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AGENDA

Delivering Pensions Dashboards in the public interest.

What the UK can learn from Open Banking
in the UK and Pensions Dashboards around
the world.

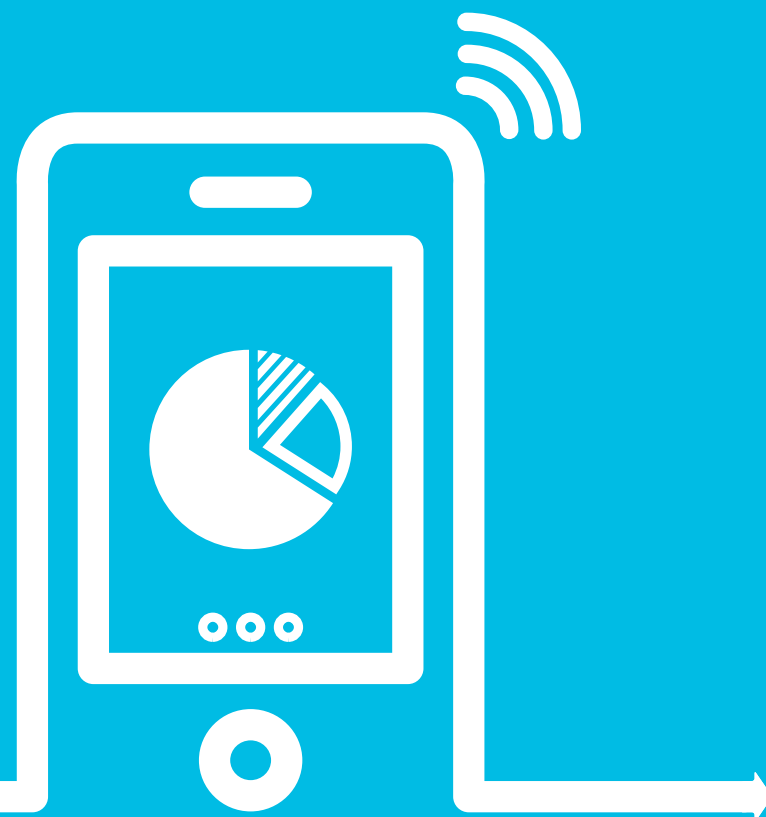


For people, not profit

the
people's
pension

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About the author

Dominic Lindley is an independent consultant specialising in financial services, consumer protection and conduct risk issues. He is a member of the Financial Services Consumer Panel and Director of Policy for New City Agenda, a thinktank and forum founded by Lord McFall, Lord Sharkey and David Davis MP. New City Agenda believes the Financial Services industry can offer greater social value in the conduct of its business. We will aid the industry to achieve this by developing new financial initiatives that are good for society and that will influence public policy towards more sustainable economic models.

The opinions and recommendations contained in the report are the views of the author and do not necessarily represent the views of The People's Pension or any other organisation.

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Foreword

Auto-enrolment is a success story but the creation of millions of multiple pots as individuals change jobs is not. ‘What have I got and where is it?’ our 4 million members will increasingly ask quite reasonably, particularly as they approach retirement. Pensions Dashboards should be the answer. We welcome the feasibility study’s recommendation that stage 1 of the project should be a single register of pension pots under the sponsorship of the Single Financial Guidance Body. This report seeks to help in this task. Uniquely it combines a comprehensive analysis of the development of already existing pensions dashboards around the world with an intimate understanding of UK financial services’ previous attempts to share data. Together this perspective illuminates the big decisions which the Project Steering Group will have to make to build a ‘what have I got and where is it,’ dashboard.

The report also looks to the longer-term. Dominic Lindley is an acknowledged expert in this sphere, even more rarely he is a genuinely independent consumer advocate. We asked him to set out his view of what pensions dashboards can achieve if part of a wider digitalising of people’s relationship with their money. The future, he argues, is the comprehensive integration of an individual’s entire financial position across pensions, current accounts, ISAs and other savings and investment accounts, debt and insurance; and the provision of a whole host of monitoring, aggregation, recommendation, automation, and guidance/advice services to make easier the complex challenge of managing our own finances. This could be the prize. But to deliver it in the public’s interest demands strong consumer protection regulation. We support the report’s call for the government to place a fiduciary duty on dashboard operators to put customers financial interests before their own. Dominic favours the FCA playing this role, we think there is a strong case for TPR to do so given that the majority of assets on dashboards will be from trust-based pension providers, who are already operating to a fiduciary standard.

The Dashboard Project Steering Group has a lot of work to do – we hope this report helps.



Patrick Heath-Lay
Chief Executive Officer, The People’s Pension

Summary

The initial phasing of the dashboard project is sensible




The Government has reiterated its commitment to the pensions dashboard project. The Department of Work and Pensions feasibility study launched at the end of last year sets out a clear direction of travel towards a single non-commercial dashboard and then towards multiple dashboards at a later date. Government and industry should be able to reach consensus behind this phased timetable.








There should be three phases to the dashboard project, each with its own objectives. The first priority is to increase the public's awareness of their pension pots and entitlements through a single, non-commercial dashboard facilitated by the SFGB. Second, in the medium term, private sector providers should be enabled to develop their own dashboards that might begin to further engage people with their retirement savings. Third, in the longer term, pensions dashboards should be integrated with other aspects of people's financial lives.

A complete picture of global dashboards dos and don'ts

Table 1 shows the key lessons of the successful implementation of pensions dashboards globally. It also shows that the feasibility study has taken on board most of the main lessons of the experience of other countries.

Table 1: the conclusions of the feasibility study are rooted in international best practice

Key positive characteristic	Countries	In feasibility study?
Widely used digital ID system enabling consumers to access dashboards easily	Denmark, Sweden, Netherlands, Australia 	Proposed in study
A Single Pension Finder System which protects consumers data and minimises administrative costs	Denmark, Sweden, Netherlands, Israel, Australia, Finland 	Proposed in study
A central data repository / Integrated Service Provider for schemes enabling all sizes of pension scheme to securely provide data to dashboards	Denmark, Sweden, Netherlands, Australia, Israel 	No

Key positive characteristic	Countries	In feasibility study?
Government / Co-operative Dashboard available to ensure access to a non-commercial version of the dashboard	Denmark, Sweden, Netherlands, Australia, Israel 	Proposed in study
Legislation requiring pension schemes to participate to ensure comprehensive coverage is delivered within a reasonable timescale	Netherlands, Israel, Australia 	Proposed in study
Clear data standards to ensure understanding by pension schemes and consumers	Denmark, Israel, Australia 	Proposed in study
Consistent rules on projection of future pension income on dashboards to ensure consumers can compare like with like	Denmark, Finland, Australia 	Could be included in phase 2
Information on charges included on the dashboard to improve competition and enable consumers to find better deals	Denmark, Israel 	No
Allowing regulated financial advisers to access consumers' information on the dashboard to improve access to advice	Denmark, Israel 	Proposed in study
Delivery body includes a mixture of industry and government / public interest representatives to ensure decisions taken in best interests of consumers	Sweden, Netherlands, Australia 	Proposed in study

The global experience confirms a single non-commercial dashboard is the right starting point. As the feasibility study also indicates, the Single Financial Guidance Body should facilitate access via Pension Wise appointments and over the phone, for consumers who are digitally excluded. The website should reach Web Content Accessibility Guidelines (WCAG) level AA and there should be an alternate dashboard meeting WCAG level AAA.

Legislation is needed to create a Pensions Dashboard implementation authority, introducing a clear governance structure for the initiative with the power to set standards. The implementation authority should be given a clear statutory remit to act in the best interests of consumers. The implementation authority should run in shadow within the SFGB until legislation for its establishment receives Royal Assent. If appropriate, it could then be spun out of the SFGB and be free-standing.

The Pensions Dashboard Steering Group should have an Independent Chair, five members representing the pension industry and five consumer/public interest/financial adviser representatives. Since the state is the largest pension provider in the UK, the government should be represented both as policy maker and as participant. The TPR and the FCA should also be represented. Industry representatives should include the largest auto-enrolment master trusts who operate on a non-profit basis and serve the mass market; insurance and asset management companies who provide pensions to bigger employers and/or the more affluent; DB schemes; and new entrants/fintechs. Composition of the Steering Group should reflect the balance of memberships and assets in the pensions sector. Ideally members should combine strategic judgment with an understanding of pensions administration. The Terms of Reference for the Steering Group should give all members a clear remit to act in the best interests of consumers.

In terms of architecture, a single pension finder service should be developed. It would be more expensive to run multiple pension finder services with the cost for each ultimately being recovered from members savings. Government may also need to do more to encourage the adoption of digital ID systems to enable consumers to access the dashboard.

A single data standard is essential. The ABI prototype API is a suitable starting point for the dashboard but it does not include anything more than provision for basic data transmission. It will be important for charges data to be included on the dashboard in order for what savers pay to be completely clear to them.

Compulsion is also necessary. The international experience confirms it is not possible to achieve a complete picture of savers' pension data in an acceptable timescale without compelling schemes and providers to push data to the dashboard. The fragmented nature of the UK's pension system makes the need for compulsion even more acute when compared with the pension systems of other countries.

Phase 2: multiple dashboards

Once a single, non-commercial dashboard is up and running, work could begin on enabling other pensions dashboards. At this stage, the implementation entity could consider what sort of services should be available on these other dashboards.

Dashboards will need to be regulated to ensure that customers see the same information based on the same underlying data across multiple dashboards. Different projections based on the same data across more than one dashboard would be confusing, unhelpful and undermining of public trust.

