Which?

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The pensions dashboard

How can we make sure it works for consumers?

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About the author

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The opinions and recommendations contained in the report are the views of the author and do not necessarily represent the views of Which? or any other organisation.

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Foreword

Prior to the 2016 Budget, Which? was one of many voices calling for the development of a pensions dashboard. This could enable people to see all of their pension pots in one place and empower them to make the right choices, both when saving for retirement and when making decisions at retirement. Our research found that half of those aged over 50 are not sure of their pension savings, while over a third of people approaching retirement find it difficult to keep track of their pension pots. In addition, only 24% of consumers trust long-term financial products. These low levels of engagement and trust in the sector are particularly pertinent when viewed in the context of the pension freedom reforms, which have given savers unprecedented control and responsibility when turning their pension savings into a retirement income.

The government committed the pensions industry to implement a pensions dashboard by 2019, and following the launch of a prototype in early 2017, we welcomed the Department for Work and Pensions' announcement that it will be taking the lead on ensuring the delivery of the project.

The pensions dashboard has the potential to drive higher levels of consumer engagement and transform the pensions and savings industry. However, the full extent of consumer benefit will only be felt if the dashboard is carried out collaboratively, with government, industry and consumer organisations involved throughout the entire development process.

Which? commissioned this report to address some of the key questions and concerns raised during the development of the dashboard so far, and provide recommendations for government and the industry as the project moves forward. It is clear that the dashboard will only be a success if it serves the interests of consumers, not the pensions industry.

We welcome the recommendations in this report, which we believe will go a long way to ensuring that the dashboard truly works for consumers. While Which? is supportive of all twelve recommendations, three in particular are of fundamental importance: effective supervision and regulation of pensions dashboard providers; universal coverage of pension schemes; and comprehensive and consistent information on consumers' pension savings.

During the development and implementation phase it is vital that the government clearly sets out its expectations of both industry and the regulator as early as possible. Which? is calling on the government to act now to ensure the pensions dashboard fulfils its potential to boost consumer engagement, transform the sector and help people make informed decisions that will guarantee a comfortable retirement.

We look forward to working with government, regulators and industry to implement a pensions dashboard that works for everyone.

Peter Vicary-Smith
Chief Executive, Which?

Executive summary

At the moment, people wanting to keep track of their finances and pensions are given a pile of paper statements, a string of internet passwords and a headache. This means they can find it difficult to make decisions about their pensions and may not know whether they are getting a good deal or are on track for a comfortable retirement.

We are moving from a world of defined benefit pensions, where employers took all the decisions and paid someone a pension based on their final salary, to a situation where the responsibility and risk lies with the individual. The pension freedoms have further expanded the number of options available to people. Decisions about retirement income are some of the most daunting and complex individuals will face. They can be overwhelmed with information, baffled by jargon and confused about the charges that they pay. Competition in the market for pensions is currently too weak to deliver value for money for consumers. These market failures are costing them millions of pounds each year in excessive charges, tax payments, lost guarantees and poor value annuities.

Auto-enrolment, whereby most workers automatically contribute to a pension unless they opt-out, has increased the number of people saving in a pension. However the current minimum contribution rates are not going to be enough for most people to fund a comfortable retirement.

All of these trends increase the importance of engaging consumers and helping them to take decisions. The government-backed project to develop a pensions dashboard is essential. For the first time, people will be able to log in to one website and see all of their pensions in one place. So it is welcome news that the government has confirmed there will be a pensions dashboard introduced by 2019. Dashboards have the potential to bring significant benefits to people, helping them to plan for their retirement and saving them time and money. This could lead to innovation in the market, give them access to new services, help them access existing sources of advice and guidance, and stimulate the development of new robo-advice propositions. Services provided through pensions dashboards could help people understand how much they might need in retirement, how much they have got and the options they have for bridging the gap.

But it will not all be plain sailing. Initiatives in other sectors of the financial services industry to give people control of their data have a mixed record of success. Processes have been clunky and there have often been delays in implementation. People might not respond to being given additional data in the way the industry expects and there may still be significant barriers to them taking action. Even when pensions dashboards are available, people still might find decisions difficult and still be exposed to excessive charges and the risk of investment losses or running out of money in retirement.

With greater availability of pensions data there may be extra risks such as a loss of privacy and data breaches, which could increase the risk of fraud and scams. New digital services might also have business models with conflicts of interest that could lead to inappropriate recommendations being made to consumers.

Persuading people to use pensions dashboards will require them to have access to the service, the skills to use it, motivation as to why it is a good thing and trust that nothing will go wrong. To maximise the potential of the pensions dashboard we will need comprehensive coverage, access to clear, consistent and transparent information, new approaches to regulation, independent governance and extensive consumer testing. Risks to consumer protection from new business models also need to be tackled.

The clear objective of the pensions dashboard initiative should be to help people make decisions and take action to help them enjoy a more comfortable retirement. This report is intended to contribute to the debate about how we can achieve this objective and ensure that the pensions dashboard works for everyone and incorporates appropriate degrees of consumer protection. It is based on interviews with pension experts, independent financial advisers (IFAs), providers of pension guidance, consumer representatives, pension providers and the fintech community.

Key recommendations

If we are to meet the government's target of delivering the pensions dashboard by 2019 then we need urgent action from government, industry and regulators across the following areas.

Compulsory coverage of all pension schemes (Chapter 3)

The pensions dashboard will only be an effective tool if it includes information on all of a person's pension savings in one place. Compulsion is the only way to ensure that all pension schemes provide the data to appear on the dashboard. People are currently only entitled to receive an annual written pension statement – giving them big piles of paper but not necessarily helping them plan for a comfortable retirement. The pensions dashboard should have the widest possible coverage in the quickest possible time. There should be a staged approach to implementation, although schemes should be brought onto the dashboard earlier wherever possible.

Recommendation 1: The government should introduce legislation to give consumers a clear legal right to access all their pensions data in one place in an electronic format.

Recommendation 2: The government should require all pension schemes to provide information to the pensions dashboard by 2021, starting in 2019 with state pensions, group personal pensions used for automatic enrolment and the largest master trusts, with other types of schemes phased in as soon as possible.

Recommendation 3: The government should ensure that a central data repository is established by the single financial guidance body to allow all pension schemes to appear on the pensions dashboard using direct application programming interface (API) data feeds to securely provide consumers' data. Once alternative forms of access are in place, the Financial Conduct Authority should prohibit screen-scraping.

Regulated pensions dashboard providers and a government-backed pensions dashboard (Chapter 4)

A government-backed dashboard could help ensure access for everyone to an impartial service. Multiple private sector dashboards could promote innovation, make it easier for people to find and use the dashboard and allow it to be integrated with other services. If commercial providers are allowed to provide dashboards current legislation means that they will not be subject to regulation. This means that without new regulatory measures there will be no controls over who can offer one, and no protection for consumers if something goes wrong. Pensions dashboards could have business models based on receiving commission or selling products, which could lead to them recommending the course of action that earns them the most money, rather than that which is best for the consumer.

Recommendation 4: The Financial Conduct Authority should regulate pensions dashboard providers, including commercial providers, with clear conduct standards and a 'duty of care' for dashboard providers and pension schemes.

Recommendation 5: The Financial Conduct Authority should review the business models of pensions dashboard providers as part of the authorisation process to remove conflicts of interest.

Recommendation 6: The government's new single financial guidance body should develop and host a non-commercial pensions dashboard and provide offline access through Pension Wise appointments and over the phone for people who are digitally excluded.

Establishing an independent body to govern the pensions dashboard initiative (Chapter 5)

The pensions dashboard will require a significant amount of further work to set and agree the standards necessary for its successful implementation. It is important that the organisation taking these decisions is independent of the industry. It should take decisions that are in the best interests of consumers and promote competition and innovation.

Recommendation 7: The government should establish an independent body to govern the pensions dashboard initiative that is responsible for overseeing its introduction by 2019 and future development.

The comprehensive information that people should see on pensions dashboards (Chapter 6)

The pensions dashboard prototype proposed by the industry-led project group only contains basic information such as the location of a person's pensions and their values. It excludes important information such as charges.[1] While this will help people find out where their pensions are, it is unlikely to help them take decisions or lead to the improvements in engagement and competition that is required.

1 ABI (2017), Pensions dashboard Project: Reconnecting People With Their Pensions

Recommendation 8: The government should require pension schemes to make comprehensive information available to the pensions dashboard from 2019 that covers:

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

Recommendation 9: The independent pensions dashboard implementation body should develop a clear timetable for pension schemes to make further information available to the dashboard.

Recommendation 10: The independent pensions dashboard implementation body should oversee a programme of extensive consumer testing to ensure that the dashboards use simple language, clear methods of displaying data and can help people make beneficial decisions.

Recommendation 11: The Financial Reporting Council and the Financial Conduct Authority should introduce common standards for how projections of future pension values are calculated for defined contribution pension schemes. The Pensions Regulator should introduce rules on projections for defined benefit pensions.

The future: providing people with full access to their financial data (Chapter 7)

Consumers use a wide variety of different savings and investment products to save for retirement. Even when the dashboard and the open banking reforms are implemented there will be big gaps in the availability of individuals' financial data. If people are to make effective financial decisions, enabling them to plan for retirement, then they will also need access to information about their ISAs, including the new Lifetime ISA, investments, all savings accounts, mortgages, debt and insurance.

Recommendation 12: The government and the Financial Conduct Authority should develop a strategy and timetable to expand consumers' rights to their financial data to other products including all ISAs and savings accounts, investments, debt and insurance.

1. Introduction: why pensions dashboards are needed

At the moment, people wanting to keep track of their finances and pensions are given a pile of paper statements, a string of internet passwords and a headache. This means that they find it difficult to engage with their pensions and understand whether they are on track for a comfortable retirement.

Auto-enrolment will bring more people into pension saving, but will mean that they build up an increasing number of small, separate pension pots. Minimum levels of contributions will not be enough for most people to enjoy a comfortable retirement. The shift to defined contribution pensions will mean that the burden of making decisions about retirement will increasingly fall on the individual consumer. The introduction of the pension freedoms have increased the range of options available to consumers, but also increased the complexity of the decisions people need to make. Many are not shopping around. Some risk paying too much tax, missing out on valuable guarantees or running out of money. Pension charges are difficult to understand or compare and weak competition increases the risk of consumers paying excessive charges.

The trends identified above mean that it will be increasingly difficult for individuals to take decisions about their pensions and retirement income unless they can easily access information about their pensions. The introduction of a pensions dashboard – enabling people to see details of all of their pensions in one place – is an essential innovation to help them feel in control, make decisions and plan for their retirement.

Helping people make decisions about their pensions and retirement income

In its response to the consultation on the pension freedoms, Which? recommended that pension schemes should be required to make data available about a person's pension holdings and that a website should be developed enabling them to see all of their private pensions in one place combined with their state pension entitlement.[2] This idea became known as a pensions dashboard – a consumer-friendly digital interface that would display information about all of an individual's pension savings in one place.

In response to a recommendation from the financial advice markets review the government said that it wants the pensions dashboard to be up and running and ready for people to use by 2019. As part of its retirement

2 Which? (2014), Consultation Response, Freedom and Choice in Pensions

outcomes review, the Financial Conduct Authority (FCA) is also committed to supporting the development of a pensions dashboard. The industry was tasked with delivering a prototype and taking forward the project to implement the dashboard. A steering group oversaw the development of a basic working prototype of the dashboard, which was launched in March 2017.[3]

Pensions dashboards have the potential to bring significant benefits to people, helping them to plan for their retirement and saving them time and money. This could lead to innovation in the market, give them access to new services, help them access existing sources of advice and guidance and stimulating the development of new robo-advice propositions.

But it will not be plain sailing. Initiatives in other markets and other sectors of the financial services industry to give people control of their data – known collectively as midata – have a decidedly mixed record of success. There have often been delays in implementation. Although the data has sometimes been made available, it has been in a format that has made it difficult and clunky to use. The number of people downloading their data using these initiatives remains very low and they have not yet had the positive impact on consumers or competition that many hoped.[4] With greater availability of data there may also be extra risks such as a loss of privacy and data breaches, increasing the risk of fraud and scams. New digital services might have business models with conflicts of interest that could lead to inappropriate recommendations being made to consumers.

To maximise the potential of the pensions dashboard we will need comprehensive coverage, decisions about the information included to be taken in the best interests of consumers, new approaches to regulation, independent governance and extensive consumer testing. Risks to consumer protection from new business models also need to be tackled. This report is intended to contribute to the debate about how we can achieve these objectives, ensure that the pensions dashboard works for everyone and incorporate appropriate degrees of consumer protection.

