

ABI Response to DWP Consultation on Delivering Pension Dashboards

Introduction

The ABI is the voice of the UK's world leading insurance and long-term savings industry. A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation. The UK insurance industry is the largest in Europe and the fourth largest in the world. It is an essential part of the UK's economic strength, managing investments of over £1.8 trillion and paying nearly £12bn in taxes to the Government. It employs around 300,000 individuals, of which around a third are employed directly by providers with the remainder in auxiliary services such as broking.

The ABI welcomes the opportunity to respond to the DWP's consultation on delivering pensions dashboards.

Executive Summary

1. Very few policies have attracted the level of cross-industry and cross-party support as the creation of pensions dashboards. This is a fundamentally consumer-friendly policy that will reconnect people with their pensions and help modernise the long-term savings sector. Giving consumers the ability to access their data when they want to and in a place of their choosing is a revolutionary change for most of the long-term savings industry. This reform could have a major impact on how consumers engage with and value their pensions. The right to data portability is one of the underpinning principles of the Data Protection Act 2018 and GDPR and pensions dashboards will realise this right for consumers and the pensions they have accumulated. This feasibility study is an important step forward in this process.
2. The [ABI-led cross-industry project](#) brought together insurers, master trusts, third party administrators, large occupational schemes and technology companies and consulted a much broader range of the industry as well as consumer bodies. This process formed a consensus on how consumers could be empowered to access their data safely. It is encouraging to see many elements of this cross-industry consensus included within the consultation.
3. It is now crucial that the process of creating the governance structures and commissioning infrastructure begins as quickly as possible. If the appropriate actions are taken by government, then it is likely that some parts of industry will

be able to move forward with data sharing quickly. Part of this is making good on the commitment to lay legislation making it compulsory for schemes and providers to make their data available. These requirements are crucial to making the project successful, as it is extremely unlikely that a comprehensive level of coverage could be reached without it. An incomplete dashboard would pose a long-term consumer risk as those using incomplete dashboards would be in danger of making poor decisions on the basis of partial information. The reassurance provided by legislation will allow providers to spend the money necessary to become 'dashboard ready' and give potential dashboard providers the incentive to start creating innovative products to meet consumer needs.

4. This innovation must, however, be balanced with a strong regulatory framework to protect consumers and ensure that those who offer these services are fit and proper; this will require a new regulatory permission to be created. Once this structure is created, the process of onboarding data from different sources can begin. It is anticipated that this process will be phased and that the initial data shared will be limited. However, when appropriate, the standard should be expanded to give consumers greater access and a richer experience.
5. We welcome the proposal for the governance of the project to sit within the Single Financial Guidance Body (SFGB). This will satisfy the need for public accountability set out by the cross-industry project and provide access to funding sources that will allow the cost of the project to be spread equitably across the sector. It is important that the SFGB creates a clear operational distinction between its role in facilitating governance, and the role it will most likely have in providing the 'public' dashboard.
6. Another area that will be essential for the success of pensions dashboards is ensuring that the proposed steering group is established appropriately. The steering group will have a significant influence on policy, so it is essential that there is representation from different parts of the long-term savings sector as well as consumer groups to ensure trust. It is also vital that the group is small enough to make effective decisions. We encourage government to appoint the steering group as quickly as possible. They can then set out a timeline for different sets of data being made available in the appropriate timeframe.
7. One key issue that needs to be resolved is that of digital identity. This is an issue on which the ABI is largely solution-agnostic, as long as it meets the security needs of providers and is straightforward enough for consumers to use. The inclusion of State Pension data is rightly called out in the study as being essential, and the digital ID solution will need to be able meet the standards necessary to facilitate this to the satisfaction of DWP and HMRC.
8. The feasibility study sets out a credible direction of travel that will allow for a truly collaborative approach between industry and government. The proposed

model will enable government to facilitate where necessary, whilst utilising the best of private sector expertise and technology. We look forward to working with DWP and the SFGB to make this project a reality.