The second challenge is the identity of the lead regulator. Given the risks which could arise it is vital that regulation of private sector dashboards is strong and proactive. The FCA already regulates services giving consumers an aggregated view of their banking data and should be able to take on the regulation of pensions dashboards. But it will need to take a much more proactive approach, reviewing the business models of private sector dashboards before authorising them and clamping down quickly on any potential detriment. Rather than rely on tick-box compliance it will need to constrain the self-interest of providers. The FCA will need to implement strong consumer protection based on a legal duty on providers to put customers financial interests before their own – an approach which aligns with fiduciary duties under trust law. This would ensure a level playing field in terms of the governance obligations placed upon dashboard operators, set at the higher of the available governance standards – i.e trust-based.

A legal duty to operate a dashboard in the interest of consumers is the right policy instrument. This would be similar to the duty on trustees in the 1995 investment regulations to invest in the best interests of beneficiaries. Its effect would be similar to the fiduciary duty operating on trustees of trust-based pension schemes. Consumers would be able to complain to the Financial Ombudsman and should also be able to take court action to enforce their rights.

Phase 3: integration with other data-driven financial services

The final phase would be to integrate pensions dashboards with Open Banking and other data-driven financial services which aim to aggregate and analyse consumers financial data. Giving consumers wider rights to their financial data and linking services in this way could provide the opportunity to develop even more innovative services for consumers – enhancing the benefits from these initiatives. Consumers would be able to link their bank account data to their pensions dashboard, providing prompts to increase contributions. Services could be developed enabling consumers build up liquid savings alongside their pension or helping the self-employed or those with irregular incomes make sustainable pension contributions. Providing consumers with a full picture of their ISAs and other investments could help consumers in retirement make better decisions about how and when to access their Defined Contribution pensions.

Pensions Dashboard fundamentals

A single non-commercial dashboard has the advantages of avoiding sales pitches and offering a consistent and impartial service to consumers. It would be also easier to oversee and regulate than multiple commercial dashboards. Multiple dashboards could subsequently increase the reach of the service and encourage innovation. Most importantly, they could facilitate the integration of pensions with other services in the public interest. Effective consumer protection legislation and regulation will be critical.







Possible options for single or multiple dashboards

There are a number of potential options, including:

- **Location and operator:** Where the dashboards are located and who operates them, whether it is on a single government website or the websites of pension schemes and other private sector providers.
- **User experience:** The look and feel of the dashboard, how the information is displayed and how people can use it to display/sort the information from the schemes.
- **Calculation engine:** How dashboards take the data provided by the pension schemes and calculate the numbers provided on the dashboard.
- **Integrated Service Provider / Data repository:** The holder of the raw data from the individual pension schemes that cannot be accessed by electronic application programming interfaces (APIs).

Table 2: Possible options for single or multiple dashboards

Option	Operator of the dashboard / location of the dashboard	Frontend (user experience)	Calculation engine	Central Integrated Service Provider available	Countries with this model
1) Single location, public sector dashboard or public/private consortium	Single	Single	Single	Yes	Australia, Finland, Sweden 
2) White-label model – full standardisation	Multiple	Single	Single	Yes	Denmark 
3) Commercial model – standard data and calculation and a central data repository available	Multiple	Multiple	Single	Yes	Proposed UK Model 
4) Commercial model – full freedom and a central data repository available	Multiple	Multiple	Multiple	Yes	Israel 
5) Full commercial model	Multiple	Multiple	Multiple	No	

Box 1: Single versus multiple dashboards: the international experience

Australia, and Sweden have chosen model 1, with a single pensions dashboard being available on a government website or a single website operated by a public/private partnership or a co-operative of pension providers. In Finland the dashboard is available through a central website and the portal for public service pensions.

Denmark have chosen model 2, where there is full standardisation but the dashboard information can also appear on the website of multiple pension providers. The PensionsInfo information is ‘embeddable’ into the website of a pension provider. Using an agreed process, consumers can use a ‘Single Sign On’ by signing in to the dashboard using the same details as they use for their pension provider. The pensions data is then presented through the branding of the individual pension provider but is in exactly the same format and contains the same data as presented through the central PensionsInfo website.¹



Israel has chosen option 4 where the Government led the procurement of a data clearing house² which enables consumers to see all their pensions data in one place or to receive regular updates every quarter or year about their pensions. This service costs 20 NIS (around £4.20) for a one-off download of their data. Private sector dashboards are also able to access this information, with some of the information being provided on a standardised basis but with private sector pensions dashboards able to provide consumers with their own calculations about figures such as the savings which they could make by switching pensions. The largest private sector dashboard does not charge for this service but aims to sell consumers pension products (and other financial products) by persuading them to switch pension schemes. The largest private sector dashboard is licensed by the Israel Capital Markets and Savings Authority. Regulated pension advisers and pensions insurance agents can access consumers’ information held by the clearing house with the consent of the customer.³

1 PensionsInfo (2010), Communication on individual pension rights: The Danish experience – with special emphasis on PensionsInfo

2 Wobi (2018), <https://pension.wobi.co.il/register#>

3 Israel, The Capital Market, Insurance and Savings Authority (2016), Annual Report 2016

The advantages of building a non-commercial dashboard provided by the Single Financial Guidance Body (SFGB) are obvious when the global experience is examined. First, it can launch faster. Second, it enables the controlled development of the dashboard and provides a testing ground for the data standards and the methods of transmitting data from the pension schemes to the dashboard. Third, establishing initial public confidence in dashboards should be enhanced if the service begins by ensuring that pension savers can answer the question of ‘what have I got and where is it’ to their satisfaction. Fourth, offline access is unlikely to be a priority for commercial providers of dashboards but a public service dashboard will have to focus too, on consumers who lack online access or have other vulnerabilities which mean that they are unable or unwilling to go online. Finally, an SFGB dashboard could be easily integrated into the successful Pension Wise guidance service, encouraging take-up of guidance and improving its efficiency.

Compulsion is a necessity

People are entitled to a written annual pension statement, but do not currently have a clear legal right to receive their pensions data in an electronic format. The global evidence confirms that introducing a pensions dashboard effectively within a reasonable timeframe demands compulsion.

The experience of overseas pensions dashboards has shown that whilst voluntary initiatives can eventually lead to comprehensive coverage, it can take many years to achieve this goal. Denmark and Sweden used a voluntary approach and whilst they have now achieved full coverage, this took between 10 and 13 years. Countries which have taken the voluntary route tended to have a simpler and less fragmented pensions landscape than that in the UK, with fewer pension schemes.

By contrast, in countries where compulsion has been introduced it has taken around 3-4 years to achieve comprehensive coverage for the appropriate categories of pension scheme which have been included on the dashboard. Australia, the Netherlands and Israel used legislation to establish dashboards with widespread coverage within 3-4 years. Again however these pensions systems are much more cohesive, with many fewer schemes than UK.

Compulsion has also been an integral part of Open Banking (see box 2). But not before voluntary initiatives known as ‘Midata’ were tried and found wanting as the largest providers developed standards that were in their best interests not the public’s. The reluctance of some sections of the traditional insurance industry to support the disclosure of pension charges on the pensions dashboard should be viewed in this perspective.

Compulsion is also necessary since public confidence will drain away if pensions dashboards do not provide a comprehensive picture of a consumer’s existing pensions within a reasonable timescale. Legislation is the only way to ensure that giving people electronic access to their pensions data is afforded a high enough priority by all pension schemes.

Box 2: Open Banking – Background and structure

Open Banking is a remedy introduced by the Competition and Markets Authority (CMA). It requires the nine largest banks to agree data standards and make banking data available to consumers and SMEs to enable them to see all of their banking data in one place, help them

make comparisons, identify products which suit their needs and facilitate the creation of new digital services to help them manage their money. It has been mandated by the second payment services directive (PSD2): European legislation which introduced a new right for consumers to access their banking data through third party providers. This right applies to their ‘payment account’ data which includes current accounts, credit cards and instant access savings accounts. Open Banking has been implemented by the 9 largest banks (largely on time, although with some delays) and there are over 90 providers registered to offer Open Banking enabled services. It is too early to evaluate what benefits Open Banking has delivered for consumers.

Open Banking is overseen by the “Open Banking Implementation Trustee” (OBIT). The Trustee was appointed by the Competition and Markets Authority (CMA) following its inquiry into retail and business banking. The CMA ordered the nine major banks and building societies to adopt and maintain common API standards which would enable their customers to securely share their data with third parties. The banks were required to establish and fund the Open Banking Implementation Entity (OBIE) which was tasked with agreeing, implementing and maintaining open and common banking standards to a project plan and timetable approved by the CMA. The banks also had to make available open data about prices, charges, terms and conditions together with customer eligibility criteria, in the case of loans, for all Personal Current Account and Business Current Account products.

The Trustee chairs the Open Banking Implementation Entity Steering Group (IESG).⁴ The Steering Group comprises one representative from each of the nine largest banks and building societies, five representatives responsible for convening the Advisory Groups, two customer representatives (one consumer, one small business) and four observers - one each from HM Treasury, the Payment Systems Regulator, Financial Conduct Authority and Information Commissioners’ Office. The minutes of the Steering Group are published.

The Implementation Entity must draw on the expertise of all stakeholders and the Trustee is required by the CMA order to take decisions in the interests of customers and the promotion of competition.⁵ The Advisory Groups are open to all interested parties to help shape the development of the standards. Advisory Group representatives represent the views of their constituency and assist the OBIE to bring suitably qualified experts into the work streams, ensuring the representation of stakeholders’ views in the programme of work.