Trends in pensions which mean that pensions dashboards are essential

Lack of consumer engagement with pensions

Though some people might be more engaged with their pension savings than others, research has found that many consumers are uncertain about the basic details of retirement planning and their pension schemes.[5] Which? has found that few people had thought through in detail how they were going to fund their retirement, or how much money they would actually need.[6] Of those who had pension savings, only a minority were able to talk in detail about their pension provision, often lacking knowledge about who their providers are,

3 https://pensionsdashboardproject.uk/pensions-dashboard-prototype-delivers-promises/

4 BIS (2014), Review of the midata voluntary programme

5 Ipsos Mori (2012), Written Evidence to the House of Commons Work and Pensions Committee inquiry into Governance and best practice in workplace pensions

6 Four focus groups of 6-8 people were conducted in February 2013. The sample ensured a spread of geographical locations (South, Midlands and North) and of people (male and female, SEG, aged 22yrs to state pension age, pension provision and no pension provision)

what their pot size is and their expected annual retirement income. This lack of basic knowledge is even common amongst people close to retirement:

- Nearly half (47%) of those aged over 50, employed and with a personal pension are not confident they know the total amount of money they have saved in their pension pot(s).
- A fifth (21%) say they have never checked how much they have saved in total in their pension pot(s).
- One in 20 (5%) last checked five or more years ago.

Auto-enrolment has increased participation and the number of small pots

These potential engagement problems are set to increase with the introduction of auto-enrolment as more people are set to build up multiple pension pots. The average worker is predicted to have 11 different jobs and pensions during their working life[7] – so just keeping track of their pensions could prove difficult and take hours of their valuable time. Many of these pension pots would be of small value, which might reduce the incentives for people to keep track of them. Proposed reforms that would have brought small pots together in one place were not implemented, as the government believed that the market needed time to adjust to other reforms.[8]

The minimum pension contributions of 8% of earnings between £5,876 and £45,000 required under automatic enrolment will benefit many individuals. But, for most, it will not provide a sufficient income in retirement. The Pensions Policy Institute (PPI) found that for a median earner, contribution rates would need to be between 10% and 14% of earnings to meet their definition of an adequate retirement income. Further increases in contributions would be necessary if an individual took a career break or only started saving later in life. The PPI concluded that "many individuals will need to contribute more than the legal minimum".[9]

The growing importance of defined contribution pensions

Private sector pensions in the UK have typically taken two forms:

- **Defined benefit (DB) pension schemes**: whereby the pension paid out is linked either to the individual's final salary or to their average salary during the course of their career and their length of service.
- **Defined contribution (DC) pension schemes**: the final pension paid out is determined by the returns on the assets in which members' funds are invested, the level of charges and the way that the resulting pension pot is converted into a retirement income. At retirement, people can use the fund to buy an annuity – which will pay them a secure level of income until they die – or leave their fund invested and take withdrawals from it, exposing them to the risk of running out of money.

DB pensions remain available in the public sector, but many private sector employers have withdrawn DB schemes or closed them to new members.

7 DWP (2011), Meeting Future Workplace Pensions Challenges: Improving Transfers and Dealing with Small Pensions Pots

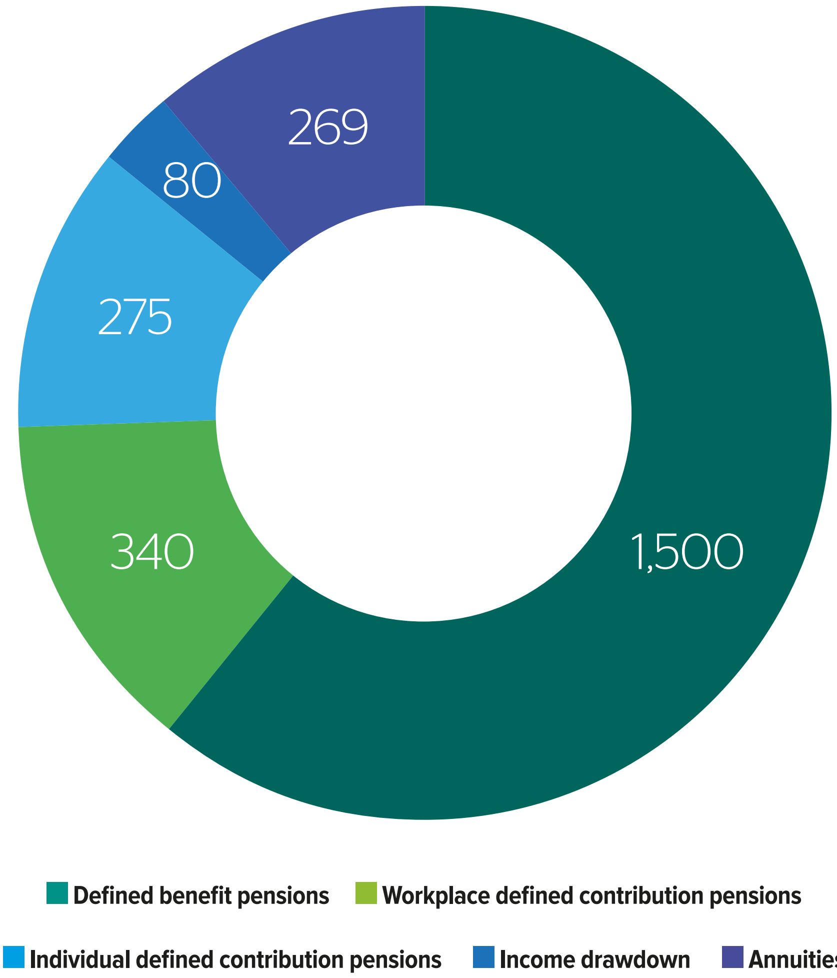
8 Priorities on Pensions: Written Statement – HCWS245, 15th October 2015

9 PPI (2013), Automatic Enrolment Report 1: What level of pension contribution is needed to obtain an adequate retirement income?

Although they are in long-term decline, for those close to retirement, DB pensions remain an important source of income in retirement. 29% of those aged 55–64 have a DB pension and the median value of this pension is £161,000. This compares to 32% of those aged 55–64 having DC pension wealth, with a median value of just £25,000.[10]

In terms of assets under management, most private sector pension assets (£1.5tn) were in workplace DB schemes at the end of 2015.[11] This compares to £340bn in workplace DC pensions and £275bn held in individual DC personal pensions.[12] There is also a further £80bn of pension assets in income drawdown and £269bn supporting annuities that are already in payment.[13]

Figure 1: UK pensions assets, 2015 (£bn)[14]



10 ONS (2014), Wealth and Assets Survey 2012-2014, Table 6.8

11 Government Actuary's Department (2017), Technical Bulletin – DWP Green Paper – Defined Benefit Pension Schemes

12 Investment Association (2016), Asset Management in the UK 2015–2016

13 Bank of England (2015), Quarterly Bulletin, Q3 2015

13 Bank of England (2015), Quarterly Bulletin, Q3 2015

14 Investment Association (2016), Asset Management in the UK 2015-2016; Bank of England (2015), Quarterly Bulletin, Q3 2015

DB pensions in the private sector are in long-term decline and the auto-enrolment market will be dominated by DC schemes.[15] By 2030 £1.7tn is expected to be held in workplace DC pensions, a fivefold increase on 2015. By 2030 it is expected that there will be 14.7m active members of DC pensions and just 500,000 active members of private sector DB schemes.[16]

People are not normally required to make decisions in DB pensions. Contribution levels have typically been enough for them to retire on between a half and two-thirds of their final income. Investments are managed by the pension scheme and the income provided in retirement typically increases in line with inflation and offers an income for spouses/partners.

Contributions to DC schemes tend to be lower [17] and the individual bears the risk of a lower pension if investments perform poorly or people live longer than expected. They will need to make decisions about additional contributions and how to draw an income from their pension. If people are to reach their aspirations for a comfortable retirement, then the shift to DC will require more engagement from the individual in their retirement planning.

> *"It's about engagement. The real value of having dashboards is that we are in a post-DB world… In the end the retirement prosperity of tens of millions of people really is going to depend on the decisions they make as individuals. How much they save? Where they invest? When they choose to retire? How they choose to draw their savings? The combination of the decline of DB provision and the pension freedoms means that whether we like it or not it is on the individual now."*
>
> Pension provider

The pension freedoms have increased the options available to people

The introduction of automatic enrolment harnesses inertia to help people save for their retirement. When they are about to retire, the system now relies on people becoming informed, engaged and making active decisions that are difficult to make. The pension freedoms, which were introduced in April 2015, have increased the range of options available to consumers, but also increased the complexity of the decisions they need to make.

The pension freedoms were the most significant reforms to the pension taxation framework for a generation. The two key changes for consumers were:

- **Flexibility in how they access their pension:** people over the age of 55 are able to access their DC pension "however they want".[18] They can take the entire fund as cash, buy an annuity, leave the fund invested and draw an income from it (known as income drawdown) or any combination of these approaches. Up to 25% of the pension fund is available as a tax-free lump sum, with the remainder withdrawn incurring a tax charge payable at the individual's marginal rate.

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15 FCA (2017), Retirement Outcomes Review, Interim Report

16 Pensions Policy Institute (2016), The Future Book: Unravelling workplace pensions

17 Average contribution rates to DB schemes in 2017 were 22.7% of salary compared to 4.2% in DC schemes. ONS (2016), Occupational Pensions Survey

18 HM Treasury (2014), Freedom and Choice in Pensions

- **Pensions guidance**: to support this increased flexibility the government introduced a 'guidance guarantee', which enables anyone with a DC pension fund to access free, impartial guidance. The Pension Wise service gives the person guidance to help them make decisions about what to do with the benefits available from their pension scheme. The guidance is available over the telephone, face-to-face or through the website and given to standards set by the FCA.

Decisions about pensions are highly complex

Decisions about pensions and retirement income are daunting and complex for most. They are rated amongst the most complex people will face during their lives.[19] Levels of financial literacy and numeracy are low and there are a wide range of behavioural biases to decision making.[20] Sources of independent advice and guidance are available to consumers, but independent advice will typically only be available to people with larger pension pots and just 10% of people accessing their DC pension have had a Pension Wise appointment (although others may have looked at the information available on the Pension Wise website).[21]

Which? research[22] has found that people claim high awareness of the pension freedoms and products – but objectively-tested awareness of product features is much lower, including understanding of products they own. People are aware of or recall the warnings given by pension providers about accessing pensions and the government-provided information and guidance, but claim they have limited impact on their decisions. Other than for those who take advice from an independent financial adviser (IFA), people do very little shopping around or switching when taking out retirement income products. Most simply take up a product offered by their existing pension provider.

The findings from the FCA's retirement outcomes review on how the market has evolved since the pension freedoms

Over one million DC pension pots have been accessed since the pension freedoms were introduced. The FCA's retirement outcomes review is examining how the market has evolved.[23] The review has found that:

- **Accessing pots early has become 'the new norm'.** 72% of pots have been accessed by consumers under 65, most of whom have taken lump sums. Taking benefits early could mean that there is less available when they actually retire or the money has to last for a longer period.
- **People withdrawing pots typically have other sources of income.** Over half (53%) of pots accessed have been fully withdrawn. 90% of these were smaller than £30,000 (60% were smaller than £10,000) and 94% of individuals making full withdrawals had other sources of retirement income in addition to the state pension.

19 Pensions Policy Institute (2014), How complex are the decisions that pension savers need to make at retirement?

20 Age UK (2014), Dashboards and jam-jars: Helping consumers with small Defined Contribution pension pots make decisions about retirement income

21 FCA (2017), Retirement Outcomes Review, Interim Report

22 Which? (2017) Pension Decumulation Consumer Research, submitted to the FCA Retirement Outcomes Review

23 FCA (2017), Retirement Outcomes Review, Interim Report

- **People do not seem to be squandering the money, but risk paying too much tax and missing out on investment growth and valuable guarantees.** Over half (52%) of the fully withdrawn pots were not spent but were transferred into other savings or investments. Some of this is due to mistrust of pensions. Mistrust is an issue in itself, but can also give rise to direct harm if people pay too much tax, or miss out on investment growth or other benefits.
- **Drawdown has become much more popular.** Twice as many pots are moving into drawdown than annuities. Before the pension freedoms, over 90% of pots were used to buy annuities.
- **Very limited shopping around.** Most people choose the 'path of least resistance'. They accept the drawdown option offered by their pension provider without shopping around. 94% of non-advised drawdown sales were made to existing customers. This suggests limited competitive pressure to offer good deals. Only one third of people are shopping around and buying an annuity from an alternative provider. Annuity providers are leaving the open annuity market, reducing choice for consumers. People who do not switch or take advice are at risk of receiving poor annuity rates.
- **People buying complex products without advice are potentially being exposed to excessive costs and risks.** Many buy drawdown without advice but may need further protection to manage their drawdown effectively. The proportion of drawdown bought without advice has risen from 5% before the freedoms to 30% now. Drawdown is complex and individuals need to manage longevity and investment risks by choosing appropriate investment and withdrawal strategies. There is a question about whether further support and protection is needed to manage drawdown effectively.
- **Limited product innovation.** There have not been retirement income products emerge for the mass market that combine flexibility with an element of guaranteed income.

Pension charges are too high and difficult to compare

The charges levied by pension schemes can have a significant impact on the amount received by the person:

- Someone saving throughout their working life is projected to have a fund worth £77,900 (around 15%) more at retirement if they paid a charge or 0.5% a year compared to 1% a year.[24]
- To make up this difference a person would need to contribute an additional 1.2% of their income every year of their working life or retire around two and a half years later.[25]

Which? research[26] has found that overall awareness of pension charges was very low. Most people without a pension were unaware that there were charges to be paid – as were a number of those who already held a pension. The level of charges generally came as a shock to people. They did not understand pension charges and rarely switched pension schemes because of charges.