WIDER BENEFITS OF A DASHBOARD

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

a) individuals or members?;

10. Pensions dashboards can bring a variety of benefits to members, some immediate and others that will come over later stages of development. **Accessing your personal data in a digital manner** is fast becoming a basic consumer expectation in the modern economy. The provision of pensions dashboards will help fulfil the principles set out in the Data Protection Act 2018 and GDPR.
11. The most immediate benefit that the creation of pensions dashboards will bring will be to **reconnect people with their lost pensions**. The ABI commissioned research from the Pensions Policy Institute to improve the evidence base of the overall value of 'lost' pots in DC pensions. The estimate for the DC market alone is **nearly £20 billion with an average lost pot of £12,000**, with a higher proportion of these held by over-75s. If these pots are reclaimed, it will make a significant difference to the living standards in retirement of thousands of retirees who have saved throughout their lives.
12. This problem will shift in the coming decades so that there are more, smaller lost pots held by younger people due to the interplay between automatic enrolment and an increasingly flexible labour market. DWP estimates suggest that **this could lead to 50 million dormant pots by 2050**. More consumers are saving into pensions than ever before and it is incumbent on government and industry to help them keep track of these savings. This is especially important for people in sectors with low pay, as they tend to move jobs more frequently.
13. Beyond simply finding lost pensions, the provision of data through dashboards will **enable consumers to access their pensions information more easily and in innovative ways**. Whilst many insurers and large occupational schemes have the facility to allow savers to access their information in real time online, this is not by any means common across the sector. For a large proportion of savers, the only information they are able to access is a letter once a year. The way that consumers access their data has fundamentally changed across most of financial services and pensions should not be different. Constructing a robust, well-governed API network will enable the creation of a wide variety of dashboards that will suit a variety of needs. Those who wish to access their data through a public service will be able to, along with those who

wish to use financial management applications or employer portals. This could represent a once in a generation opportunity to move the dial on consumer engagement by putting the information where people are likely to see it. There does however need to be a robust regulatory framework and governance process to protect consumers.

14. Another area where consumers could potentially benefit is in terms of the cost of financial advice. One of the original recommendations for establishing a dashboard infrastructure in UK came in the Financial Advice Market Review. A significant proportion of time billed by financial advisers is for the administrative task of obtaining the correct information. National IFA firm LEBC have suggested that **this cost can be up to £400 per pension that a consumer has**.
15. It is anticipated that industry will bear the cost for developing pensions dashboards and that they will be free at the point of use, with consumers facing no incremental charges specifically for accessing their data.
16. In the longer-term, dashboards have the potential to benefit consumers greatly as their functionality is widened in an iterative way. As previously stated, the current structure of automatic enrolment is leading to a proliferation of small, lost pension pots. In the future, the infrastructure could be developed to allow easier transfers of these small pots to enable consumers to simplify their pension arrangements.

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

17. The implementation of pensions dashboards is seen by the industry as a cost to be incurred for the benefit of consumers. There will be significant costs for ABI members in terms of cleaning data, building the connection to the API structure and contributing to the levies, and **we believe this is worthwhile due to the consumer benefits** that will stem from it.
18. There may be efficiencies to providers in the longer term. ABI members currently spend millions of pounds every year attempting to trace 'gone-aways' which could be reduced if multiple dashboards are introduced, especially if it becomes possible to edit addresses. A shift to online engagement by consumers could reduce costs over time, although some providers expect call volumes and associated costs to increase as a result of increased awareness and engagement. It should be noted that as it currently stands, the dashboard will not change the current statutory communication requirements which form a significant portion of provider costs.
19. Many insurers will also want to offer dashboards as part of their customer offering, allowing consumers to see all of their products in one place, and enable customers to take actions such as saving more or transferring in. This

is part of a shift towards providers developing a single customer view across all products they hold. Similarly, trust-based schemes have a fiduciary duty to help their members engage with their pension savings and dashboard-based solutions could be a cost-effective way of doing this.