The role of the Open Banking implementation entity is to:

- Design the specifications for the Application Programme Interfaces (APIs) that banks and building societies use to securely provide Open Banking
- Support regulated third party providers and banks and building societies to use the Open Banking standards

⁴ CMA (2016), Implementation Entity plans and proposals

⁵ CMA (2017), Retail Banking Market Investigation Order

- Create security and messaging standards
- Manage the Open Banking Directory which allows regulated participants like banks, building societies and third-party providers to enrol in Open Banking
- Produce guidelines for participants in the Open Banking ecosystem, including customer experience guidelines
- Set out the process for managing disputes and complaints

To ensure comprehensive coverage the Dashboard will need to include the full range of UK pensions, including those in payment. Box 3 shows the scale of the challenge and the scale of assets by sector. As can be seen, the UK government is by some distance the largest pension provider in the UK with almost £5tn in unfunded entitlements. Furthermore, the vast majority of the funded assets to be placed on the dashboard are, in fact, trust-based. This is likely to continue with most of the anticipated growth in workplace DC now expected to come from trust-based schemes rather than contract-based providers.

Box 3: Quantifying UK workplace pensions

According to ONS, as at 2015 there were c. £7.6tn of pension entitlements in the UK pensions system.⁶ This represents a combination of funded DB and DC entitlements and unfunded DB and state pension entitlements. Of this, c. £4tn represents the state pension and c. £2.3tn funded DB and DC pensions. Unfunded public sector DB accounted for £913bn in accrued entitlements.

The FCA's sector review uses an estimate for funded workplace pensions that is slightly lower £2tn rather than £2.3tn.⁷ Of this, approximately £172bn of this relates to contract-based workplace pensions and £1.7tn relates to trust-based DC and DB. Clearly the majority of this is DB entitlements. Broadridge estimate the size of trust-based workplace pensions at £176bn, of which £12bn is held in master trusts.

The FCA further estimate that there is c. £420bn in non-workplace pensions, of which the bulk is in SPPs. This gives a total size for contract-based DC as £600bn. This suggests, assuming we use the lower FCA estimate rather than the higher ONS estimate, that contract-based DC accounts for roughly a quarter of funded pension entitlements and trust-based pensions account for roughly three quarters. Furthermore, it is clear that with c. £5tn in accrued entitlements, the UK government is by some distance the largest pension provider in the UK.

In terms of the growth of DC, Broadridge estimate workplace DC totalling £871bn by 2026. This is made up of £366 in contract-based pensions, £306bn in master trusts and £199bn in single employer occupational schemes. The bulk of the future growth, therefore, is forecast to occur within the trust-based sector.

Each category of pension schemes will face different challenges in making high-quality member data available on dashboards. A key differentiating factor will be the extent to which a pension scheme or pension provider has its own online systems which can be connected directly into the Pension Finder Service and the dashboards. However, many schemes, particularly DB and trust-based DC schemes will not be able to provide direct and live access through their own systems. They may also not be able to provide live data or may only update member data and calculate their potential pension entitlement once a year. These schemes will have to use an Integrated Service Provider to upload their members data and update the data each month as newer data becomes available.

Box 4: International experience: introduction of pensions dashboards

Denmark: In 1999 ATP (the operator of the Danish supplementary pension scheme) contacted a few other pension providers to set up the Danish pensions dashboard, which became known as PensionsInfo. In 2004 other major pension companies and banks decided to join. It took three years to develop the new website and for the pension providers to agree on functionality, content and design of the site and a common data format. In May 2007 the new website opened to the public. It was 2010 before the majority of other pension providers joined the initiative and began to supply their information to the dashboard. The last two companies joined in 2013.

Sweden: Sweden's MinPension dashboard is a voluntary public-private partnership. Consequently, progress was slow, the first version appearing in 2004. The original version only covered the State pension and around 50% to 60% of occupational schemes. A second version of the Dashboard launched in 2007 and the last remaining major pension providers joined in 2013. It now includes 99% of occupational pensions and 95% of private pensions.

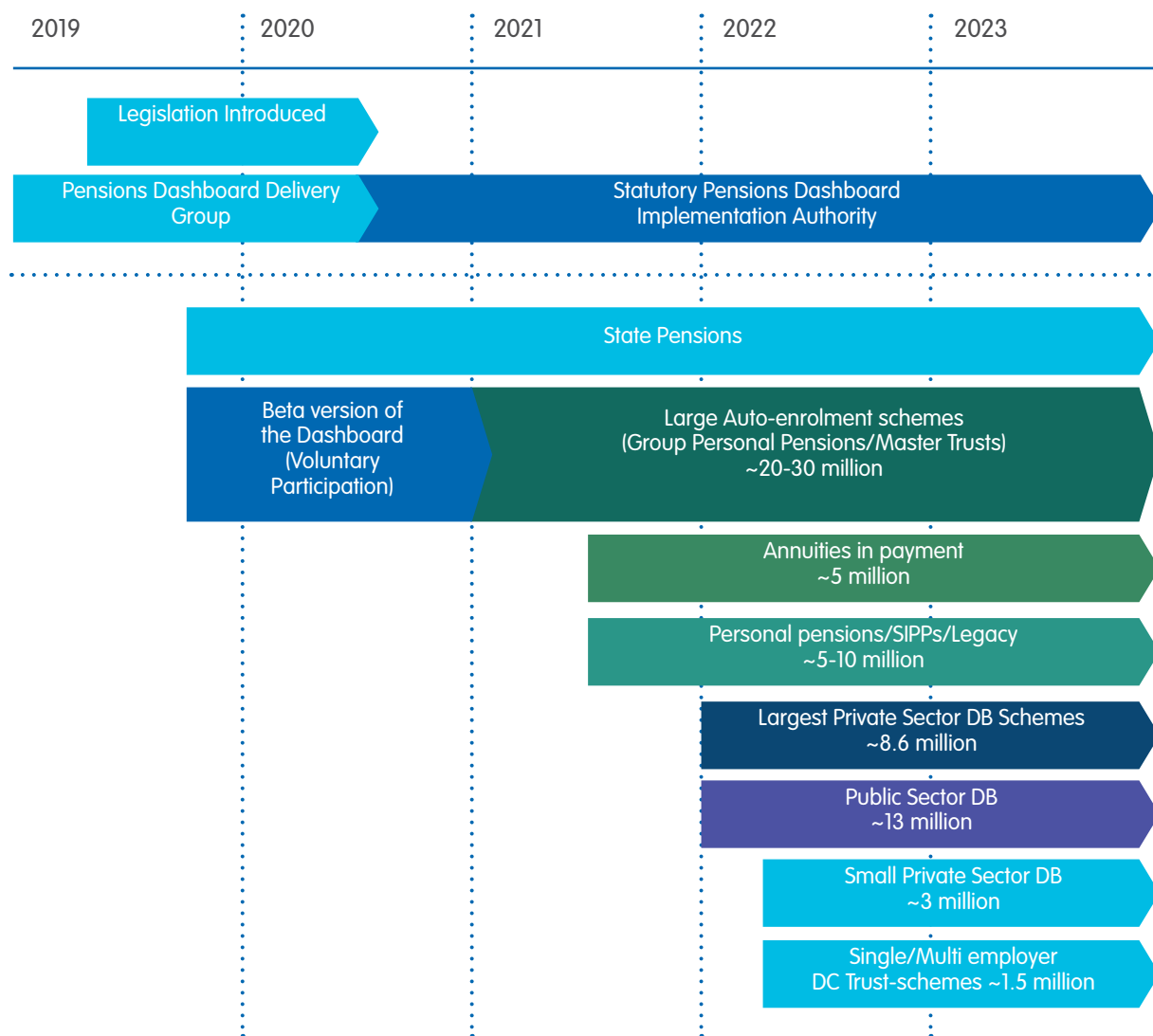
Australia: The 2010 Cooper Review of Superannuation recommended the introduction of the SuperStream system. This was a package of measures designed to bring the back office of superannuation into the 21st century. Its key components are the increased use of technology, uniform data standards and use of the tax file number as a key identifier. The data standards were published in 2012 and became compulsory in 2013. In 2013, the ATO online portal began to display active Super (pension) accounts in addition to inactive accounts.

Netherlands: In 2003 the idea of a national tracking service was proposed by Tilburg University. The pensions industry considered that the proposal was not feasible and did not proceed on a voluntary basis. From 1 January 2008 the Pensions Act introduced new requirements for pensions information. New regulations laid down that by 1 January 2011 a tracking service should be provided to individual consumers for retirement benefits in the State and workplace pension schemes. Individual pension policies remain outside of the dashboard.

⁶ ONS (2018), Pensions in the national accounts, a fuller picture of the UK's funded and unfunded pension obligations

⁷ FCA (2019), Sector Views, January 2019

Figure 1: Phasing pension schemes on to pensions dashboards (approximate numbers of pension pots)



Universal data standards and consistent presentation of data

The public must be able to access comprehensive and consistent information through pensions dashboards to avoid confusion and enable comparisons. This will require open data standards to be developed and for all dashboards to calculate their outputs using consistent projections of future returns and rates of retirement income. The ABI prototype API could serve as the potential starting point for the dashboard data standard but will need to be expanded to include charges data.

Data standards / clusters

A key aspect of the architecture of the dashboard initiative will be to enable the appropriate flow of data between pension schemes, the Pension Finder Service and dashboards. This will require data standards to

be developed by the implementation body. These data standards would need to break down the data provided into different clusters and for each cluster define:

- **Language:** Clear language which should be used to describe the data under each of the clusters. This is both so pension schemes can understand what is required and dashboards can interpret the data when it is received and ensure that it is described accurately and clearly to consumers.
- **Information provided:** The actual content of the information in each of the data clusters and the date on which the data was current.
- **Technical standards:** Concerning how the data should be categorised and transmitted to the dashboard using a secure method.

Experience from other countries illustrates the importance of data standards. Australia and Denmark implemented clear data standards and the transmission of the data is based on a fixed data format. The Swedish pensions dashboard ran into problems during its early years due to the lack of a comprehensive data standard and a private sector consortium is now seeking to agree common standards for occupational and private pensions. Open Banking also created clear standards breaking down consumers' banking data into a number of different clusters, setting the content of each data cluster and consistent language which should be used to describe the data.