24 DWP (2013), Better workplace pensions: a consultation on charging, CM 8737

25 DWP (2013), Better workplace pensions: a consultation on charging, CM 8737

26 Which? (2013), Understanding Pensions and Auto-enrolment, focus groups

The lack of awareness of charges and the difficulties of comparing between schemes means that competition does not work to reduce charges.
The FCA and the Office of Fair Trading (OFT) have found that there was weak price competition in the market for workplace pensions and a number of areas of the asset management industry.[27] Charges and costs are difficult to understand and there is no standardised all-in fee which can be used to compare across products. There is some evidence of a negative relationship between price and performance, meaning that, on average, consumers paying more achieve worse performance.[28]

A charge cap of 0.75% a year, excluding transaction costs, applies to the default investment option in workplace pension schemes used for automatic enrolment.[29] The charge cap does not apply to income drawdown or to existing members of those schemes who contributed prior to April 2015.

The average annual management charge for a scheme newly created in 2012, just before the introduction of auto-enrolment, was 0.51%, compared to 0.79% in 2001.[30] Which? has called for the government to reduce the cap on annual charges for default auto-enrolment pension schemes to 0.5%, or lower, of a member's funds under management, including transaction costs.[31] Independent experts and some insurance companies now regard the benchmark for value for money in automatic enrolment schemes as a charge level of 0.5% a year.[32] The independent audit of charges in legacy pension schemes found that almost £26bn was held in schemes charging 1% a year or more.[33]

27 OFT (2013), Defined Contribution Workplace Pension Market Study

28 FCA (2017), Asset Management Market Study, Final Report

29 DWP (2014), Better Workplace Pensions: Further Measures for Savers

30 OFT (2013), Defined Contribution Workplace Pension Market Study

31 Which? (2017), Submission to the Department for Work and Pensions Review of Automatic Enrolment: Default Fund Charge Cap

32 Pensions Institute (2012), Caveat Venditor; Legal and General said that "0.5% is the benchmark for value, and large schemes have already demonstrated that it's perfectly achievable. All consumers deserve this level of value, whatever the size of firm they work for. Smaller employers can club together, such as in a master-trust, and harness this level of value for their workforce too". Pensions World, 30th October 2013

33 OFT (2014) Defined contribution workplace pensions: The audit of charges and benefits in legacy schemes, https://www.fca.org.uk/publication/research/defined-contribution-workplace-pensions-ipb.pdf

2. The purpose: to help consumers engage and take beneficial actions

The clear purpose of the pensions dashboard initiative should be to help people engage with their pensions and take beneficial steps by helping them make decisions about their pensions and retirement income. For this to be accomplished, people will need to have trust and confidence in the dashboard. The existence of the dashboard and the benefits of using it will need to be communicated clearly to people and signposted by pension schemes. There will need to be comprehensive coverage of all of an individual's pensions. The information and data will need to be presented in a way that is engaging and does not overwhelm people with detail. The next steps individuals can take and how they can access further guidance, help and advice will need to be highlighted. The dashboard will also need to encourage people to think again or to access further guidance and advice before making certain decisions that could be detrimental to their long-term financial situation.

The existing purpose of the pensions dashboard initiative

The current vision of the pensions dashboard initiative is expressed by the project board as:

> *The purpose of pensions dashboards is simple: people benefit from seeing all of their pension savings together in a single place. Having this holistic view helps consumers to stay in touch with their savings, get a sense of their overall readiness for retirement, and feel empowered to make decisions about their finances.*[34]

Interviewees suggested a variety of additional purposes for the dashboard. Some interviewees saw the purpose of the dashboard as limited to helping people understand where their pensions are and how much they are worth. Others were hopeful that the project would be more ambitious and seek to influence people to take action such as consolidating their pensions or shopping around for retirement income products. Ultimately, whether all of these can be achieved will be determined by the scope of the information included on the dashboards and the functionality they offer consumers.

34 https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/

Interviewees' views on the purpose of the pensions dashboard

The interviewees for this research outlined three key purposes for the pensions dashboard:

1. Improve engagement and knowledge

- Help people find out where their pensions are and how much they are worth
- Improve engagement with pensions
- Improve knowledge and provide financial education around pensions and retirement
- Reconnect people with lost pensions
- Help people value the pension provided by their employers

2. Prompt action

- Help people make decisions about the adequacy of their existing pension provision
- Prompt additional pension contributions, encouraging people to take advantage of employer matching contributions or to sign up to programmes like 'Save More Tomorrow'
- Prompt consolidation of a consumer's pensions in one place
- Reduce charges by switching schemes
- Help people make better informed retirement income decisions with greater shopping around, leading to better value annuities and income drawdown products
- Help individuals decide how to access their DC pension savings and how much to withdraw
- Prompt more people to seek guidance and financial advice

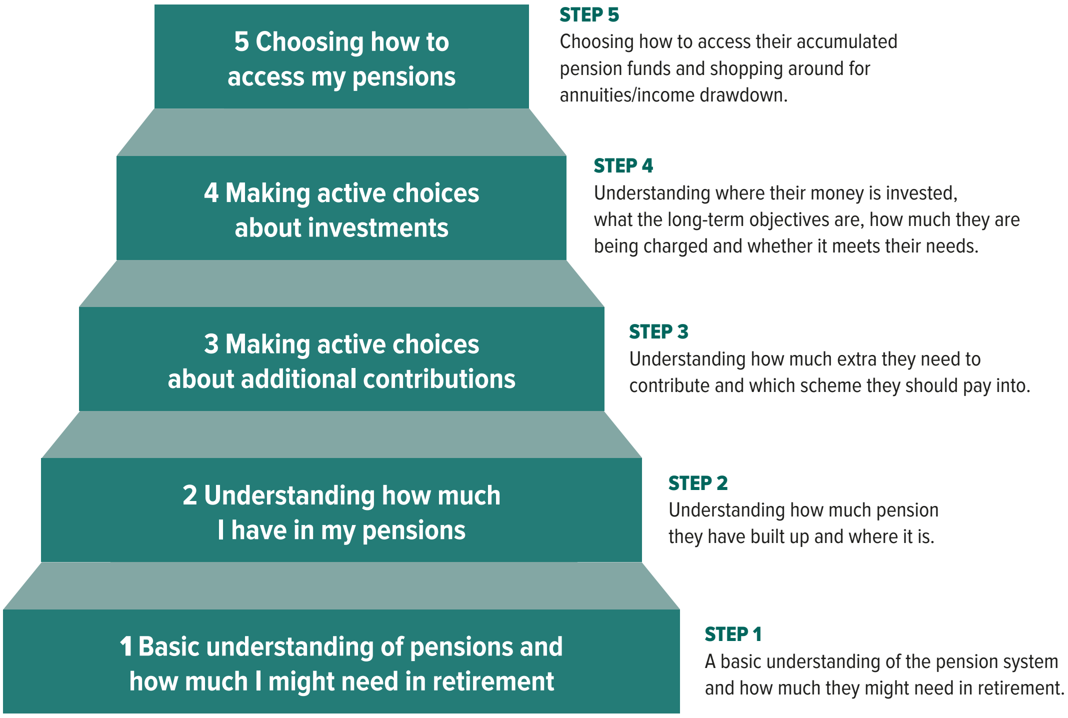
3. Promote innovation and efficiency

- Improve standards of information provision in the industry and prompt the digitisation of pensions data
- Reduce administration costs for pension schemes
- Enable guidance and advice to be provided more efficiently
- Encourage innovation in product design and giving advice, including the development of new robo-advice models

The purpose of the pensions dashboard should be to enable people to take clear steps towards a comfortable retirement

The dashboard should be designed to help people take clear steps towards a comfortable retirement, helping them make decisions and access sources of guidance and advice. At a basic level the dashboard could help them understand what pensions they have got, what they might need in retirement and how they can make up any gap. People do not necessarily have to take these steps in order and it will be impossible to get all consumers to take all the steps. But if we can encourage as many people as possible to take additional steps towards a comfortable retirement, then that will be a significant improvement over the current situation.

Figure 2: Steps that consumers can take towards a comfortable retirement [35]



To meet its purpose people need to be aware of pensions dashboards and have trust in the system

Encouraging people to use pensions dashboards is a vital first step. This will have to involve informing and explaining to consumers the services and benefits that the dashboards could offer. If people are going to be able to use an online version of the dashboard they will need internet access, the skills to use it, motivation as to why it is a good thing and trust that nothing will go wrong. It may be more difficult to persuade older age groups to use the dashboard. Accenture found that 85% of 18–24 year olds would trust third parties to aggregate their financial data. In contrast, 48% of 55–64 year olds were neutral or positive.[36]

To log on to the dashboard and start the process of finding their pensions, individuals would need to enter their details and prove their identity. After proving their identity using either an existing pension scheme online login or a government-approved provider, they would provide consent to the dashboard to use their personal details to search for their pension schemes. The dashboard would then display the information received from pension schemes.

It is important for dashboard usage to go beyond the organised and already engaged and into the mass market of consumers who might want to be engaged with their pensions but have never got round to it due to the

35 Author's own framework

36 Accenture (2016) Consumers' initial reactions to the new services enabled by PSD2

difficulty and time involved. Improving engagement in pensions will be a long-term project, but it would be positive if younger people engaged, provide ongoing monitoring and nudges to re-engage at various important life stages. By building on this engagement those people would hopefully arrive at retirement with a better understanding of their pensions and be better informed and prepared to take decisions.

> *"Don't build a dashboard and assume that people will use it. There needs to be lots of work done to promote it, particularly to those who are not engaged in pensions."*
>
> Guidance provider

> *"At the moment you need to be a long-distance marathon runner to get to the bottom of where your pensions are. There are three types of consumers. Those with the spreadsheets who are very organised. Those without the spreadsheets who want to look into their pensions but don't get round to it or stop because it is too difficult. Finally, there is a hard to reach group who don't have any interest or engagement. The dashboard should aim to tackle the group who try to find their pension policies and give up."*
>
> Guidance provider

> *"Some banks allow you to take a photo of your passport and then authenticate yourself with a video selfie and talking into your tablet. If we can make authentication for the pensions dashboard as good as that then that would be great."*
>
> Pension expert

Providing people with greater information should be a means to an end

Many interviewees noted that information provision should be a means to an end, rather than an end in itself. The purpose of a demand-side remedy such as the pensions dashboard should be to improve consumer engagement and help them make decisions and take actions that are beneficial to their long-term financial situation. These could include making additional contributions, changing retirement dates, changing investments, switching pensions, shopping around for annuities/income drawdown, deciding how to access/make withdrawals from their DC pension, and accessing other sources of advice/guidance. This would require the dashboard to present information in an accessible way which encourages consumers to engage and for it to be presented in small and manageable steps rather than overwhelming them with detail.

When making pensions decisions, people are subject to certain behavioural biases and can be strongly influenced by how information and options are described and presented. They may tend to rely on the default option rather than making an active choice. If they find something too difficult, are told to go off and find more information or are offered too many choices they may drop out, procrastinate or stick with the status quo.

The Financial Conduct Authority (FCA) has found that when it comes to retirement income decisions people typically take the 'path of least resistance'.[37] Designers of the pensions dashboard will have a difficult job as the objective will be to encourage people to engage with their pension savings and take certain actions but also to delay, think again or access guidance or advice before undertaking certain potentially undesirable actions which might not be in their long-term interest (such as giving up valuable guarantees or withdrawing all of their pensions as a lump sum).

There were different views about how people would react to being provided with improved information about their pensions. Some interviewees suggested that if consumers could get easier access to their pensions then they may be more likely to withdraw them due to their lack of trust in the pensions market. Others said that if individuals could be given control over their pensions and feel connected with them then they might be more likely to leave them where they were rather than withdraw them.

But many interviewees agreed that there may still be significant barriers before people could take action. If someone thinking about paying more into their pension was presented with a long list of their pension schemes, but without a clear indication as to where they should make additional contributions, then they may just do nothing.

It was also noted that even if people became more engaged with their pensions, decisions about issues like how to access their pensions remained very complex. There had been limited innovation and there was no easy route for them to follow. Engagement would not remove the risks faced by individuals accessing their DC pension, such as markets falling or them running out of money due to living longer than expected.

> *"If you want the dashboard to encourage people to save, you need to give them options and not just provide them with a static screen showing them what they have got."*
>
> Fintech

> *"Dashboard providers would look to help people understand the information about their pensions and come up with an action plan. Without an action plan it is an academic exercise."*
>
> Fintech

> *"The dashboard is about engagement but to do what? There is no default mechanism to spend retirement savings… Until we find a way to help the ordinary person spend their money that meets the needs of most, for retirement income decisions I can only see the dashboard as a planning tool, not as a path to a definitive course of action."*
>
> Pension expert

> *"Ultimately we want to get consumers more engaged in terms of saving for retirement and whether they are saving enough. The danger of auto-enrolment is that people think they are paying in and they are sorted."*
>
> Guidance provider

37 FCA (2017), Retirement Outcomes Review, Interim Report

3. Compulsory coverage of all pension schemes

To provide a comprehensive picture of people's pensions, the pensions dashboard should include the state pension and all defined benefit (DB) and defined contribution (DC) pensions, including those that are already in payment. The focus should be on achieving the widest possible coverage in the quickest possible time. This is likely to require a staged approach to implementation, although schemes should be brought onto the dashboard earlier wherever possible.