20. Pensions dashboards **could also greatly improve the efficiency of publicly provided guidance**. If consumers were able to elect to share their data with an SFGB representative, then any inefficiencies caused by a lack of documentation could be avoided.
21. Other businesses like existing financial aggregators may see this as an opportunity to expand their offering. These applications already show consumers their financial data from a variety of sources, and tax wrappers, including pension savings would be a logical next step. These firms usually charge a monthly fee which could be increased to have a pension 'bolt-on'. It is important to note that in the proposed model, **consumers will always be able to access their data for free**, but that some may see value in the insights that data aggregation could bring and be prepared to pay for additional services.
22. The overriding point, however, is that for our industry the pensions dashboard is seen as **a cost to be incurred for the benefit of the consumer**.

ARCHITECTURE, DATA AND SECURITY

II. Do you agree with:

a) our key findings on our proposed architectural elements?

23. Yes, the key findings broadly mirror the model set out in the ABI-led cross-industry project. Given that the State Pension provides most citizens with the majority of their retirement income, we would like to see data relating to it included as soon as possible, rather than “ultimately”. Providing a link through to ‘Check Your State Pension’ is not an acceptable long-term solution.

b) our proposed architectural design principles? If not, please explain why.

24. The proposed architectural design principles are appropriate, they mirror those found in ‘Reconnecting People with Their Pensions’ and are in line with what wider industry is expecting to do to comply. This federated model is in line with modern best practice on privacy as it ensures that there is no central point where data accumulates. By ensuring that data is accessed when it is needed, and only when it is needed, the proposed model successfully minimises risks posed by a breach.
25. The proposed governance register is also an essential part of the infrastructure. This will **give the regulator the ability to immediately close off the system to any suspected bad actors**. This server could be useful in other senses as it creates a de facto ‘white list’ of companies that have proved their fitness and propriety and of schemes that are supplying data. This is essential to prevent rogue operators setting themselves up as pension schemes in order to harvest names and National Insurance numbers from find requests.
26. It is also appropriate for the study to highlight the role that integration service providers (ISPs) will have in the ecosystem. These services will most likely be performed by existing firms which provide services to schemes, such as third-party administrators and software providers, and will greatly ease the burden of connecting some smaller schemes. Their role in the process could mean that smaller or older schemes can comply with their duties by submitting a spreadsheet to an integration provider. ISPs could also be of great value to the insurance sector. Many providers have multiple systems across a number of third parties and it may be preferable to use an ISP for some parts of the business and direct access for other sections.

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

27. The ABI-led cross-industry report, 'Reconnecting People with their Pensions', concluded that **legislative compulsion to make data available is essential for pensions dashboards to be a success**. Without compulsion, it is unlikely that a good level of coverage would be achieved in the near future. For example, the Danish equivalent took 10 years to reach 90%. An incomplete dashboard would pose a long-term risk to consumers as they would be in danger of making bad decisions on the basis of partial information. The only way to fully mitigate this risk is to make the provision of data compulsory and part of the cost of doing business. This would fundamentally undermine one of the original aims of the dashboard, to help reduce the advice gap.
28. The commitment to compulsion and the creation of an implementation timetable will also reassure providers and trustees that they can share data in this way, and encourage schemes to participate before they are legally obliged to do so. Indeed, providers may seek to gain a competitive advantage by moving quickly and sharing data on a voluntary basis.
29. The need for compulsion was also reaffirmed by international research conducted by the ABI-led cross-industry project. In countries where compulsion had been used, it was cited as a reason for success, and in countries where it had not, it was cited as something they would have changed.
30. Legislative compulsion was also one of the **key recommendations of a report on pensions dashboards conducted by Which?**. The report noted the limited success of previous voluntary measures like 'midata' and emphasised that comprehensive coverage would empower consumers.