Data standards developed for dashboards could have wider application in improving administration for pension schemes and employers as well as improving the efficiency of the transfer process when consumers switch or consolidate their pensions. In Australia, this was a key objective and outcome of the SuperStream reforms.

Comprehensive and consistent information

The ABI prototype data standard will enable the dashboard to operate a simple pension finder service but as the dashboard project moves out of the initial development phase and towards multiple dashboards, this will no longer be enough. It will be important to include other information, including information about charges on the dashboard.

The feasibility study says that including information like scheme charges "may be inappropriate for Dashboards' initial implementation phase". If the initial objective of the dashboard is to raise awareness of pensions pots and entitlements, and, given how important charges are in reducing returns, charges should be included in the initial standard. In Denmark charges are included on the dashboard and in Israel disclosure of pension charges enables consumers to compare the charges they are paying with what might be available in alternative schemes. It is important that charges are included on the dashboard since charges matter a lot to the size of pension pots.

Open Banking shows that data on the actual charges is useful but will need to be supplemented if consumers and financial advisers are going to use the information to make comparisons between pension schemes. For example, if a consumer is using income drawdown then the data would need to record the number of times a consumer has taken a lump sum withdrawal from their pension – this is because some drawdown providers will charge a separate fee for each lump sum withdrawal. The work which the SFGB has been doing to develop an income drawdown comparison tool could be used to put together a list of chargeable events in the retirement income phase.

Over time, the government should require pension schemes to make comprehensive information available to pensions dashboards that covers:

- the value and location of pensions, [ABI prototype standard]
- current contributions; [ABI prototype standard]
- projections of values to a chosen retirement date; [ABI prototype standard]
- details/flag of guarantees and extra benefits; [ABI prototype standard]
- investment/fund holdings;
- default investment strategy;
- charges;
- services offered; and
- the availability of employer-matching contributions.

Information provided about pension charges must enable comparison between different pension schemes. This means that each pension scheme should be required to provide data about levels and types of charges and information about chargeable events, even if that pension scheme itself does not levy charges for particular activities.

The government should explore how use of the National Insurance Number could be linked through HMRC data to enable consumers to see their current employer's pension scheme on the dashboard and the employer matching contributions available. This information could then be included even if the individual is not currently a member of the scheme.

Consistent information on projections

A key element of the information on dashboards will be a projection of how much income the pensions might generate in retirement. Annual statements provided for DC pensions already contain a projection of the possible income that would be available to consumers in retirement. This is known as a Statutory Money Purchase Illustration (SMPI) and is governed by guidance produced by the Financial Reporting Council (FRC) and FCA rules.¹⁰

The FRC guidance governs the assumptions used for future contributions, investment returns, inflation and the annuity rates. The guidance standardises some assumptions but allows schemes discretion over others. The FRC requires that the investment return assumption "take account of the expected returns from the current and anticipated future investment strategy". Individual pension schemes are required to determine the future expected returns and to document how they have done so. This means that different pension schemes can use different growth rates, even if they are invested in exactly the same assets. Even if a scheme has higher charges, because it is assuming higher investment returns then it may look better than a similar scheme with lower charges. Currently, people receive projections on their paper statements, but these are not interactive, so consumers cannot easily see the impact of making additional contributions, changing investments or switching pensions. Projections on dashboards will be displayed together and

consumers could be provided with calculators showing the impact of making additional contributions or switching between pensions. Unless consistent standards are introduced, consumers comparing pension schemes using the projections might not be comparing like-with-like and could make inappropriate decisions. Standardised projection rules exist for DC pensions in Denmark and the Netherlands.

Box 5: Standardised projection rules in Denmark, the Netherlands and Australia

Denmark: The data presentation through the user interface of the Dashboard is based on standardised terminology, standardised text and standardised tables and graphs. The projections of future benefits are based on common assumptions about interest rates, returns on investments and inflation.¹¹

Netherlands: Standardised projection rules exist for both DB and DC plans.¹² The assumptions are based on rules set by the Pensions Act and supervised by the Dutch Central Bank. Indexation levels of DB schemes can vary depending on discretion available to pension schemes and is not guaranteed. The information on the dashboard is consistent with that provided in the Uniform Pension Overview individual statements which are provided by each pension fund.

Australia: It is not mandatory for Super funds to provide a projection of future benefits, but if they do then defined contribution funds have to use standardised assumptions set by the Australian Securities and Investments Commission (ASIC).¹³ There are no standardised assumptions for defined benefit funds.

There are currently no consistent rules concerning projections for DB pension schemes. DB statements are typically only provided to active members and contain the current entitlement, but not a forward projection of the income provided at a future retirement date. The Directive on Institutions for Occupational Retirement Provision (IORP 2) will introduce a new requirement for DB pension schemes to send all members a Pension Benefit Statement which includes a projection of benefits to the scheme's normal retirement age.¹⁴ However, there are no consistent rules for how this projection should be made and what assumptions should be used.

As projections without standardisation risk incoherence, the FRC and the lead regulator for the dashboard should set common standards for projections of future pension values and income for both DB and DC pensions.

¹⁰ Financial Reporting Council, AS TMI: Statutory Money Purchase Illustrations; FCA Handbook, COBS 13, Annex 2: Projections

¹¹ PensionsInfo (2010), Communication on individual pension rights: The Danish experience – with special emphasis on PensionsInfo

¹² European Commission (2013), Peer Review on Pensions Information, The right to retirement pension information, The Netherlands

¹³ SuperGuide (2017), Retirement forecasts: 6 facts you need to know

¹⁴ Trafalgar House (2018), How to get ready for the annual Pension Benefit Statement (IORP II)

Regulation of multiple dashboards

Introducing regulation of pensions dashboards by the FCA will require changes to the definitions of regulated activities by the government.

Learning from Open Banking, it may be sensible to regulate information only and transactional dashboards differently with a more comprehensive regulatory package required for the transactional services. The regulations will need to cover:

- A simple process for consumers to check whether they are dealing with an authorised pensions dashboard and clear enforcement around the perimeter to stop unauthorised firms operating in the market or pretending that they are offering a pensions dashboard service
- Business models and methods of remuneration
- Consent and data sharing
- Security of consumers data and transmission between pension schemes and dashboards
- Complaints handling
- Liability in the event of unauthorised transactions, fraud or authorised push payment scams
- Liability in the event of inaccurate data being provided by a pension scheme or inaccurate data being displayed by a dashboard
- Marketing of other products within the dashboard and by operators of dashboards – a particular concern being the marketing of unregulated investments via pensions dashboards or encouraging people to make withdrawals from their pensions to invest in other products
- Compliance with data protection rules
- Prompting consumers to access Pension Wise through a process of default guidance and providing retirement risk warnings when consumers are considering accessing their pensions
- Only allowing consumers to provide delegated access to their dashboard to other regulated firms such as providers of financial advice, IFAs or Pension Wise.

There should be a duty upon those operating a pensions dashboard to act in the best interests of consumers, similar to the common shorthand for fiduciary duty. This should be written into statute, as with the duty to invest in the best interests of scheme members, in the 1995 investment regulations. COBS 2.1.1 is generally seen as an instruction only to act honestly, fairly and professionally rather than a more general instruction to act in the best interests of customers by giving them the best possible deal or highlighting that the consumer may get a better deal by contributing to an alternative pension^{14.1}. As such, the extension of COBS 2.1.1 is not sufficient.

A new duty is required to ensure that dashboard information is not presented in a manner that causes customers to act in a way that benefits the dashboard provider at the expense of the customer. Conduct rules will not adequately control this issue as such rules have not prevented repeated scandals in the FCA regulated space. The Port Talbot steelworkers scandal just being the latest since the personal pension mis-selling scandal of the late 1980s. It's only six years since the Office of Fair Trading reported that

competition did not deliver value for money in contract-based DC provision. The introduction of a new duty would oblige dashboards and pension schemes to avoid conflicts of interest and act in the best interests of their customers. The FCA will also need to be far more proactive in identifying and preventing detriment to consumers. The regulator could use data provided by pensions dashboards to gain intelligence about market developments and practices.

14.1 FCA Handbook, COBS 2.1.1R

Pensions Dashboard Governance

In other sectors and in other countries, a specific independent body has been established to discuss and agree the technical standards necessary to enable consumers to access their data. The governance structure for developing the pensions dashboard initiative will need to have a clear remit to act in the best interests of consumers.



Governance

A clear governance structure is vital to ensure that the development of the pensions dashboard initiative is focussed on the needs of consumers.

The feasibility study proposes that the SFGB should take on the initial responsibility for putting in place a governance model with the expectation that a suitable chair is appointed in Spring 2019. The proposed governance model is headed by an Independent Chair leading a Steering Group representative of industry, consumer bodies and Government. Below this there would be an implementation executive which would lead on commissioning the various elements of the dashboard infrastructure and undertake the planning and risk management.

The Steering Group would be responsible for agreeing standards for data, conducting consumer testing and encouraging all pension schemes to participate until legislation could be introduced. It is important for the implementation entity to include representation from advisers, consumer groups and fintechs. The pensions industry representation would also need to include those from all sectors including master trusts, insurance companies, DC occupational and DB pensions. Government and regulators would need to oversee the progress this body was making and would be able to intervene if there was insufficient progress.

Below the Steering Group there will be a series of Working Groups which will develop the standards for the implementation of the dashboard. It is essential that these Working Groups contain an appropriate balance of representation and include those with specific technical knowledge. Consumer and adviser representatives must be supported with appropriate resource to participate in these Working Groups.