Resources will need to be provided to enable schemes to participate. Pension schemes could use direct data feeds or a data repository to securely share their members' data with dashboards. There was a clear preference for direct data feeds wherever possible as these were more efficient and contained live data, but not all schemes would be able to offer this access in the short term. When sharing their members' data with pensions dashboards, pension schemes will need to ensure that they comply with the provisions of the new General Data Protection Regulation (GDPR) and that they gain and store their members' consent to share data.

People should have a legal right to access their pensions data in one place in an electronic format

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. Interviewees noted that previous voluntary initiatives for sharing data, such as midata, had used 'clunky' and difficult processes and had not been successful. This was seen to be the result of the lack of compulsion and the fact that the largest providers were allowed to unilaterally set standards without input from consumer groups or fintechs.

The majority of interviewees thought that compulsion would ultimately be necessary to ensure all types of pension schemes provide people with their electronic pensions data. For some interviewees the value of the dashboard project was in setting clear and enforceable common data standards for schemes that would enable individuals to take control of their data.

> *"Will we need mandation at some point? Absolutely we will. Anyone involved in dashboard projects around the world will say they should have had mandatory involvement at an earlier stage."*
>
> Pension expert

"We should set hard targets and expect all open accumulation/auto-enrolment business to be there on day one. Beyond that, there should be a series of different steps. By 2021-22 we should expect 100% coverage of everything. We need to look at international examples of dashboards as they have done it on a gradual basis. Legislation will definitely be necessary in the longer term to achieve comprehensive coverage."

Pension provider

"We have pressed for legislation but don't know whether legislation is possible or necessary given the demands on government time. But if there was the promise of legislation at some point in the future then that may be enough to get sufficient schemes to participate."

Pension provider

"There is a strong case for compulsion. If compulsion wasn't there the aim of getting all of the contract-based schemes on the dashboard could be quite difficult to achieve."

Guidance provider

Given the timescales involved in delivering a working model by 2019 the dashboard would need to start with a coalition of the willing. Encouragement to participate could be given by consumer groups, independent governance committees, trustees, regulators, HM Treasury, DWP and government ministers.

Experience from other sectors and markets has shown that only a clear legal right will ensure that people are able to gain useful, comprehensive and timely access to their data. Voluntary initiatives have tended to fail as the largest providers develop standards that are in their best interests and are unlikely to promote competition and innovation. It is already clear that some sections of industry support excluding important information such as charges from the dashboard. Compulsion is also necessary as there will be significant weaknesses with pensions dashboards if they do not provide a comprehensive picture of a consumer's existing pensions. Legislation is the only way to ensure that giving people electronic access to their data is afforded a high enough priority by all pension schemes.

Recommendation 1: The government should introduce legislation to give people a clear legal right to access all their pensions data in one place in an electronic format. This should give individuals control over their pension data and ensure comprehensive coverage of pension schemes on the dashboard.

All pension schemes should be mandated to provide information to pensions dashboards

Enabling dashboards to function will require a three-stage process involving:

- agreeing common standards for pensions data;
- developing a mechanism for the data to be passed securely from pension schemes to the dashboard; and
- persuading or requiring schemes to provide the data.

Interviewees all agreed that close to comprehensive coverage of all different types of pension schemes was necessary. If consumers saw that pensions were missing from their dashboard then it would make it more difficult for them to plan and take effective decisions. It could also erode trust.

> *"As a principle we believe every scheme has an obligation to take part in this initiative. If there are large gaps, particularly large and quite valuable occupational schemes which someone doesn't see on the dashboard, then the whole project will lose credibility massively and the dashboard will be less useful."*
>
> Pension provider

> *"If you look at all of the regulatory change that insurance companies implement, this is giving them a large agenda, which may mean that the dashboard is low on the priority list. For many providers, there is no compelling business case for going to their board to ask for agreement for a project to supply information to the dashboard."*
>
> Guidance provider

The importance of including state pensions, DB and DC schemes, and pensions already in payment

People will have a variety of sources of potential retirement income from their pensions. These could include state pensions, private and public sector DB schemes and DC schemes. These sources could be provided or available from a variety of different ages.

State pensions

State pensions remain an important source of income for those close to or above retirement age. In 2015/16, 97% of pensioners were in receipt of state pensions and 25% received some other form of income-related state benefits.[38] It can be complicated for people to understand how much they might receive from state pensions. Payments can include both the basic state pension and some additional state pension based on their earnings and national insurance contributions record. Even though the government has introduced a new full state pension, currently £159.55 a week for those retiring after 6th April 2016, many individuals will get higher or lower amounts than this depending on how much they might have been entitled to under the old system.[39]

This means that it can be complicated for people to understand exactly how much they might receive from their state pension and when they might receive it. The government rejected a recommendation from the Work and Pensions Select Committee that all individuals over 50 should receive an automatic state pension statement each year.[40] Including state pension information on the dashboard offers a significant opportunity to improve consumer understanding about the value of their state pension and the options they might have to pay additional national insurance contributions to receive a higher state pension.

38 DWP (2016), Pensioners' Incomes Series: An Analysis of Trends in Pensioner Incomes: 1994/95-2015/16

39 DWP (2013), Single tier pension: a simple foundation for saving

40 Work and Pensions Committee (2016), Communication of the new state pension: Government Response to the Committee's Eighth Report of Session 2015–16

"Most people don't have any idea what the value of the state pension is. One of the things which is really important is whether there is a shortfall in national insurance contributions. Every time we have looked at that for clients it has been a good way of buying extra income by paying national insurance contributions – it is miles better than buying a conventional annuity."

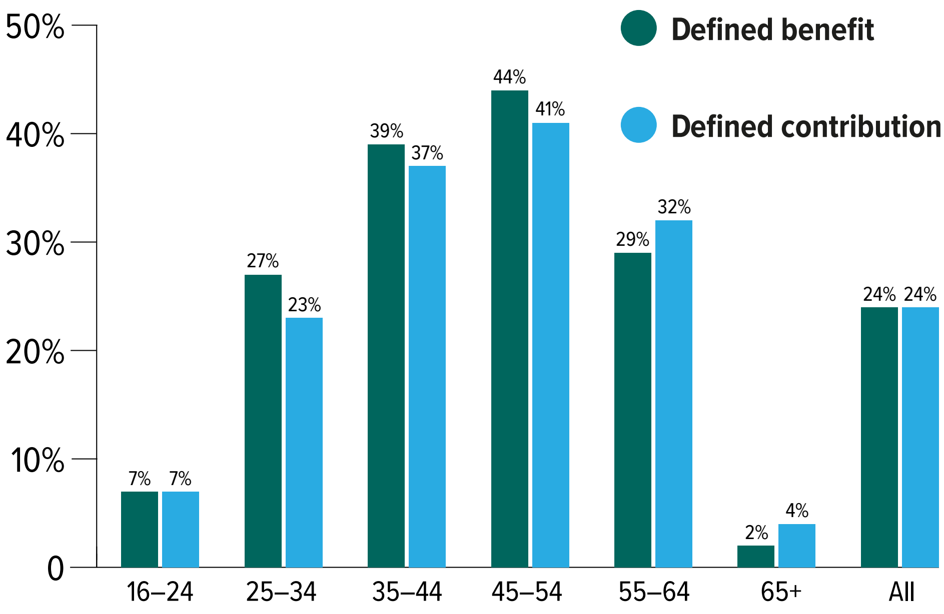
IFA

DB, DC and pensions already in payment

70% of pensioners currently receive an income from a private pension – an increase of four percentage points over the past 10 years. Although the importance of DB and DC pensions will increase in the future at the moment only 40% of pensioners receive more than half of their income from private sources.[41]

Those close to retirement age were equally likely to have DB pensions as DC pensions. It was also seen as important for the dashboard to show any pensions that were already in payment. Private pensions in payment could include an income provided by a public or private sector DB scheme or an annuity they have purchased from an insurance company. An individual could be receiving a pension from one scheme and have a pension accumulating in another scheme. How much pension income they were already receiving could have important implications for how they might want to access their other DC pots. If the dashboard excluded pensions that were already in payment then it would provide an incomplete picture for over 46% of people aged over 60.

Figure 3: Percentage of individuals with wealth in private pensions not yet in payment by age and type of pension, 2012–14 [42]



41 DWP (2016), Pensioners' Incomes Series: An Analysis of Trends in Pensioner Incomes: 1994/95-2015/16

42 Wealth and Assets Survey, 2012 to 2014, ONS. Private pension wealth includes value of public sector DB schemes. Value is the median value held excluding those with zero private pension wealth. Individuals can have both DB and DC pensions

Figure 4: Median value of private pensions by age and type of pension, 2012–14 [43]

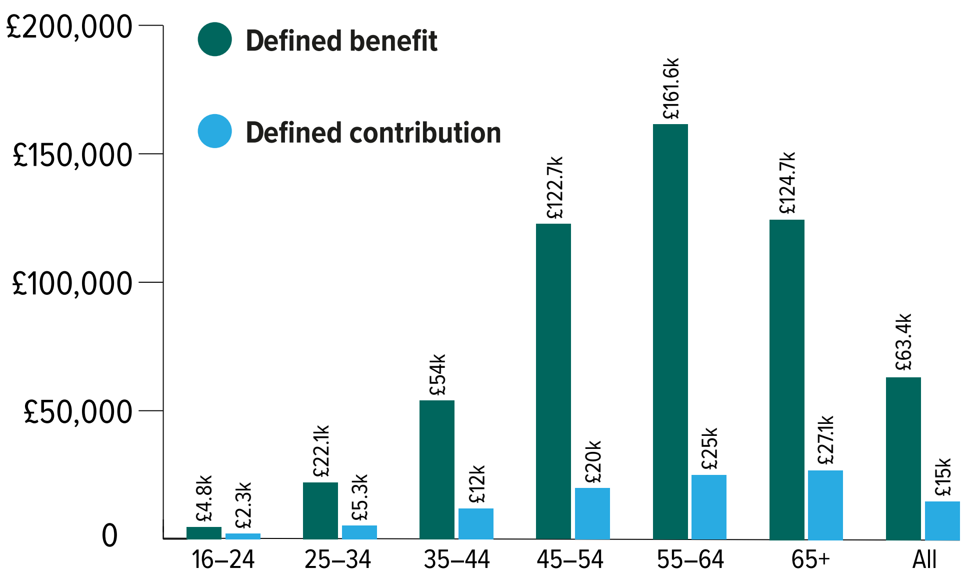
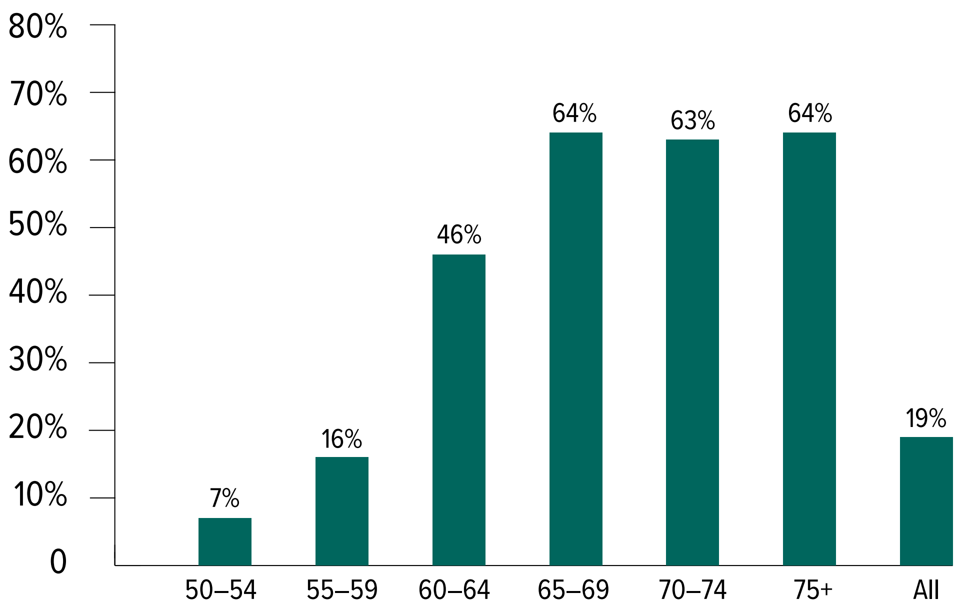


