are two rationales for industry funding: (1) as the Consultation Document notes, the industry will gain from increased pension savings stimulated by higher public engagement; (2) the industry has significantly contributed to the pension fragmentation that the Dashboard is designed to address, so should pay for the remedy.

Over many decades, going back to the 1950s, the UK pensions industry has lobbied successfully against comprehensive solutions to the challenge of retirement savings in the UK and in favour of a market-led approach.<sup>8</sup> The side effects of this approach include under-coverage, complexity and fragmentation. It would be unfair for the state and the taxpayer to pick up the cost of addressing this, particularly as the state already makes very large outlays for the State Pension and its associated information systems. It is entirely appropriate that the Dashboard project should be industry funded.

## **General**

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

No. Thank you for the opportunity of contributing.

(end)

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<sup>8</sup> See, for example: Hugh Pemberton, Pat Thane and Noel Whiteside 2006, *Britain's Pensions Crisis – History and Policy*, in particular Chapter 3, 'Politics and Pensions in Post-War Britain' by Hugh Pemberton.