Governance bodies for overseas dashboards contain a mixture of Government and industry stakeholders. Technical working groups established as part of the governance structures contribute expertise aimed at developing technical standards. In Denmark the composition of the governance body is partly determined by the market share of different types of pension schemes many of whom are not for profit.

Box 6 Governance of pensions dashboards in other countries

Sweden: The Board of Trustees of Minpension is made up of 50% Government representatives (2 from the Administrators of the State Pension and 1 from the Public Sector Pensions Authority) and 50% representatives from private sector pension providers (3 from insurance companies, including mutual not for profits).

Netherlands: The Netherlands pensions Dashboard has a governance board with an independent Chair and 2 representatives from each of the Pension Federation, Association of Insurers and the Social Insurance Bank (the organisation which administers the Dutch State Pension and National Insurance system).¹⁵ The board is elected each year at an Annual General Meeting.

Denmark: PensionsInfo is based in the Danish Insurance Association office but is independent from it. It has 11 board directors who represent different stakeholders and are selected each year. Five groups nominate who sits on the board of the directors. The number of directors each group has is determined by market share in a market where not for profit providers are strong. 2 government representatives attend the board meetings as observers but have no voting rights.

Australia: The Australian pensions dashboard is operated by the Australian Tax Office (the equivalent of HMRC). The ATO has established several groups to support the development of the SuperStream system which sets the technical standards for data and communication. These are Chaired by representatives from the ATO. The consultation groups include:

- Superannuation Administration Stakeholder Group: Representatives of the ATO and of the super industry – large funds including many not for profits, fund administrators, industry representatives and software developers – to identify, discuss and jointly resolve significant administrative issues affecting the operation of the superannuation system.
- SuperStream Reference Group¹⁶: Representatives of the ATO and stakeholders across the superannuation system meeting to address strategic issues relating to the implementation of the SuperStream standards.
- SuperStream Continuous Improvement Working Group: Advises on potential improvements to enhance the administration and operation of an efficient SuperStream ecosystem.
- SuperStream Technical Committee¹⁷: Interprets the standards and advises on common technical and business practices and assesses the merits and potential impact, timing and cost of changes to the standards.

The Open Banking delivery model provides important lessons for the delivery of pensions dashboards, both in positive areas where the governance model has worked well and other areas where there could be scope for improvement. The CMA order created important legal backing and powers for the Open Banking Implementation Entity (OBIE) to set binding standards. The nine largest banks were required to fund the OBIE. The Implementation Entity Steering Group includes designated consumer, SME and fintech representatives. It also commissions consumer research and recognises the importance of non-API functionality and customer experience guidelines. An important area where there is scope for improvement is that it indicates the need for a clear overarching strategy which focusses on the interests of consumers and the need for a clear communications strategy.

The Pensions Dashboard Steering Group should have an Independent Chair, five members representing the pension industry and five consumer/public interest/financial adviser representatives. Since the state is

¹⁵ Stichting Pensioenregister (2017), Annual Report 2017

¹⁶ ATO (2018), SuperStream Reference Group

¹⁷ ATO (2018), SuperStream standard technical committee

the largest pension provider in the UK, the government should be represented both as policy maker and as participant. The TPR and the FCA should also be represented. Industry representatives should include the largest auto-enrolment master trusts who operate on a non-profit basis and serve the mass market; insurance and asset management companies who provide pensions to bigger employers and/or the more affluent; DB schemes; and new entrants/fintechs. Composition of the Steering Group should reflect the balance of memberships and assets in the pensions sector. Ideally members should combine strategic judgment with an understanding of pensions administration. The Terms of Reference for the Steering Group should give all members a clear remit to act in the best interests of consumers.

The members of Working Groups should bring in external expertise and should also include representatives from all sections of the industry, consumer groups and financial advisers.

It is crucial that consumer representatives and financial advisers are provided with sufficient resources to enable them to engage effectively in the process. The delivery group should conduct sufficient outreach activity and commission consumer research.

The Steering Group should develop a clear communications strategy for the pensions dashboard initiative and should coordinate activity from government and pension schemes to ensure that consumers receive clear and consistent messages about dashboards.

The legislation to be introduced by the DWP should create a Pensions Dashboard implementation authority, introducing a clear governance structure for the initiative with the power to set standards. The implementation authority should be given a clear statutory remit to act in the best interests of consumers.

Architecture, data and security

Allowing multiple pension finder services would have no consumer benefit. There is also a clear difference between the UK and other dashboard implementing countries in that there is currently no widely held form of Digital ID that may be used to access a pensions dashboard. This will need to be resolved swiftly by the steering group.



A digital identification system

Consumers seeking to access the pensions dashboard will first need to prove their identity. The easiest and quickest way for them to do this will be to use some form of digital ID – a secure system which consumers can use to verify their identity online. All other countries which have set up pensions dashboards have some form of widely used Government approved digital ID or a successful private sector digital ID system. Australia has the ‘mygov’ digital ID service, Denmark the ‘NemID’ and the Netherlands the ‘DigiD’ which are all run or approved by the government and can be used to log in to the pensions dashboard. Sweden and Finland have widely used digital ID services operated by the largest banks.

This is not the case in the UK, where the government approved digital ID has not been widely adopted. The government established GOV.UK Verify system is a way for consumers to prove who they are online, enabling quick and easy access to government services like filing a tax return, viewing driving licence details or checking their State Pension.¹⁸ It was launched in beta in 2014 and became a live service in May 2016. People accessing public services through GOV.UK Verify are now able to create a secure digital ID with one of five different companies certified to government standards. It normally takes between 5 and 15 minutes to create the digital ID. So far, around 2.9 million people have signed up to GOV.UK Verify and the system is used on 18 digital public services. Other departments have developed their own digital ID systems. HMRC uses a system called Government Gateway (and are currently in the process of developing a replacement), NHS England is developing its own identify service and the Scottish Government is planning a separate system.¹⁹ These developments are partly because the performance of the GOV.UK Verify system has not met expectations with only half of users able to register successfully. The government has extended the funding for the GOV.UK Verify system for the next 18 months, but after that period it will be the responsibility of the private sector to ensure the delivery of the product.²⁰ The arrangements formalise the transition to a private sector model for digital ID in the UK, but it remains to be seen how the market will develop.

There is also the possibility that a ‘Single Sign On’ process could be developed. This could enable those with existing online pension scheme or even online banking details to use these to ‘authenticate’ their identity to a pensions dashboard. This would be done through a similar redirection process to that used by Open Banking. Consumers would not need to share their log-in details but would be redirected from a pensions dashboard to a website or app operated by their bank or pension scheme. They would then enter their log-in details and prove their identity using a secure key, card reader or a biometric method such as face or voice-ID. The authentication of their identity would be confirmed and then passed back to the pensions dashboard. They would only have to do this once to access details of all their pension schemes so it requires a level of cooperation between firms and acceptance that methods to verify identification used by individual firms are secure.

A single pension finder service

All other countries which have set up pensions dashboards have required a single Pension Finder Service (PFS) to be established. Some have established this within the government and others have used legislation to require the pensions industry to establish the PFS or have encouraged a consortium of the pensions industry to establish a single PFS.

Box 7: Digital IDs and Pension Finder Services in overseas pensions dashboards

- **Australia:** There is a single pension finder service operated by the Australian Tax Office (ATO), the equivalent of HMRC. To use the service, consumers have to sign up to the ‘myGov’ service, which is a secure way Australians can access Government services online using a single login and password.²¹ They then link their myGov account to the ATO and can use it to see details of all of their Super accounts, including any lost Super held by individual Super funds or the ATO.²² Many Super funds also offer a service known as SuperMatch to help their members find their other Super accounts. This searches the ATO database automatically and lets the consumer know the results of the search. Consumers need to provide their Tax File Number (a method of identifying themselves to the ATO and which is linked to Super accounts) and give explicit permission to the Super fund to search the database on their behalf.
- **Netherlands:** Legislation²³ required the pensions industry to develop a single pensions register which incorporated a pension finder service. This is run by a foundation established by Ministers, contracts with suppliers for its information technology and recovers its costs from payments from pension schemes. Consumers log-in to the pensions register using their ‘DigiD’ which is a Government run form of digital identification. They can confirm their ‘DigiD’ by scanning their identity card using their smartphone or tablet.²⁴
- **Denmark:** A single pension finder service is operated by PensionsInfo, a consortium of pension providers and public authorities. Consumers log-in to PensionsInfo using their ‘NemID’, which is a government approved form of digital identification.
- **Sweden:** A single pension finder service is operated by the minPension.se website. Consumers log-in to minPension.se using their ‘BankID’, a digital identity solution developed by Sweden’s largest banks. In Sweden, 80% of the adult population has a form of digital identity.²⁵
- **Finland:** There was not sufficient take-up of the electronic identity card when the pensions dashboard service was launched. An agreement was made to use the digital ID systems used by the large Finnish banks and a single log-in for the web services of the earnings-related pension scheme was created.²⁶
- **Israel:** A single pensions clearing house was established (following a government tender) which operates as a pension finder service. Consumers can use a credit card to log-in to the private sector operated pensions dashboard.²⁷

18 Government Digital Service (2018), GOV.UK Verify overview

19 Computer Weekly (2018), Government to end investment in Gov.UK Verify digital identity system

20 HCWS978, 9th October 2018, GOV.UK Verify programme: Written Statement

21 Australian Government (2018), About myGov

22 Australian Tax Office (2018), Keeping track of your super

23 Article 51 of the Pensions Act and Article 62 of The Obligatory Occupational Pension Scheme Act required pension administrators required to set up a pension register.