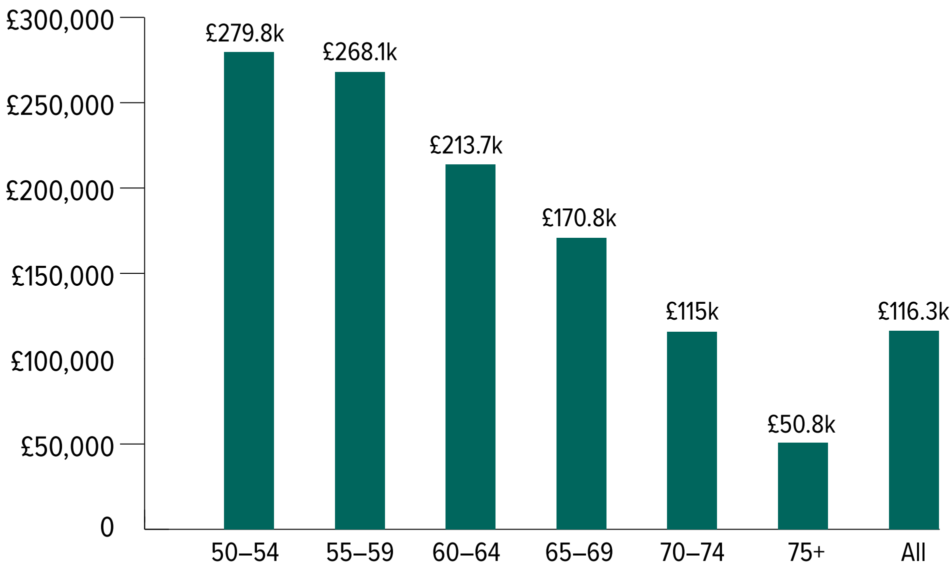
Figure 5: Percentage of individuals receiving income from private pensions by age, 2012–14 [44]



43 Wealth and Assets Survey, 2012 to 2014, ONS. Private pension wealth includes value of public sector DB schemes. Value is the median value held excluding those with zero private pension wealth. Individuals can have both DB and DC pensions

44 Wealth and Assets Survey, 2012 to 2014, ONS. Private pensions include public sector DB schemes. Value is the median value held excluding those with zero private pension wealth from which they are receiving an income. Value represents the total value of the pension rather than the annual income generated by it. Individuals could hold both a pension from which they were receiving an income and a separate pension from which they are not yet receiving a payment

Figure 6: Average value of private pensions in payment by age, 2012–14 [45]



Challenges for different schemes in providing data to pensions dashboards

Interviewees discussed the challenges that could be faced by different schemes in providing information to pensions dashboards:

- **Modern auto-enrolment schemes provided by insurance companies**: these were said to be relatively simple to get onto the dashboard from a systems point of view and provided there was willingness from the companies it should be possible to achieve near 100% coverage.
- **Modern master trusts used for auto-enrolment, such as NEST, People's Pension and NOW: Pensions**: these were also said to be relatively simple to get onto the dashboard although there may be some smaller master trusts where it would pose more of a challenge.
- **Personal pensions including stakeholder pensions and self-invested personal pensions (SIPPs)**: these should be relatively simple to include on the dashboard as many will be held in the same companies currently marketing auto-enrolment schemes. SIPPs should also be relatively simple to include on the dashboard, with the largest five providers responsible for 95% of new non-advised sales and 40% of advised sales.[46]
- **Annuities in payment from DC schemes**: these were seen to be relatively simple to include on the dashboard – although some interviewees questioned whether they should be included.
- **Legacy insurance company pensions**: these would be more of a challenge as the systems may not be up to date and many of these products may involve some form of guarantee. Some older schemes were said to still use microfilm to

45 Wealth and Assets Survey, 2012 to 2014, ONS. Private pensions include public sector DB schemes. Value is the median value held excluding those with zero private pension wealth from which they are receiving an income. Value represents the total value of the pension rather than the annual income generated by it. Individuals could hold both a pension from which they were receiving an income and a separate pension from which they are not yet receiving a payment

46 FCA (2017), Sector Views

record information about guarantees. The actual amount of income might only be known at retirement when the calculation was completed. It was seen as positive that Phoenix – one of the largest legacy providers – had signed up to support the prototype dashboard project.

- **Private sector DB and hybrid schemes**: there was said to be a lot of variability in the standards of DB record keeping. Data standards were said to be worse in DB schemes, partly due to the age of some of the schemes and the time when benefits were accrued. Even for some of the better run schemes, putting much more than the information contained in last year's annual statement was said to be difficult. In many of these schemes there was said to not be any spare money to invest in system improvements. Many of these schemes were closed to new members or did not allow existing members to continue to accrue benefits. However, it was also noted that standards of DB administration would need to improve. Concentrating on the largest schemes could be the best way to ensure as much coverage as possible in the shortest possible time. For private sector DB/Hybrid schemes 392 of the largest schemes would bring coverage to around 8.6 million members or around 75% of total private sector DB membership.[47]
- **Public sector DB schemes**: some of these schemes did not offer online access and may need to update their systems. The main challenges here were identified as a lack of resource (particular for local government schemes), rather than a lack of willingness. It was suggested that if the government was committed to the dashboard then some resource could be allocated centrally to help public sector schemes to be brought onto the dashboard.
- **Single and multi-employer trust-based schemes**: there are a long tail of smaller trust-based schemes where it would be a challenge to include them onto the dashboard in the short term. Those administered by insurance companies or the large pension administrators may prove easier to get on to the dashboard. But many others lack online systems. Therefore alternative ways of gathering data would need to be considered.

> *"For the older, legacy DC products, it could be an expensive business to put the data online and make sure that it is secure. For DB schemes, at the moment putting much more than last year's benefit statement online is difficult. We are keen that we don't burden trustees with extra costs as these have to be passed on to sponsors. Electronic uploads could be done every year."*
>
> Pension expert

> *"Don't conflate failings in DB record keeping with challenges of delivering dashboards. There should be good standards of DB record keeping full stop, even without the dashboard. If there are good standards of DB record keeping then sending that information to the dashboard should pose no problem."*
>
> Pension expert

> *"The problems will be with DB schemes, legacy backbooks of insurance companies, some of the SIPP providers and the single employer DC schemes. It's all very well legislating but the schemes will turn around and say that they can't do it."*
>
> Pension provider

47 TPR (2016), The Pensions Landscape, Defined Benefit pensions 2016

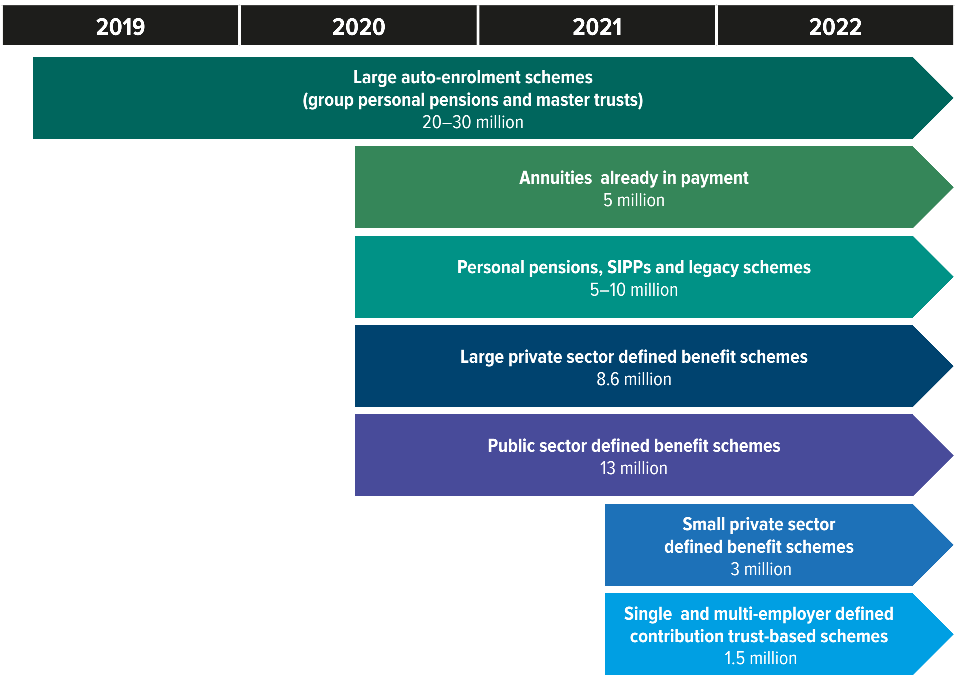
> *"If the market decides, only companies which see a benefit in having a dashboard will connect to the dashboard. For occupational schemes, there is no benefit for them to be connected to the dashboard. Parts of the industry are in a mess with paper records and microfilm. Somebody has to go down to a basement and go through the film to access it. The information has not been digitalised – that is the main problem."*
>
> Fintech

The pensions dashboard should have the widest possible coverage in the quickest possible time. There should be a staged approach to implementation, although schemes should be brought onto the dashboard earlier wherever possible.

Recommendation 2: The government should require all pension schemes to provide information to the pensions dashboard by 2021, starting in 2019 with state pensions, group personal pensions used for automatic enrolment and the largest master-trusts, with other types of schemes phased in as soon as possible.

- Personal pensions, including self-invested personal pensions (SIPPs) and stakeholder pensions, and other legacy providers and their existing books of annuities should be included by 2020. In the trust-based sector, the largest public and private sector DB schemes should be included on the dashboard from 2020. Other DB schemes and occupational DC trust-based schemes should be included on the dashboard by 2021.
- The government should provide resources and support to enable the largest public sector schemes to be included on the dashboard.

Figure 7: Proposed implementation date by pension scheme type (excluding state pensions) and estimated number of pension pots [48]



48 TPR (2016), The Pensions Landscape, Defined Benefit pensions 2016 – the largest private sector DB schemes are defined as those with over 5,000 members; TPR (2017), DC trust: presentation of scheme return data 2016 – 2017, adjusted by author to separate out Master-Trusts and DC single/multi employer trusts; OFT (2014) Defined contribution workplace pensions: The audit of charges and benefits in legacy schemes

Consumers' data should be shared securely via APIs

Several different options were suggested by interviewees to enable people's pension data to be transmitted to the dashboard system from providers. These included direct Application Programming Interfaces (APIs) feeds into pension provider's systems, a data repository enabling schemes to regularly upload their members' data and screen scraping.

The options for data sharing: APIs, a data repository and screen-scraping

- **APIs**: APIs are standards which enable data to be shared securely. APIs enable the pension scheme systems to communicate directly with those of the dashboard and permit only data specified by the customer to be shared. API technology allows the information shared with third parties to be precisely defined in terms of what may be shared, with whom, over what period and for what purposes.
- **A data repository**: schemes that do not have any permanent online systems could upload their members' information to a data repository. This information could be updated on a regular basis, either monthly or even yearly for some DB schemes where there would be little change in a member's entitlement to a pension. The repository would hold members' data securely and allow dashboards to access it with a member's consent. The dashboards would use the same API technology to access the data repository as they would do for pension schemes with online systems.
- **Screen-scraping**: screen-scraping is a process where the consumer shares their online login details with a third-party provider. The third party then uses these details to log in to the consumer's account and gather data and initiate transactions. Legally, by sharing their login details with third parties the consumer is breaching their provider's terms and conditions and could find themselves liable for any fraudulent transactions. Screen-scraping is widely used by some new fintechs to allow people to share details of their current accounts, savings accounts, mortgages and other bank products. The European Banking Authority has indicated that from mid-2018, screen-scraping will be banned for payment accounts, but it will be allowed to continue for products such as ISAs, mortgages, personal loans, investments and pensions.[49] Depending on which organisation is describing this process, screen-scraping can also be referred to as 'permitted authorised direct access' by fintechs or 'impersonation' by banks. In some countries some firms have tried to restrict or deny screen-scraping being used and have faced allegations of stifling competition and innovation.[50]

> *"In banking, screen-scraping is coming to the end of its useful life. The GDPR changes the landscape and means that its days are numbered.*
> *APIs are the future and the only way to go. If you allow screen-scraping then the consumer and the pension provider have little control over what is being shared and there will be issues of potential fraud with the consumer being liable for the loss caused by any unauthorised transactions."*
>
> Fintech

49 European Banking Authority (2017), EBA Opinion on EC Proposed Amendments to the Regulatory Technical Standard on Strong Customer Authentication and Commons and Secure Communication under PSD2

50 American Banker (2015), The Truth Behind the Hubbub Over Screen Scraping

> *"The model of a data repository where schemes upload the data and have it stored could be developed. Pension providers like us can provide continuous feeds as there is daily valuation of funds. But most DB schemes won't be able to do this. A standard set of data using an upload model that is stored centrally could be the way to go for those schemes. There could be a hybrid model where those that can are using real-time data and those that can't submit data which is refreshed periodically."*
>
> Pension provider

> *"The architecture of the dashboard should be like a secure tunnel – the dashboard shouldn't hold that data or have access to data. The data belongs to the customer, unless the customer chooses to share data with a different scheme or pension provider to enable them to use their tools. That is the only time the data should become available and it would come out beyond the dashboard."*
>
> Pension provider

Direct APIs were the preferred option for interviewees, although it was recognised that for many DB and trust-based DC schemes an upload model would be the only workable solution in the short term. Most interviewees felt uncomfortable about screen-scraping due to concerns about liability if there was to be fraud or an unauthorised withdrawal from a consumer's pension. Screen-scraping could also introduce additional complexity, as every time a pension scheme updated its systems or website then dashboards using screen-scraping could have their access cut off until they had also updated their systems. Some fintechs noted that there had never been a confirmed loss from screen-scraping and that it might work perfectly well if other forms of access were not available.