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?

31. In the long-term all forms of pension should be compelled to make their data available. However, SSASs and EPPs will not be the first priority for making data available. If, as proposed, there will be a phased approach for onboarding different types of products, then they should be included towards the end of this process rather than made exempt.

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

32. As a principle, no type of scheme should be exempt from legislative compulsion. However, when it does come to DC products with safeguarded benefits much will depend on the data required in the standards and whether

or not projections will be needed. Whilst these products should eventually be included, they should be at a later stage of phasing to ensure that the complex interactions between the guarantees held and incomes projected can be reconciled.

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?

33. The priority for 2019 should be to establish the governance and architecture, and to begin testing if possible. Some Master Trusts and providers may be able to supply data towards the end of the time frame suggested. A rule of thumb could be whether specific DC products are used for automatic enrolment purposes. If so, then they should be able to provide data relatively quickly. However, schemes will only be able to share data once a data standard has been agreed, the proposed architecture is confirmed, the Pension Finder Service is commissioned and set up. Firms are also unlikely to volunteer unless an overall timetable for complete coverage is established. Given the work yet to be completed **it is unlikely that data will be available to the public via dashboards in 2019**. The priority must be to ensure that data is onboarded correctly, and the appropriate testing is completed.

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?

34. Whilst it is appropriate to give schemes a reasonable amount of time to supply their data, three to four years seems excessive for most schemes and for most data. Trust-based pension schemes have had an obligation to hold correct data since 2012 and the FCA regulated sector has for even longer. Once the data standards have been agreed by the steering group, a period of no longer than two years should be allowed for schemes to provide the majority of data. Where benefits are more complicated more time may be required. For example, some products with optional guarantees may take slightly longer as a consensus will have to be reached as to how types of optional safeguarded benefits are displayed. For complex products such as these, a three to four year timeframe seems appropriate.

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?

35. One type of information that should **not be included on dashboards** are the **cash equivalent transfer values** of defined benefit or certain types of safeguarded benefits pensions. Consumers frequently underestimate the real value of a guaranteed income and including such information could make them more vulnerable to pension scams.
36. In the initial phase, the data standard should be kept to the narrow scope set out in the cross-industry project in order to make compliance simple, but it should later be expanded to include information regarding costs and charges.

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?

37. We agree with some elements of the phased approach but not all. It makes sense to start off with a small data standard that all schemes can comply with and then move on to more wide-ranging ones. It is also logical to begin with dashboards that only have read-only capacity, before progressing in a safe, agreed manner to other functionality.
38. However, there are two important nuances that should be added to the journey to data being provided through multiple sources.
- I. First, it makes sense to start with testing to inform further governance and delivery decisions. But **the testing required need not wait for, nor be exclusively conducted using, the non-commercial dashboard**. Therefore, the testing should be led by the Industry Delivery Group; this is likely to be broader and richer than the testing required for the SFGB to develop its own dashboard.
 - II. The regulatory structure for commercial dashboards should be in place before they begin to operate, but the process of designing this structure should start immediately. It can then be informed by user insight gained from testing. **Certainty in terms of regulatory structure is essential** for those firms who are looking to develop dashboards and an open-ended process could lead to stagnation in the market, and unregulated services emerging.

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?

39. We agree that there should only be one Pension Finder Service (PFS), at least for the initial period of operation. A single PFS would act as a trust anchor, reassuring schemes connecting to it that appropriate standards have been adhered to before data is shared. It would ensure certainty of supply as the system develops and reduces delivery risk. This was the consensus view of the ABI-led cross-industry project.
40. Some schemes also expressed a preference for a single PFS from a risk management perspective. Feedback to the cross-industry project suggested that connecting to, or relying upon, multiple services would require multiple risk assessments and make the initial process much more burdensome for some schemes. It may also require an authorisation regime for such services.
41. This **does not mean that a de facto monopoly** should be granted. The single PFS model could be reviewed once the system achieves a steady state, and the provision of it would need to be retendered. At this stage we do not think that a competitive environment would produce any benefit. It is possible that technological advances and industry consolidation could eventually remove the need for a PFS. However, for the initial stage, it will be necessary to have a single search function.