24 DigiD (2018), DigiD Question and Answers

25 BBVA Research (2018), Digital Identity: the current state of affairs

26 Taina Ojala, Finnish Centre for Pensions, Tyoelak.fi

27 No Fryers (2017), Find All Your Pension, Retirement, and Keren Hishtalmut Accounts

Having multiple pension finder services would increase costs as each service would have to be established separately, incurring extra administrative and IT costs. Each pension scheme would then have to integrate with all of the different pension finder services, increasing costs for pension schemes and discouraging participation. The business models of multiple private sector pension finder services could be based on harvesting consumers' data and selling their details on to other firms. This could introduce unacceptable risks and conflicts of interest. It is difficult to envisage what benefits would be gained by consumers from having multiple pension finder services.

A utility Integrated Service Provider

After a consumer has proved their identity and the finder service has tracked down their pensions then there has to be a secure and reliable way of transmitting their pensions data from the pension schemes to the dashboards.

Direct Application Programming Interfaces (APIs) have been shown to be the preferred method amongst consumer and industry representatives for transmitting data to the dashboards. Direct APIs provide secure access to live and current data. APIs allow consumers to control who they share their data with, what data they share and how long they share it for. The dashboard pilot used an API and this is the likely starting point for the new dashboard data standard.

Some schemes may choose not to allow live requests into their systems by the dashboard and may use an Integrated Service Provider (ISP) as a combination of a data repository and a matching service. This raises the question as to which organisation or organisations should establish, own and operate the data repository or ISP. Allowing many multiple ISPs to be established could increase overall costs and lead to duplication of effort. If there were multiple private sector providers then the activity of operating an ISP would also need to be subject to regulation and operators restricted from using business models based on the exploitation of consumers' data. Pension schemes would need to choose which ISP to use. If the SFGB established a 'utility' ISP which could be used by schemes unable to find alternative ways to provide their members' data to dashboards then this could provide a fall-back position and enable as many smaller pension schemes as possible to participate.

Should data be stored?

The feasibility study states that dashboards should be used for "presentation purposes only" and would not "store pension data nor alter the source data held by the pension scheme". Whilst this means that there will be a reduced risk of data being shared inappropriately it could also increase the potential for disputes if incomplete or inaccurate data is provided to a dashboard. There will need to be some record held of the data supplied so that it can be used for auditing purposes in the event of a dispute. Having a pensions dashboard only provide a display of the data means that the connections from a dashboard to the pension schemes will need to be reliable and re-established every time a consumer logs in to a dashboard. Pension schemes will need to update their terms and conditions and data privacy notices prior to sharing their members' data with dashboards.

Box 8: Data storage in overseas pensions dashboards

In the Netherlands and Denmark the dashboard operates with a search engine where the data appears as the consumer looks at it, but when the consumer logs off the data is no longer available and therefore not stored in a central database. This was because it was easier, for data protection reasons, to not store the information in a central database. In Sweden, the information is collected from various databases and stored permanently in a secondary database. This was chosen so that the dashboard didn't rely on having constant access to all pension providers all the time. In Finland, the information is used straight from a central database that also supports the operation of the information systems of pension providers. A central database was already available and so was chosen to power the dashboard.²⁸

Only the consumer would be able to access their data, unless he/she gives specific consent to third parties such as Independent Financial Advisers or providers of pensions guidance. Consumers will be able to manage these consents and remove them as they wish, but the consents will have expiry dates. Open Banking requires customers to renew the consent to access their banking data every 90 days by reauthenticating themselves – this can mean that unless the consumer acts the service provided by a third party can be cut off. This short length of time could create problems with the development of new services which are monitoring a consumer's financial or pensions data.

There is also the question about whether securing consent from consumers could provide enough protection for consumers against their data being misused. Consumer research has found that people don't really understand the value of their data and even when people read terms and conditions, they are usually none the wiser about how their data will be used. Instead they rely on reviews, or a vague feeling that government and regulators are looking after their interests.²⁹ This means that it may be necessary to introduce additional protections for consumers in terms of the organisations which will be allowed to access their data. Consumers will also need to be provided with clear information concerning which organisations are currently accessing their data or have accessed it in the past. Imposing a legal duty on dashboard providers to always act in customer's financial interests rather than their own takes on added importance in this context. It should increase the public's confidence in licensing third parties to work with dashboard providers on their behalf.

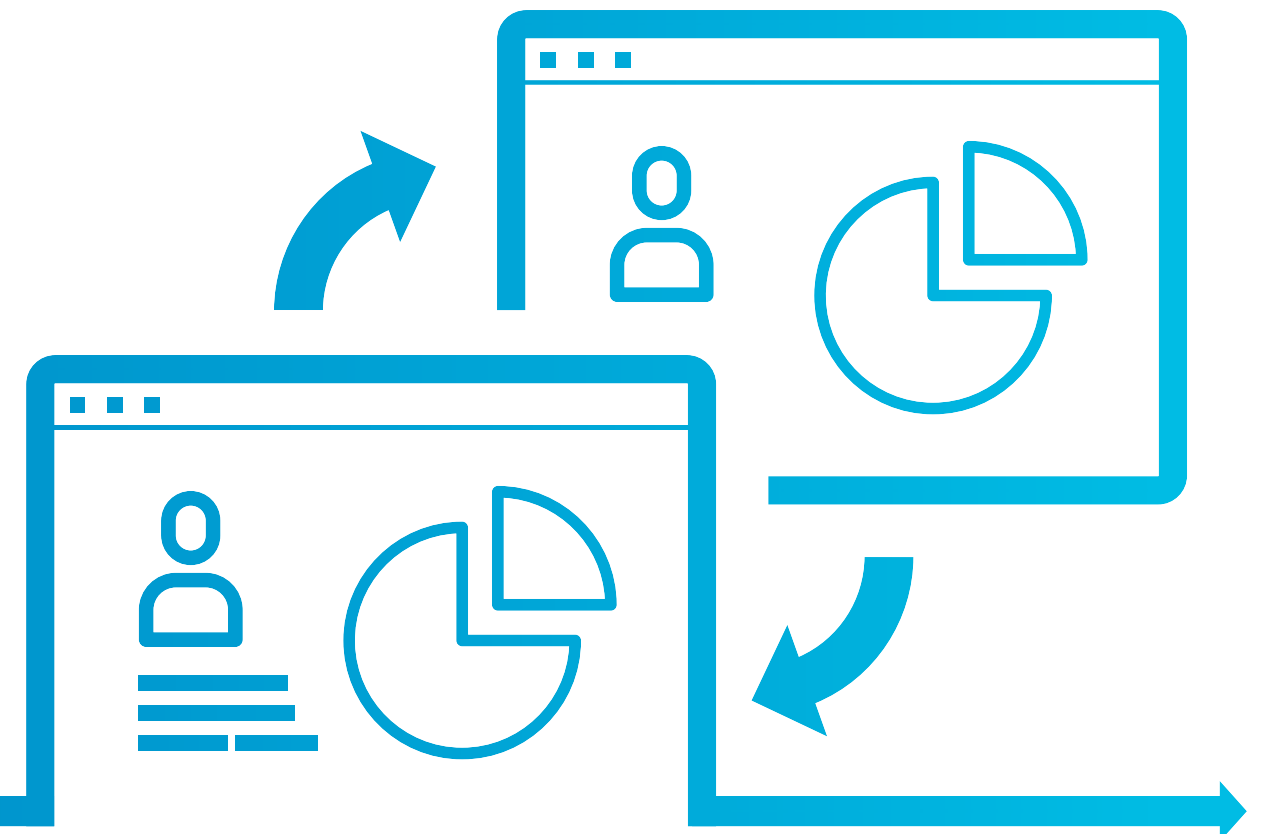
Consumers should be provided with a consent dashboard showing which organisations are accessing and have accessed their data and be able to revoke consent at any time.

²⁸ European Actuarial Consultative Group (2013), Report on key issues from the review of national tracking services

²⁹ Financial Services Consumer Panel (2018), Consenting Adults? – Consumers Sharing their Financial Data

Phases 2 and 3 of the Dashboard: New services and giving consumers full access to their financial data

Once a single, non-commercial dashboard is up and running, it will be possible to further develop the services offered on the dashboard and also move to developing multiple dashboards. Pensions dashboards could also be integrated with Open Banking and data-driven financial services.



Pensions Dashboards - New services

Pensions dashboards could in the long-term help savers engage with their pensions, providing new insights that help them manage their money, prompt them to seek guidance or advice and provide access to new products and services. In particular, pensions dashboards could provide new services in the following areas:³⁰

- **Aggregation:** Enabling consumers to see all of their pensions and other financial products in one place
- **Analysis:** Providing a series of tools and calculators that consumers could use to analyse their pensions
- **Monitoring:** To highlight where certain trigger points are reached or when market developments mean that a better deal is available
- **Recommendations:** Providing consumers with specific recommendations about what action they should take
- **Transactions:** Enabling consumers to make changes to their pensions through the dashboard
- **Automation:** Switching consumers' pensions automatically to save them time and money
- **Advice / Guidance:** Encouraging consumers to seek advice/guidance and enabling the consumer to share their information with regulated sources of pensions advice and guidance

Analysis

Dashboards could help savers with tools like pension calculators. These could be automatically populated by the dashboard from the saver's own data. This could help savers better understand their likely retirement income.

The information and analysis could be provided in a layered approach with links from the consolidated overview of their pensions to any further detail requested by the consumer. Graphs and diagrams could be used to improve and simplify the presentation of the pensions data.

Having consistent data standards would also allow app developers easier access to pensions data and make it easier for apps to be developed offering analysis tools. There could even be an app store developed on the websites of pensions dashboard providers and pension schemes that would allow external developers to offer their own apps.

Analysis tools available through the dashboard could include:

Pensions contributions: Showing the impact of making additional pension contributions, taking into account the amount of tax relief and employer matching contributions available.