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. But in the short term these will not be practical for many smaller DC and DB schemes. These schemes lack the necessary online systems necessary to allow access through APIs and requiring them to implement these in the short term could pose a heavy burden. These schemes will require some form of data repository that they will be able to use to upload their members' data for dashboards to access. If the data is not live then this should be indicated to people on the dashboard. However for many schemes, particularly where there are unlikely to be significant short-term changes, monthly uploads of data should be sufficient. While there have not been any confirmed instances of fraud in the UK due to screen-scraping, the impact of someone suffering the loss of their pension would be significant.

Pension schemes will need to comply with the GDPR and be clear to their members about how their data was being shared. To prepare for the introduction of open banking, which allows consumers to share their bank account data with third parties, major banks have all been updating their terms and conditions. Pension schemes will need to update their terms and conditions and data processing notices and notify members prior to the launch of the dashboard in 2019. Pension schemes would also need to have a system of recording the consent that would be required from people before sharing their data with the dashboard.

Recommendation 3: The government should ensure that a central data repository is established by the single financial guidance body to allow all pension schemes to appear on the pensions dashboard using direct application programming interface (API) data feeds to securely provide consumers' data. Once alternative forms of access are in place, the Financial Conduct Authority should prohibit screen-scraping.

- The pensions dashboard project governance body should seek legal advice as to how pension schemes can meet the requirements of the General Data Protection Regulation (GDPR) when sharing their members' data with pensions dashboard providers and the central data repository.

Lessons from the midata initiative for personal current accounts

The government's midata initiative was launched in 2011 with the aim of providing better information and protection for consumers.[51] Midata was a voluntary programme the government undertook with industry to give people increasing access to their personal data in a portable, electronic format. This was designed to enable individuals to use this data to gain insights into their own behaviour, make more informed choices about products and services, and manage their lives more efficiently.

The largest banks voluntarily agreed to set standards[52] for midata for personal current accounts (PCAs), but did this through a process which they ran and which did not take fully into account the needs of consumers or third party providers.

Midata for current accounts, which enabled people to download their transaction data and upload it to a price comparison website, was launched in March 2015. As part of its investigation into the retail banking market the Competition and Markets Authority (CMA) examined the progress of the midata initiative. The CMA noted that midata had some important limitations and was difficult for people to use. Customers trying to compare prices of PCAs using midata have to first locate their account history files on their bank's website, then download a .csv file (a spreadsheet) containing their last 12 months' transaction information and finally upload it to the comparison site.

Several parties, including Which? and the major banks, told the CMA that this process had shortcomings.[53] These included the relatively poor user experience arising from the cumbersome process of uploading and downloading the files described above, the fact that it cannot be used on iPhones, iPads or other mobile devices running the iOS operating system, that some transaction history is redacted, and that its scope is limited to PCAs and therefore is not relevant to SMEs. The number of midata downloads to date is low both in absolute terms and compared with the number of visitors to the relevant webpages. Only one comparison site launched a midata comparison tool.[54]

51 BIS (2011), The Midata View of Consumer Empowerment

52 HM Treasury (2014), Online current account comparison moves a step closer

53 CMA (2016), Retail Banking Investigation: Final Report

54 CMA (2016), Retail Banking Investigation: Final Report, para 6.114

Lessons from the midata initiative for personal current accounts (continued)

> *"The problem with the midata initiative and the .csv approach was that for the consumer it was a clunky and poor experience. The data was poor and it was difficult to understand. There was also so much redaction that it was virtually useless for analysis purposes when it came to examining spending."*
>
> Fintech

> *"Midata had too much friction, too little consumer benefit and fintechs wouldn't touch it with a bargepole as it didn't provide the information the fintech companies needed for their business models. Midata sets were riddled with redaction and therefore all of the business models which were of interest to the customer such as Personal Financial Management or checking affordability of lending – they weren't there. The customer grabbing the data and then uploading it was too much work. It was the right motivation at heart but didn't understand behavioural economics. Banks had no motivation to do anything that was useful."*
>
> Fintech

Midata for current accounts will be superseded by the new rights to data under the Payment Services Directive 2 and open banking standards which will allow consumers to share their bank account transactional data with third parties. Nonetheless, midata provides some important lessons for the pensions dashboard:

- Comprehensive coverage with high-quality open standards and an acceptable. implementation timetable is unlikely to be achieved through a voluntary initiative
- To achieve those goals consumers need to be given a clear legal right to access their data.
- A download and upload model is too complicated and long-winded to be used by consumers.
- Allowing the major existing providers to set standards is unlikely to result in standards which are in the best interests of consumers or effectively promote competition.
- Without a clear timetable and independent governance, implementation of any initiative is likely to be delayed.
- Unless those receiving and processing the information are regulated appropriately, providers may use data protection or other concerns (some of which may be legitimate concerns) to limit the data being shared, which could limit the benefits of any initiative in benefiting customers and improving competition.

4. Regulated pensions dashboard providers and a government-backed pensions dashboard

A government-backed dashboard could help ensure access for all consumers to an impartial service. Multiple private sector dashboards could promote innovation and make it easier for people to find and use the dashboard and allow it to be integrated with other services. If commercial providers are allowed to provide dashboards current legislation means that they will not be subject to regulation. This means that there will be no controls over who can offer one and no protection for consumers if something goes wrong. Pensions dashboards could have business models based on receiving commission or selling products, which could lead to them recommending the course of action that earns them the most money, rather than that which is best for the person.

Single versus multiple dashboards?

One of the key decisions to be taken is whether there is a single version of the dashboard on a government website or multiple private sector dashboards. A single government-run dashboard could have the advantage of promoting trust and offering a consistent and impartial service to consumers. It would also be easier to oversee and control than multiple commercial dashboards. Multiple private sector dashboards could promote innovation and make it easier for people to find and use the dashboard. This approach could also allow pensions dashboards to be integrated with other services. However without effective regulation, the business model of commercial dashboards could lead to bias towards courses of action that might not be in the best interests of consumers.

Possible options for single or multiple dashboards

As shown in Figure 8, there are a number of potential combinations of single and multiple providers for each of the following parts of the system:

- Operator of the dashboard / location: where the dashboards are hosted by the organisation that operates them, whether it is on a single government website or multiple private sector websites.
- Front-end / user experience: the look and feel of the dashboard, how people can use it to display/sort the information from the schemes and the method they use to prove their identity.
- Calculation engine: the methods by which the dashboards take the raw data provided by the pension schemes and calculate the numbers provided to the person.

- Data repository: the holder of the raw data from the individual pension schemes that cannot be accessed by electronic application programming interfaces (APIs).

Figure 8: Possible options for single or multiple dashboards

Option	Operator of the dashboard/ location	Front-end (user experience)	Calculation engine	Data repository
1. Single location, public sector dashboard	Single	Single	Single	Single
2. White-label model – full standardisation	Multiple	Single	Single	Single
3. Commercial model – standard data and calculation and a single data repository	Multiple	Multiple	Single	Single
4. Commercial model – full freedom and a single data repository	Multiple	Multiple	Multiple	Single
5. Full commercial model	Multiple	Multiple	Multiple	Multiple

Consumer representatives and guidance providers generally supported a single dashboard model

Consumer representatives and providers of guidance generally supported one single dashboard. The most popular suggestion was that this should be hosted by the new single financial guidance body (SFGB) being established by the Financial Guidance and Claims Bill.[55] The reasons included:

- **Trust**: lack of trust in pensions generally and people's suspicions of commercial models of the dashboard. Perceived levels of trust amongst people are likely to be higher for an independent rather than commercial organisation. Consumer research conducted by the Open Identity Exchange (OIX) found that: "There was an anticipation or implicit assumption that any single destination model would be run by the government or a government-backed service. Respondents said they would have a greater level of trust in a service run in this way rather than by private sector providers, because of expectations that the government would not use personal data for commercial gain." [56]
- **Consistent user experience**: consistent branding and user experience may provide reassurance and build confidence among people when dealing with a complex subject area.
- **Ease of governance**: this would be simpler and regulatory overheads are likely to be lower than for multiple commercial options.
- **Controlled development:** provides a controlled environment for building and testing, without compromising on quality and risking reputational damage through data breaches.
- **Impartiality**: the need for impartiality in the presentation of information on the dashboard.
- **Avoiding bias:** the potential for bias in the business models of dashboard providers and consumers taking poor or sub-optimal decisions.

55 https://services.parliament.uk/bills/2017-19/financialguidanceandclaims.html

56 OIX (2016), Creating a Pensions Dashboard: Pensions Finder Alpha White Paper

- **Lack of regulation**: the lack of regulation of private sector dashboard providers would risk consumer detriment if multiple providers were allowed to offer dashboards.
- **Consistent results**: lack of consistency about how commercial dashboards would calculate the outputs from the dashboard.
- **Multiple dashboards would lead to delays**: providers may use the involvement of other providers of the dashboard to limit the sharing of data or redact elements.

> *"With all the scams out there, people have more of a sense of the security of information. People will think private sector dashboards are just giving me these options because of commercial reasons."*
>
> Guidance provider

> *"If there are multiple pensions dashboards and they are all using slightly different assumptions then it would be chaotic and it would defeat the object. There is the danger of bias from private sector dashboards showing higher assumptions and then encouraging you to buy your pension directly through this link. They should have to use the same assumptions."*
>
> Guidance provider

> *"The disadvantages of multiple private sector dashboards are the sales and customer retention elements. They risk becoming sales dashboards or being used to retain customers in poor value schemes. Providers are there to make money and it should be flagged to the customer."*
>
> Guidance provider

> *"There should be one dashboard and it should be hosted by the government. There is not so much trust with providers and there will be the temptation for providers to sell stuff. It is important that the dashboard is impartial."*
>
> Guidance provider

> *"We are going to have to persuade consumers to use this thing. If they use multiple dashboards and there are different figures then it is going to create confusion. People should be able to choose a trusted body. Consumers will want a trusted source. This isn't about competition. Consumers want to see their pensions in a place that they trust which is secure and independent."*
>
> Consumer representative

Industry representatives and IFAs supported multiple dashboards

Industry representatives and IFAs supported multiple private sector dashboards. This was for a variety of reasons, including:

- **Multiple points of entry to the dashboard.** The dashboard will be available on multiple websites which will maximise the chance of consumers finding the dashboard.
- **Easier development and funding.** There would be many firms involved in building dashboards, which would reduce the need for a central budget.
- **A more dynamic and innovative market.** Multiple private sector dashboards could mean that services could be tailored to the needs of particular groups of consumers.

- **Allowing their firms to enter the market.** They were planning to develop dashboards themselves and host them on their own websites.
- **People are less likely to find a single government dashboard.** They did not believe that people would make enough use of a single, government-hosted dashboard. It was better to place the dashboard where they already went to access to pensions information, rather than have to refer them to an alternative website.
- **A government-run dashboard will be less engaging.** They did not believe that a government-run dashboard would be dynamic and present pensions information in an engaging and interactive way.
- **Easier for consumers to take action.** People could use appropriately regulated dashboard providers to undertake transactions, meaning that they are more likely to take action to improve their situation after using the dashboard. Government-hosted dashboards would lead to further barriers between people accessing the dashboard and undertaking transactions or making additional contributions.
- **Opportunity to bring pensions dashboard providers within the scope of regulation.** Even if there is only a single official dashboard provider, other private sector dashboards may launch which will use screen-scraping, leading to fraud and liability concerns for consumers.
- **Integration with other personal financial management and account aggregation services.** Multiple dashboards will mean that they can be integrated with other sources of financial data such as open banking to provide a fuller picture of a person's finances. This was unlikely to be allowed on a single government dashboard.
- **Promoting competition and innovation.** With a single dashboard there will not be an opportunity to depart from the agreed standards to develop and make available more innovative services through the dashboard.
- **Reduces cost of promotion/establishing a brand.** To persuade people to use the single government dashboard it will need to be promoted effectively and use a trusted brand. This could add to the costs of launching the dashboard.

> *"The value of the pensions dashboard is in the common data standards that allow information to be passed in a timely, safe and accurate manner. It is not for the government to present the data. The private sector can do that."*
>
> Pension expert

> *"What I want to do is log in to my pension provider and have them pull in my data from elsewhere. The last thing I want to have to do is to go off to the website of a financial guidance body and access the dashboard on their website. I might do it but most people won't. Everyone who has ever studied behavioural economics will tell you that this is the way the world works. So the first thing we have to do is to put the dashboard on the websites of the pension providers."*
>
> Pension provider

> *"Many providers have slightly different markets and spend a lot of time thinking about how they can best serve their customers – a dynamic and competitive environment where all providers are tailoring the presentation of information in a method and location that works best*

for their customers. Good providers providing good customer service prosper and those that don't, don't. All the dynamic innovation which comes from an environment like that seems like a better solution than a single, monolithic, static source of pensions dashboard information."