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?

42. Whilst a lot of the information and functionality could be covered by existing regulation, the unique services that will be created by combining them will require authorisation. This should merit new regulation, as there are some crucial areas that would not be covered, and some firms who may seek to offer dashboards are not currently regulated and may have business models that require scrutiny. **We urge HM Treasury, the FCA and DWP to set out as soon as possible how they expect the regulatory framework to be delivered.**
43. One key example of this is the methodology used to project income based upon the information displayed on a dashboard. The current regulations for Statutory Money Purchase Illustrations allow for a degree of discretion. **This could pose a risk to consumers** because they might see one projection on the SFGB-hosted dashboard and a different one on a commercial dashboard. There are also discrepancies between how illustrations are calculated in the trust-based and contract-based sectors. This could lead to distrust in the overall infrastructure.
44. As a result of the open banking project and the European regulations that underpin it, two new regulatory permissions were created, one of which relates to displaying account information (Account Information Service Providers). This function is similar to providing a pension dashboard and should be looked at as a model. If displaying current account information requires a regulatory permission, it would make sense that displaying pension accounts would also require one.

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?

45. In a dashboard context, the digitally excluded are particularly relevant. Thought should be given as to whether a 'trusted helper' type arrangement could be established to ensure that everyone has access to their pensions information. We are hoping that **charities and social enterprises will also establish pensions dashboards** and tailor them to better help the groups and communities that they serve.

PENSIONS DASHBOARDS: WORKING TOGETHER FOR THE CONSUMER 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?

46. The governance structure set out in the feasibility study will allow industry to harness the best of private sector expertise to deliver the dashboard, whilst working with government to ensure that the appropriate legislative and regulatory environment is created. **This partnership approach will be essential for the success of the project.** By bringing together government, industry and consumer representatives the governance structure can engender trust and ensure good consumer outcomes.
47. While the SFGB and the industry delivery group that is intended to sit within it must work closely together, **it is important to keep their activities separate.** The SFGB will develop its own dashboard, and the industry delivery group will make decisions affecting all dashboards.

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?

48. The cost of setting up and maintaining the dashboard infrastructure should be recovered through an industry levy on all those who will benefit from its creation. In order to achieve this, funds from the general levy and FCA levies should be used. In the context of the long-term savings and advice sectors, the cost of creating and maintaining the dashboard infrastructure will be small. **The costs would be best spread across occupational pension schemes, contract-based pension schemes and financial advisers.** Implementing pensions dashboards is at its core about helping savers and they will benefit regardless of the type of product they use or the regulatory purview it falls into.
49. How this is calculated is a matter that should be considered by the steering group. A formula based on a combination of assets under management and number of accounts held would be the most appropriate.
50. Much like in other sectors like consumer credit, **those who are seeking to provide commercial dashboards should have to pay for the cost of their own authorisation and supervision.** This model would balance the objectives of ensuring that barriers to entry remain low, whilst ensuring that there are no 'free riders' benefitting from the infrastructure at the expense of industry.
51. It is essential that DWP, the FCA and the SFGB set out a funding plan as soon as possible in order to provide clarity on how the levies will be split and an indication of the likely cost. This will allow all those who will contribute to the funding to plan for it appropriately.

GENERAL

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

52. The proposed delivery model is appropriate, and if properly pursued will deliver a robust infrastructure for sharing pensions data. The consumer value of such a proposition has been demonstrated by research conducted by industry, government and guidance bodies. **Consumers expect to be able to access their data safely** in a manner of their choosing, this model provides a route to them being able to do so.