State pension top-up: Analysis of how much consumers could benefit by topping up their state pension by paying additional national insurance contributions to buy extra qualifying years.

Retirement age: Showing the impact on how much pension a consumer could receive if they retired earlier or later.

Asset allocation: Providing a combined picture of their asset allocation across all their pensions and the probability of their pension and retirement income reaching a certain value at their selected retirement age.

³⁰ New City Agenda (2014), Innovation in Banking: Personal Financial Management – Credit Sesame and Money Dashboard – Empowering consumers to monitor their finances and get the best deal

Costs and charges: Adding up the total amount of costs and charges a consumer has paid in the past, how much they will pay in the future and the total savings they could achieve from switching pensions.

Retirement income: During the retirement income phase tools could provide analysis on how long their DC pension scheme would last if they continue to withdraw at current rates, comparing this to estimates of longevity, and informing them how much their annual income will be from DB pensions and the state pension once they have exhausted their DC pension pot.

Annuity purchase: Illustration of the highest rate the individual could receive from the open market to highlight how much the consumer might gain by shopping around or purchasing an enhanced annuity due to their medical or lifestyle issues.

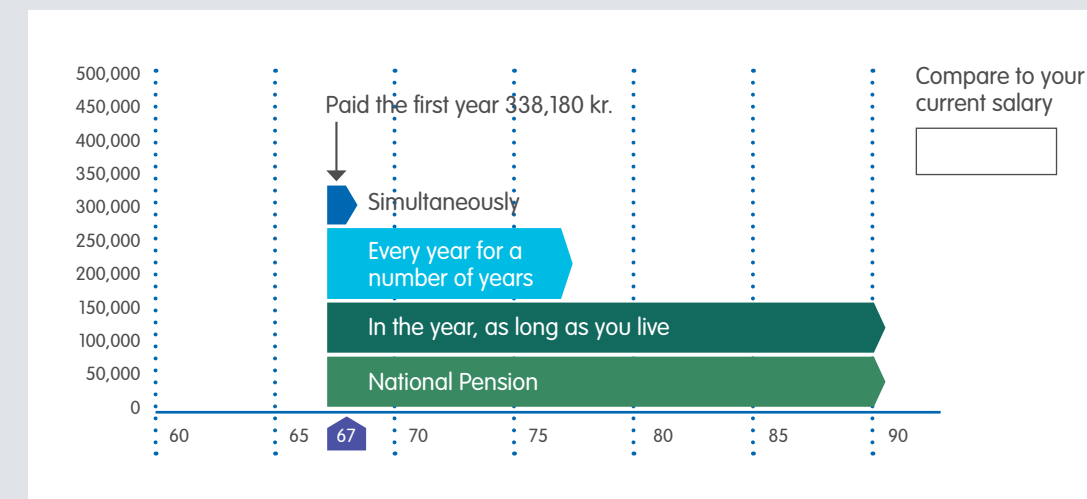
Income drawdown comparison tool: Helping those wishing to shop around for income drawdown by comparing charging levels, investment performance and volatility.

Box 9: Tools on Israel and Denmark's pensions dashboards

Israel: Charges comparison – Consumers can use the dashboard information to find out the charges they are paying, how much charges they will pay if they stay in their current fund and how much they might be able to save by switching to an alternative pension.

Denmark: Retirement income graph – The dashboard shows a graph of the income the consumer is expected to receive in retirement in each year taking account of the retirement age and levels of state pension, phased lump-sum withdrawals and annuities. This clearly shows the extent of any reduction in income once they have exhausted their lump-sum withdrawals. They can also compare their pension to their current monthly salary.

Denmark – Retirement income graph



Monitoring

This could include highlighting to consumers the total amount they had paid into their pension in the last year, and how much they have benefited from tax relief and employer matching contributions. It could allow consumers to set goals for their desired level of retirement income and provide prompts if they needed to make up any gap by increasing contributions. In Israel, consumers can request to automatically receive updated versions of their pensions dashboard information every 6 months.

Recommendation

Pensions dashboard providers could feasibly give savers a specific recommendation about how much they should contribute to their pension, investments they should buy, and whether they should transfer their pension to an alternative provider. If the pensions dashboard provider is giving regulated financial advice then it would have to be authorised by the FCA and hold the appropriate regulatory permission to offer advice. Regulated financial advice refers to a specific pension, is given to the individual in their capacity as an investor or potential investor and refers to the merits of buying, selling, subscribing to, transferring or cashing-in their pension. It would normally involve a personal recommendation about what they should do. The provider would also need to ensure that the advice given was suitable for the individual's circumstances and would be prevented from receiving commission in exchange for providing the advice. The boundaries as to what constitutes a personal recommendation are complicated and might not be clear to consumers. There could be a risk that dashboards would seek to avoid giving personal recommendations so they can avoid regulation and the need to pay redress to consumers for unsuitable advice.

"Words such as "top", "best", "cheapest" or "lowest" are not a recommendation or rating of products"

- Extract from Australian comparison website which includes a section comparing superannuation (pension) products

Transactions

This would enable consumers to make transactions directly through the dashboard, avoiding the need for them to go elsewhere and log-in to an alternative website. Transactions might mean any combination of putting money in or withdrawing it from the pension(s) or the switching of investments or pensions.

Transactions through dashboards could reduce barriers to action and therefore help savers make better financial decisions. However, balanced against this is the fact that enabling consumers to undertake transactions could involve them taking the path of least resistance. This could risk them taking the wrong decision, particularly if it was made through a private sector dashboard which had a strong commercial interest in consumers undertaking certain courses of action. This illustrates the need to give dashboards a strong legal duty to act in the best interests of their customers.

Box 10: Transactions available through the dashboard in Australia and Israel

Israel: Consumers and regulated pension advisers can use the dashboard to request the transfer of documents and to update contact details.

Australia: The ATO online super service enables consumers to consolidate their pensions by transferring all their super (pension) to one of their funds. Consumers can select the super they want to transfer and select which of their funds they want to use to consolidate their pension.

Australia: Transactions available through the dashboard

1 - Select accounts

a) Transferring Super from *

<input type="checkbox"/>	SUPER FUND 111	Fund ABN Account number	11112222333 123456
<input type="checkbox"/>	SUPER FUND 222	Fund ABN Account number	33332222111 654321

b) Transferring Super to *

<input type="radio"/>	SUPER FUND 111	Member account number	123456
<input type="radio"/>	SUPER FUND 222	Member account number	654321

Cancel Next

2 - Personal details

3 - Review and submit

Automation

Legacy pension schemes may not have a default investment strategy and therefore disengaged consumers could reach retirement with an inappropriate or risky asset allocation. Pensions dashboards could help; providing an optimal asset allocation and automatically adjusting at defined trigger points in the run-up to retirement. Automation of the investment strategy could continue through the retirement income phase and be aimed at purchasing an annuity at a later age such as 75. This would help mitigate some of the risk of running out of money in income drawdown.

For those in the accumulation phase, pensions dashboards could offer a service that automatically increases contributions each year as the person's income increases – a type of programme known in the US as Save More Tomorrow.³¹

31 Thaler, Benartzi (2004), Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving

Increasing take-up of guidance and advice services

There could be significant opportunities for dashboards to encourage consumers to access independent and impartial sources of guidance and advice and make the process more efficient.

The dashboard could improve the fact-finding process, which is necessary for financial advice by helping IFAs quickly gather information about an individual's existing pensions. It could also help IFAs monitor the situation of their clients and identify those requiring detailed review. Consumers could consent for Pension Wise or their advisers to have one-off or ongoing access to their pensions dashboard information. There could also be a facility to enable consumers to share an electronic file with Pension Wise or their adviser containing their information.

Box 11: Advice and guidance services in Denmark and Israel

Denmark: Consumers can download information from the dashboard and share it with their pension scheme or a pension adviser/counsellor. They can add tailored messages or requests to the information regarding what advice they are seeking.³²

Israel: Regulated providers of pensions advice and counselling can access a consumers' data and download it provided the consumer has given explicit consent. This helps the regulated advisers gain details about all a consumer's pensions. The use of the dashboard and clearing house means that pensions institutions are obliged to respond to information requests from regulated providers of pension advice within a defined time period.

Integrating pensions dashboards and Open Banking data

The pensions dashboard is just one of several initiatives seeking to increase consumers access to their financial data. Open Banking will allow consumers to access data about their current accounts and the Payment Services Directive 2 (PSD2) will widen this access to instant access savings accounts and credit cards.

Pensions dashboards could also be integrated with Open Banking and other services which aim to aggregate and analyse consumers financial data. Giving consumers clear rights to their financial data and linking services in this way could provide the opportunity to develop even more innovative services for consumers – enhancing the benefits from these initiatives.

Integrating Open Banking data into pensions dashboards could enable consumers to use information about their income and expenditure from their current account or credit cards to help them identify how much they could increase their pension contributions, or other areas where they could make savings and redirect these into a pension. For those nearing or in retirement, expenditure data could help them decide what sustainable level of income they need to generate in retirement to pay for essentials and discretionary expenditure.

Innovative services available by integrating Open Banking and Pensions Dashboards

Pension contribution prompts

By linking pensions dashboards to Open Banking data, services could be developed which would monitor transactions in their bank account and use an increase in wages, the receipt of a bonus or inheritance or changes in expenditure to prompt consumers that they might wish to increase their pension contributions.

Sidecar savings

26 per cent of working-age adults have no rainy-day savings, and only 42 per cent have £500 or more on hand.³³ This leaves many people at risk of short-term financial shocks which can have a severe impact on their lives. NEST have proposed a sidecar savings approach which would help consumers build up liquid savings at the same time as making pension contributions.