Pension provider

"Having just one government portal doesn't encourage you to take action. The government wouldn't invest in its dashboard so it would become clunky. Each commercial provider will show the dashboard in the most advantageous way so it will be better for consumers to take action when it is with private providers. The only problem is that it could lead to more expense. If there is enough competition then it will be OK but it won't be if there is no competition."

Fintech

"It's very important that we don't have one single dashboard. This would constrain innovation and constrain the dashboard – and it would be a horrible white elephant."

Pension expert

There was widespread support for the new single financial guidance body to host a pensions dashboard

In June 2017 the government introduced the Financial Guidance and Claims Bill into Parliament. The Bill creates the SFGB by merging the Money Advice Service (MAS), The Pensions Advisory Service (TPAS) and Pension Wise.

The SFGB will be set up in the Bill as an arm's-length body, accountable to Parliament, and sponsored by the Department for Work and Pensions (DWP). The new framework will allow the new body to adapt to people's changing needs and prioritise services, where appropriate, on particular groups; respond to industry and policy changes and keep pace with technological advances to meet the information and guidance needs of people now and in the future; and ensure the service is efficient, avoiding unnecessary duplication and channelling as much funding as possible to front line delivery. [57] The SFGB will be funded in the same way that MAS, TPAS and Pension Wise have been funded, from levies on the financial services industry and pension schemes.

Consumer representatives and guidance providers supported the new body hosting the dashboard. However, even industry representatives who supported multiple dashboards acknowledged that there would have to be some form of government or cooperative work involved in the operation or hosting of the dashboard. Some still supported the hosting of a version of the dashboard on the website of the SFGB. It was noted that commercial organisations were unlikely to provide telephone or offline access to the dashboard. There was also seen to be a potential role for a governmental organisation in setting the standards and governing access to the data repository that would be necessary for schemes that lacked the systems or money to establish direct links into their systems.

57 HM Treasury and DWP (2016), Public Financial Guidance Review: Consultation on a Single Body

"It's important that people can get access on a government sponsored dashboard so that all people can participate not just those with high net worth."

Pension provider

"There must be one clean government version of the dashboard which is unfettered, like in Australia."

Guidance provider

"If there were multiple dashboards then the Money Advice Service should also provide a dashboard. This would help keep the industry honest and keep the industry on its toes if there were a public dashboard alongside all the commercial ones. In the same way as stakeholder pensions dragged down charges and NEST provided a public service."

Pension provider

"If the dashboard is government based then that then prevents innovation. People like the private sector because it encourages innovation. But that can work both ways. Maybe you need some kind of not-for-profit body which acts as a data repository and holds the raw material. Maybe profit making private sector bodies can then deliver the information to consumers."

IFA

Why there should be both multiple dashboards and a government-backed dashboard

This is a finely balanced decision with advantages and disadvantages of both single and multiple dashboards. It is clear that even if the government was to decide that there should only be a single government-run dashboard, other private sector dashboards would continue to develop outside of the regulated market. These may rely on screen-scraping or other potentially unsecure forms of transmitting customer data. They would even be able to screen-scrape data from the official government-run dashboard. If there were any problems with private sector dashboards then the consumer would have no easy method of obtaining redress, as they would remain outside regulation and outside the remit of the Financial Ombudsman Service (FOS).

The goal of the dashboard is to help people take beneficial decisions about their retirement income. A single, government-run dashboard may make it more difficult for people to take action after accessing it. But action in itself might not always be beneficial. Private sector dashboards could have strong commercial drivers to calculate projections or present information in a certain way that might lead people to do things that might not always be in their long-term interests. There will need to be strong regulation and supervision to prevent this from happening. It will only take one scandal for trust to be destroyed.

Private sector dashboards would also be able to be tailored to particular groups of consumers. But, it is also clear that the private sector dashboards may not be interested in or be able to provide a service to those people who lack online access or have other vulnerabilities which mean that they are unable or unwilling to use online services.

On balance these considerations point towards allowing multiple private sector dashboards to exist, but imposing standardised methods of calculation and having a single data repository – equivalent to Option 3 in the table at the start of this chapter. It is also vital to enable access for all that a version of the dashboard is available on the website of the SFGB and the dashboard is accessible to those accessing the guidance guarantee over the phone or face-to-face. The SFGB is also the natural operator of the data repository required to allow all schemes to appear on the dashboard. This would ensure that the data repository is run on a not-for-profit basis.

The FCA should regulate pensions dashboard providers

Unless there is change then firms providing a pensions dashboard are unlikely to be subject to regulation by the FCA. This means that there would be no controls over who could provide a dashboard and little protection for consumers if something went wrong. There would also be no rules and conduct standards in place or supervision of how dashboards were operating.

The greater availability of pensions data also raised questions about the actions pension schemes and dashboards should take if they see people making inappropriate decisions. Without further reform there would be no 'duty of care' for dashboards and pension schemes to put the interests of consumers above their own commercial interests.

Pensions dashboards will be subject to regulation from the Information Commissioner's Office (ICO) concerning how they handle people's data. The ICO currently lacks effective powers. In the event of a data breach by a dashboard provider the ICO can fine those at fault but has not power to award compensation to consumers.

Pensions dashboard providers are unlikely to be covered by existing regulation

Under existing regulatory definitions, there is no requirement to be subject to regulation by the FCA if a firm is aggregating information about a consumer's pensions and displaying it on a website. Providing analysis and monitoring tools to consumers would also not be subject to regulation. Even if a dashboard was offering the ability to execute transactions through its website then it still may be able to remain outside existing regulation. Dashboards would also be able to advertise other products on the dashboard without being subject to regulation.[58]

Dashboards that provided specific personal recommendations to people about what they should do with their pensions would be subject to regulation by the FCA as providers of investment advice. However, dashboards would be able to take advantage of loopholes in the rules if they were only providing tools to people enabling them to rank their pensions, but not providing a specific personal recommendation as to what they should do.[59]

58 If the product was a regulated financial product then the company selling the product would need to comply with FCA rules on financial promotions

59 For examples please see FCA (2015), FG15/1: Retail investment advice: Clarifying the boundaries and exploring the barriers to market development

Figure 9: How existing regulation might apply to pensions dashboard providers

Type of service	Will pensions dashboards be subject to FCA regulation?
Aggregation: enabling consumers to see all of their pensions and other financial products in one place	No
Analysis: providing a series of tools and calculators which consumers could use to analyse their pensions	No
Monitoring: monitoring of a consumer's pensions and ongoing monitoring, either to highlight when certain trigger points are reached or when market developments mean that a better deal is available elsewhere.	No
Providing a recommendation: providing a specific recommendation as to what the consumer should do with their pension	Yes, if providing regulated investment advice and providing a personal recommendation. No, if not providing personalised recommendations or recommending unregulated products.
Transactions: enabling consumers to make changes to their pensions through the dashboard	Possibly
Automation: switching consumers' pensions automatically to save them time and money	Possibly

The FCA should regulate pensions dashboards to help prevent consumer detriment and to provide access to redress

Virtually all interviewees, from all constituencies, thought that dashboard providers should be subject to regulation. Both consumer and industry stakeholders were concerned about possible consumer detriment and the lack of access to redress that could result if dashboards remained unregulated. Pension providers also expressed concern about sharing their customers' data with unregulated bodies.

The FCA was seen by virtually all as the appropriate body to conduct this regulation. Although certain potential activities of dashboard providers could already be covered, those who expressed an opinion thought that there would need to be a new regulatory definition to catch all dashboards.

The Pensions Regulator (TPR) was also seen as having a role managing the interface between dashboard providers and trust-based and DB pension schemes, and setting projection rules for DB pensions displayed on the dashboard. Others saw a role for voluntary industry bodies and pensions administrators when it came to setting data standards for the dashboard.

> *"There has to be a regulated activity as an end goal. And if there isn't, you are simply acting as an unregulated introducer trying to source people's pension pots. That is the road that leads to pension scams. That's not a road we want to go down. If you are not going to have a single pensions dashboard then it is important that they are all regulated."*
>
> Pension provider

> *"I would have a huge reluctance in recommending that consumers use dashboards if they remain unregulated."*
>
> Guidance provider

> *"The question is what you do with the information – for example if the dashboards became lead generators for advisers and other firms then that does cause a problem. Lead generators should be brought within the purview of FCA financial promotions – for example if you are saying 'here you can get a free pension review'. If there was a transaction facility offered by a dashboard then it should be regulated."*
>
> Pension expert

> *"All pensions dashboards should be regulated by the FCA. It needs a new regulated definition. Piling it on to TPR would be unfair but there does have to be cross working. The supply of data needs to be regulated. Trustees pushing the information down the pipes – they need to know that the pipes are clean and that the data of members is being safely looked after."*
>
> Consumer representative

> *"Dashboard providers do need to be regulated and they should sit with one regulator – the FCA. They also do the financial product end of it – which will be important if the dashboard concept continues to involve and morphs into offering products like drawdown."*
>
> Guidance provider

If dashboards remain outside FCA regulation then there would be no controls over who could provide a dashboard (unless imposed by some system of voluntary regulation). There would be little protection for customers if something went wrong and they suffered a financial loss. Dashboards would not have to meet any requirements with regard to complaint handling and there would be no rights for consumers to take a complaint about a dashboard to the FOS. Dashboards could advertise unregulated investments, such as overseas property, car parking spaces or stamps, alongside information about an individual's pension.

The FCA should introduce conduct standards for pensions dashboards

Interviewees expressed views about a number of areas that the FCA authorisation and regulatory standards should cover. To provide the appropriate degree of consumer protection the FCA should: introduce clear conduct standards for pensions dashboards; supervise dashboards to ensure that they comply with these standards; and develop a simple process for consumers to check whether they are dealing with an authorised firm.

> *"Inaccurate data is problematic and will from time to time occur and there needs to be some sort of audit trail and potential for redress. There must be some physical evidence about what was accessed and what was displayed and an electronic audit trail."*
>
> Pension provider

> *"In open banking for payment initiation services there is a clear liability and redress mechanism for unauthorised transactions. This does not exist in the Pensions sector."*
>
> Fintech

> *"It will be awful if unregulated investments are advertised alongside the consumer's pensions dashboard information."*
>
> Consumer representative

> *"Some people are going to be worried about leaving themselves exposed to people phoning up and saying: 'I've got this wonderful investment opportunity.'"*
>
> Guidance provider

> *"You can see dashboards advertising other platforms. It would be disastrous if we allowed dashboards to advertise risky products like binary options."*
>
> Guidance provider

> *"I dislike the hard sell model and that is the model which can come out of general insurance comparison engines and sites. A negative business model would just be a way of harvesting data – your phone rings and inbox fills up with people trying to sell things after you have shared your data. Whoever governs dashboard usage will have to be very mindful that people are not bombarded with a hard sell after signing up."*
>
> Pension provider

The FCA should place a duty of care on pensions dashboard providers and pension schemes

The greater availability of pension data raises questions about the duties owed to consumers by pensions dashboards and pension schemes. Many of the transactions undertaken will be execution-only [60] – a term used to describe sales where the person makes the decision about their investments and where the pension scheme and the dashboard do not provide people with advice about the transaction.

However, there may still be questions about what action pension schemes or dashboards need to take if by interpreting the data they see a person making a potentially inappropriate decision. For example, assume that a person accesses a dashboard through one of their pension schemes, and due to the data gathered the company operating the pension scheme becomes aware that they are contributing to this pension scheme when one of their other pension schemes offers matching contributions from the employer. What should it do next? Does the firm operating the pension scheme have a duty to tell the consumer, or suggest that they contribute to their other scheme instead?

In the retirement income phase, imagine a pension scheme is about to offer a person an annuity when they become aware through data from the dashboard that they could get a 20% higher rate if they bought an annuity through one of their alternative schemes. In those cases what duties would the pension scheme owe to the consumer? Would they have an obligation to refuse to provide the customer with an annuity that was such poor value?

A duty of care would oblige providers of financial services such as pension schemes and dashboards to avoid conflicts of interest and act in the best interests of their customers. A similar duty already exists for other sectors

60 The FCA Handbook glossary defines an execution-only transaction as a "transaction executed by a firm upon the specific instructions of a client where the firm does not give advice on investments relating to the merits of the transaction and in relation to which the rules on assessment of appropriateness ("COBS 10") do not apply."

– for example, for legal and medical professionals through the Solicitors Regulation Authority's principles [61] or the General Medical Council's Good Medical Practice guide.[62]

The FCA is planning to publish a discussion paper exploring the issues around the introduction of a duty of care. As part of its asset management market study it is also consulting on strengthening the duty on asset managers to act in the best interests of investors.[63] With the greater availability of pension data, the FCA should review what dashboards and pension schemes are required to do regarding warning people when they are taking potentially inappropriate action.