1. Contributions paid into the combined account structure would at first be distributed between the liquid and pension accounts.
2. When the balance in the liquid account reaches a predetermined threshold level, known as the 'savings cap', all contributions would start 'rolling' into the illiquid pension account.
3. If at any point the saver withdraws funds from the liquid account, and so reduces the balance to a level below the savings cap, future contributions would once again start being divided between the liquid and pension accounts.

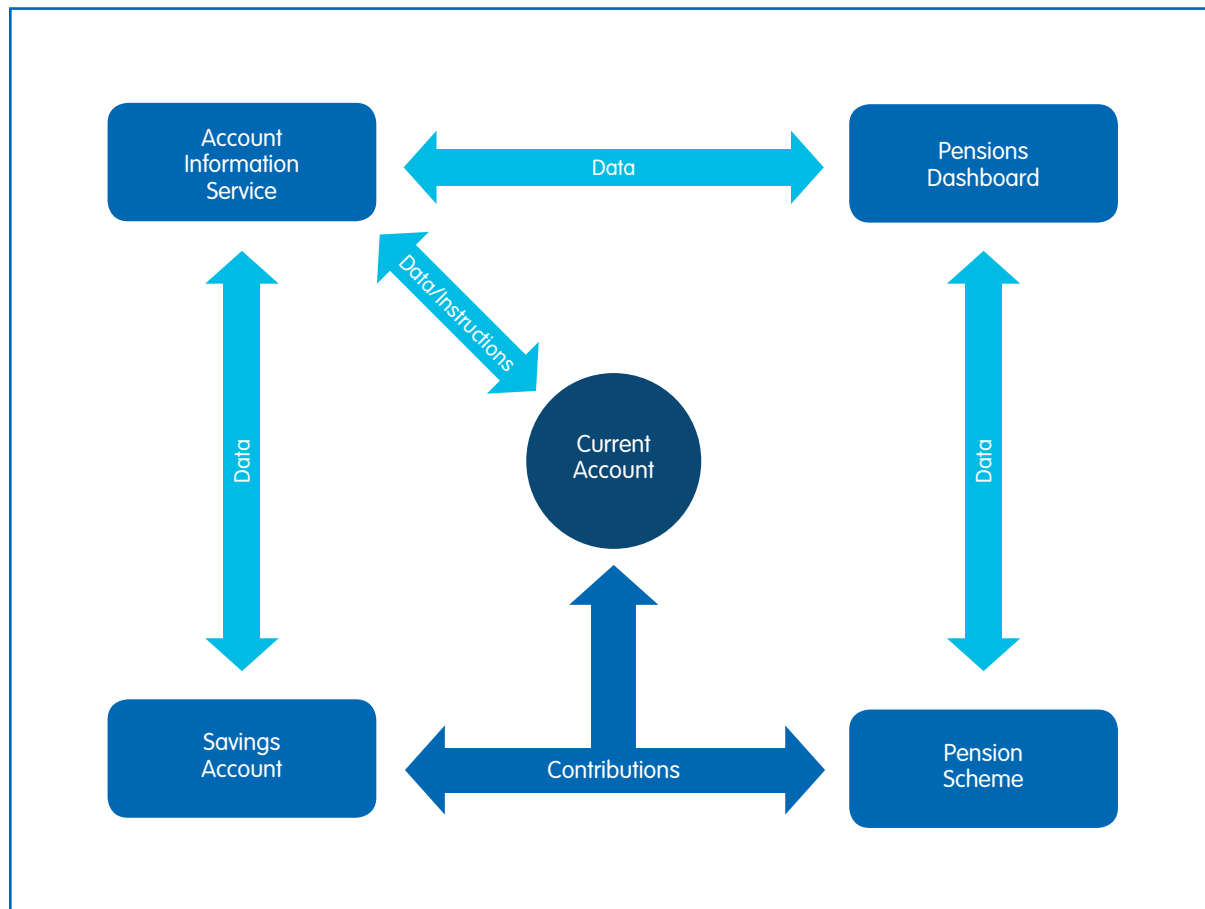
Open Banking (and other data) could be used to monitor the level of savings built up in the instant access savings account or cash ISA and send a message to a pensions dashboard to adjust monthly pension contributions. Open Banking data would be used to update the amount of money being transferred into the sidecar account. The benefits of using Open Banking model is that it would enable this service to be rolled out widely, without waiting for individual pension providers to decide to offer it. It would also enable consumers to select the instant access account or Cash ISA for the sidecar account and ensure that they can access the best rate available in the market.

31 Thaler, Benartzi (2004), *Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving*

32 PensionsInfo (2010), *Communication on individual pension rights: The Danish experience – with special emphasis on PensionsInfo*

33 Packman, C. (2017) *Savings for the Future: Solving the Savings Puzzle for Low Income Households*. London: Toynbee Hall

Figure 2: Sidecar savings using Open Banking and a Pensions Dashboard



Self-employed pension management

Auto-enrolment has led to a significant increase in the percentage of employees contributing to a pension scheme. But self-employed people are outside the scope of auto-enrolment and remain far less likely to contribute to a pension – indeed the proportion of the self-employed contributing to a pension decreased from 30 per cent in 2007/08 to 14 per cent in 2016/17.³⁴ The self-employed could also be at risk of paying higher pension charges since they do not benefit from the scale of workplace schemes or the 0.75% charge cap on the default investment option.

Integrating Open Banking data with pensions dashboards could provide a way to monitor the bank account of a self-employed worker with irregular income. This service could set pension contributions to be made when money is received in from certain clients or when irregular earnings met certain levels. This could help gig economy workers with irregular earnings who might not be able to commit to making regular, fixed amounts of pension contributions. This could be linked to a sidecar instant access savings account where the money would be kept until it reached a certain level before being transferred into a pension.

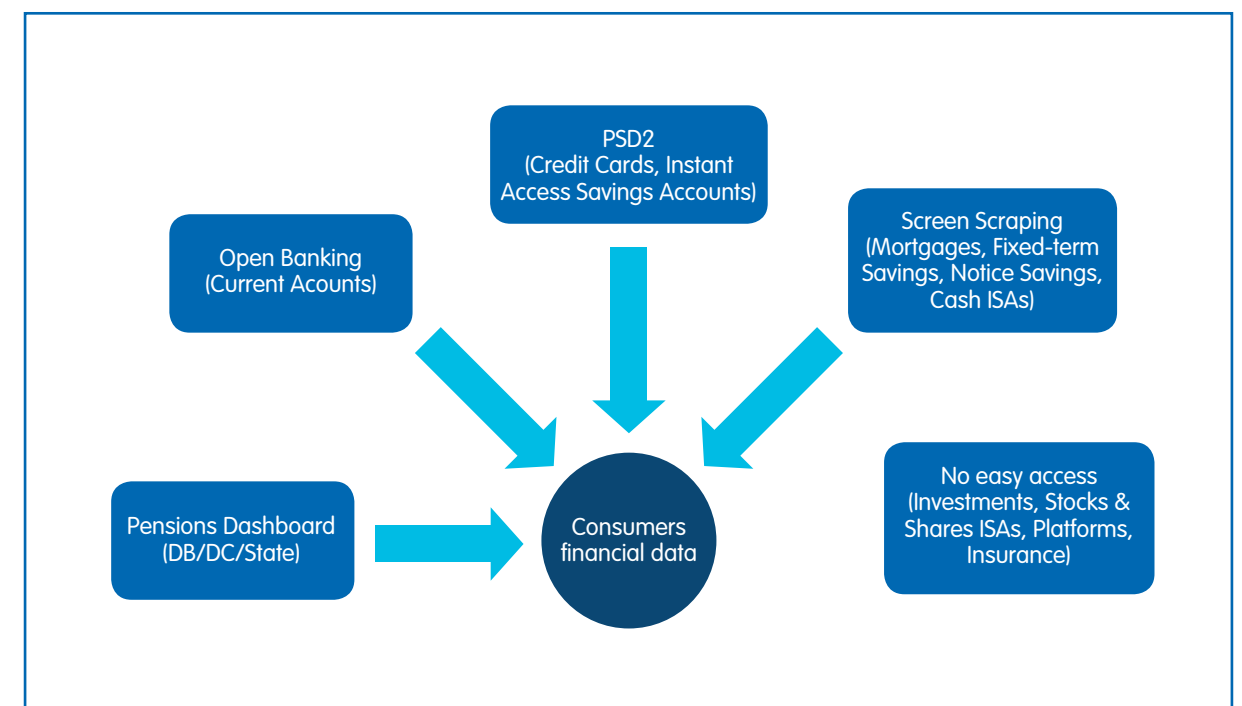
Tax checker

Linking a pensions dashboard to Open Banking data could be used to monitor levels of income from employment, self-employment and other pensions and savings going into their bank account. This could provide clear warnings to consumers if they are seeking to withdraw too much from their DC pension and would be pushed into a higher rate tax bracket.

Providing consumers with full access to their financial data and integrating it with the pensions dashboard and open banking services

Open Banking will allow consumers to access current account data and this will be widened over time to include credit cards and instant-access savings accounts. Other financial assets such as fixed-rate savings accounts, ISAs and investments, which are currently not in scope of either Open Banking or the pensions dashboard, can provide an alternative source of income in retirement and could inform decisions about how and when people wish to access their DC pensions. Information about debt could help people decide whether they might be able to increase their overall level of income by gaining a better return by accessing their DC pension savings and using it to repay debt. Expanding consumers' rights to their financial data and ensuring that all those receiving this data and displaying it to consumers are regulated should be the long-term goal of government and the FCA.

Figure 3: Consumers' access to their financial data



34 DWP (2018), Workplace Pension Participation and Savings Trends of Eligible Employees Official Statistics: 2007 to 2017

Figure 4: The future – using financial data to give consumers a comprehensive view of their financial situation



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