The government should enable the Information Commissioner's Office (ICO) and consumer groups to take action in response to a data breach

Pensions dashboard providers and pension schemes will be subject to regulation by the ICO under the GDPR. This will cover the principles that dashboard providers must comply with when collecting, holding or processing data, the rights which consumers have regarding their data, and when and how they must be notified of any breaches. Regulations particularly relevant to dashboard providers will be related to requirements for the dashboard provider to obtain the consent of the customer for the proposed usage of the data.

However the ICO currently lacks appropriate powers and resources to police potential data breaches and data misuse by dashboard providers. In the event of a data breach by a dashboard provider the ICO can fine those at fault but has no power to award compensation to consumers. A person has to seek compensation directly from the company at fault, which may be difficult to identify if there are multiple providers or intermediaries involved. If they cannot agree compensation then they will have to make a claim in court.[64]

Article 80 of the GDPR also gives EU member states the derogation to allow civil society groups a more prominent role in the representation of data subjects by enabling these groups to lodge complaints independently of a data subject's mandate and to receive compensation on their behalf.

> *"The issue of data breaches could prove problematic. The ICO could penalise the company that has suffered a data breach, but there is no easy redress mechanism for consumers who have been caused detriment due to the data breach. Consumers would have to apply to the ICO for an opinion and then take legal action against the company – but how many people are going to do that?"*
>
> Fintech

61 Solicitors Regulation Authority (2017), Handbook, You and Your Client

62 General Medical Council (2013), Good Medical Practice, Duties of a Doctor

63 FCA (2017), Asset Management Market Study, Final Report

64 See Information Commissioner's Office, Claiming Compensation

Recommendation 4: The Financial Conduct Authority should regulate pensions dashboard providers, including commercial providers, with clear conduct standards and a 'duty of care' for dashboard providers and pension schemes.

- HM Treasury should amend the Regulated Activities Order to introduce regulation of pensions dashboard operators as soon as possible. This should include two levels of regulation: a lower level of regulation for services which just enable consumers to view their pension information on a pensions dashboard and a higher level of regulation for dashboard providers which enable consumers to undertake transactions through the dashboard.
- The government should reform the framework for redress following data breaches to enable the Information Commissioner's Office (ICO) and consumer groups to take action instead of relying on the consumer to go to court. The UK should use the derogation under Article 80 of the General Data Protection Regulation to enable civil society groups to lodge complaints.

Proposed regulatory definition and scope of conduct standards

The proposed regulatory definitions are:

- **Pensions dashboard information service**: an online service to provide consolidated information on one or more pensions held by the individual with another pension provider, or with one or more pension providers.
- **Pensions dashboard transaction initiation service**: an online service to provide consolidated information on one or more pensions held by the individual with another pension provider or with more than one pension provider, which enables the individual to initiate a transaction which relates to those pensions.

FCA regulation and conduct standards for pensions dashboard providers should include:

- a simple process for consumers to check whether they are dealing with an authorised firm;
- business models and methods of remuneration;
- consent and data sharing;
- complaints handling;
- liability in the event of unauthorised transactions or fraud;
- liability in the event of inaccurate data being provided by a pension scheme or inaccurate data being displayed by the dashboard; [65]
- marketing of other products within the dashboard – a particular concern being the marketing of unregulated investments via pensions dashboards;
- compliance with data protection rules; and
- providing retirement risk warnings when consumers are considering accessing their pension.[66]

65 Note that FCA does not regulate trust-based and consumers would not have recourse to the FOS, but would instead have to go to the Pensions Ombudsman

66 COBS 19.7 – Retirement Risk Warnings https://www.handbook.fca.org.uk/handbook/COBS/19/7.html

The FCA should review the business models of pensions dashboard providers

The business models of pensions dashboards will be a key determinant of how they treat customers. Pension providers will offer dashboards to help acquire and retain customers and to encourage them to pay in more money or consolidate all of their pensions in one place. IFAs and wealth managers will offer them to encourage customers to take advice, simplify administration and make the advice process more efficient. New fintech business models could include encouraging consolidation into digital pensions, offering new robo-advice services or offering a full personal financial management service by combining it with information about other products. These could enable people to compare products and find the best deal for them.

People are unlikely to pay fees to access pensions dashboards. If these services are provided 'free' to the person, then pensions dashboards will have to look for other sources of revenue, such as selling products, commission payments, advertising or sales of data. Business models based on commission and sales could lead to conflicts of interest and bias towards courses of action which earn the dashboard the most money rather than what is in the best interests of consumers. Moreover, unless there are restrictions introduced the dashboards could advertise unregulated investments.

More widely, digital comparison tools (DCTs) are playing an important role in a number of markets, including financial services, energy and travel. They are increasingly being used by people to compare the deals available and to switch products. 71% of consumers with internet access have used a DCT in the past year.[67] But the Competition and Markets Authority's (CMA) recent DCTs market study highlighted a number of concerns about the operation of DCTs. Gains from using DCTs may be captured by consumers who switch products, whilst inactive people receive worse deals. Concerns have also been expressed about their transparency, how they compare deals and how they use consumers' personal data. At the heart of these problems have been concerns about the business model of DCTs and how they make their money.

An overview of the potential business models of pensions dashboard providers

Pension providers selling products and retaining customers

- Improving customer engagement and acquiring/retaining existing customers
- Additional pension contribution increasing assets under management
- Prompting consolidation by encouraging consumers to move all of their pensions into one place
- Selling linked products such as equity release, investments and ISAs

67 CMA (2017), Digital Comparison Tools Market Study: Final Report

Intermediaries offering personal financial management, lead generation, commission and platforms

- Lead generation fees and sales commissions from pension providers, which is the current model of most price comparison sites
- Pension providers paying for prominence – to appear at the top of rankings
- Revenues from connecting buyers to sellers across related markets such as connecting consumers who are in the market for more complex services to providers of advice about pensions
- Revenue from traditional display advertising
- Revenues from 'reverse' advertising or 'intent casting' services, where consumers indicate what they are interested in purchasing
- Paying for market access – revenues from firms paying to appear on the dashboard's app or marketplace
- Revenues from market research

Advice and robo-advice

- Revenues from providing pension advice
- Robo-advice

Consumer fees

- Membership or subscription fees for accessing the dashboard
- 'Freemium' fees where the basic service is free and some additional service features come with a fee

Data-driven

- Sale of data, either on an individual or an aggregated/anonymised basis
- Using data to provide targeted adverts or product offers based on information and data gathered about the individual consumer

Administrative savings

- Revenue from other intermediaries in return for providing services or simplifying administration and compliance, such as receiving revenue from financial advisers in return for providing administration and aggregation services for their clients using the pensions dashboard

Interviewees' views on the potential business models of pensions dashboard providers

Pension providers are expected to offer pensions dashboards that rely on customer acquisition and retention, and prompting consolidation of pension pots

For existing pension providers, offering pensions dashboards providers is seen as a way of improving customer engagement, by bringing more people into the world of pensions and giving them the opportunity (but not the obligation) to buy pensions or make additional contributions. Offering a dashboard was seen as being one potential way to acquire customers and help retain them. By providing a customer with a full picture of their pensions, the pension provider offering the dashboard would help develop a better relationship with the customer. Improving engagement and showing someone the total value of their pensions was also seen as a way of prompting them to pay in more – helping people appreciate the value of tax relief and employer-matching contributions.

Consolidation was also viewed as an important business model. Once a provider had given consumers information about their pensions, it would inevitably prompt some customers to want to manage all of their pension funds in one place. Some saw this as a consumer-friendly business model that would help consumers to identify higher-charging pensions and to switch to better value products with lower charges and wider investment choice. However, it was also noted that people should not give up valuable guarantees.

Finally, cross-selling was also seen as a potential business model. This could involve selling to consumers linked long-term savings products such as ISAs and investments. For those close to or in retirement it could include annuities and equity release.

> *"For existing pension providers, they are looking after your money so providing a dashboard is an extension of that. The pensions dashboard will enable consumers to see what they have got elsewhere and that will help them to plan. I wouldn't need to charge you anything extra for that, it is just an extension of my normal service I already offer you. That is quite a simple model."*
>
> Pension provider

> *"There is also a business model based on reducing charges. Hopefully the dashboard could help identify horrendously high-charging contracts."*
>
> Guidance provider

> *"Introducing a customer into your space is valuable. At the moment you advertise or pay for search terms that is extremely expensive. If you provide something of value to a customer and that brings them into your site customers are not obligated to buy but are given the opportunity to buy. Dashboards could provide gentle nudges to increase savings or to consolidate savings, which will both benefit providers."*
>
> Pension provider

> *"Once people see their pensions they will want to consolidate them."*
>
> Fintech

IFAs and wealth managers are expected to operate and use pensions dashboards to provide advice and simplify administration

Pensions dashboards are likely to be operated and used by IFAs and wealth managers as part of their existing service to clients. Business models could emerge which allowed IFAs to white-label dashboards and provide them to their customers. This could help simplify administration for the advisers and was seen as a service that some advisers would want to pay for and provide to customers as part of any charge for ongoing advice.

> *"Some dashboards will be part of an existing service provided by an employer, wealth manager or IFA. There will be emerging digital advice propositions who will help people with £50 a month or £5,000 lump sums to invest in a pension."*
>
> Pension expert

Fintechs are expected to provide pensions dashboards that offer innovative digital pensions, new platforms and personal financial management

For the fintechs, the business model could be based on offering their own digitally-enabled pensions or promoting consolidation of pensions pots. Digital advice propositions are already emerging that would provide robo-advice to people with smaller amounts of money to invest than those who are able to access traditional IFAs. The business model for fintechs could also include inserting themselves into the process as an intermediary and providing lead generation and advertising for other products and pension schemes. In return they would receive commission based on the volume of business generated.

The fintech business model was also seen as being a personal financial management service that aggregated bank account data, pensions and other products onto multiple dashboards. Employers could also provide dashboards to their employees through employee benefit consultants. Similar services already exist, such as Aon Hewitt's Big Blue and Mercer's Harmonise services, which provide employees with their aggregated financial position, including non-pension products and bank account data. It also enables them to invest in an integrated ISA. The cost would be included in the total annual management charge for the product.

> *"Fintechs will want to offer comparison services via pensions dashboards and get commission on the sale."*
>
> Fintech

People are not expected to be willing to pay fees to access their data via pensions dashboards

All interviewees who expressed a view said that people were very unlikely to pay direct fees to access pensions dashboards – although there might be a role for free trials and freemium business models. If fees were charged, then the only people expected to use pensions dashboards dashboard would be those who were already engaged with their pensions. Comparison sites in other sectors such as insurance have not been able to sustain a business model that involves charging consumers fees. Many investment platforms do charge consumers fees, however the vast majority of these platforms only moved to charging them direct fees when required to do so through regulation.

> *"Consumers won't pay explicit fees. If we are talking about mobilising the mass market then they are not going to pay."*
>
> Fintech

> *"Consumers won't pay fees for a dashboard – it will have to be wrapped up in a product fee. I don't have a problem with providers receiving commission, but they should be clear about how they are getting their money. I would rather go onto a dashboard and see everybody's products rather than have it restricted."*
>
> Pension expert

There were widespread concerns about pensions dashboard providers having potential conflicts of interest

Many interviewees, including pension companies, expressed concern about the potential for bias which could stem from the business model of pensions dashboards. Concerns included people being encouraged to consolidate pensions when it is not appropriate, the sale of data, aggressive marketing or pushing inappropriate or risky products, and pension schemes using the dashboard to try and retain customers in poor value products. Sale of consumers' data was seen as a particularly risky business model. There was a concern that people would not realise that they could be consenting to have their data sold on to other companies when they signed up to use the dashboard.

> *"With cross-selling financial services to people aware of the need for them, those interpreting the data will be selling solutions based on that interpretation. The conflict is that these interpretations will be biased to the proposed solution."*
>
> Pension expert

> *"I would be very concerned if data was being sold on. There needs to be some sort of licensing scheme for all organisations accessing data in the central repository."*
>
> Pension provider

> *"We don't need that kind of commission-based selling or referral fees – that doesn't look like a good world to me. I don't think there is anything about that world which is beneficial to consumers."*
>
> Pension provider

There will be conflicts of interest in some business models that could lead to dashboards encouraging people to take the course of action that earns the dashboard the most money, rather than that which is in the best interests of the consumer. In extreme cases people could be encouraged by adverts alongside the dashboard to cash in their pensions to invest in other, risky products.

At the heart of these conflicts of interest will be commission-based and sales-based business models. As long as pensions dashboards do not provide regulated financial advice and a personal recommendation, dashboard providers will be able to receive commission for selling pensions, investments and annuities. They will also be able to receive commission for recommending and selling other financial products such as equity release, banking and debt products. They would also be able to receive commission for selling and advertising unregulated investments, such as overseas property, car parking spaces or stamps.

Commission-based business models can lead to problems such as bias towards particular products or providers which pay the most commission. People can also be misled that the service they are being provided with is free when in fact commission is being received. Commission-based business models have been the subject of regulatory intervention. The FCA banned financial advisers from receiving commission for recommending investment products.[68] Investment platforms have also been prohibited from receiving commission and instead have to charge consumers fees for the services provided.[69]

However, the CMA found that in some sectors commission-based business models could help people to access comparison services and to reduce barriers to entry and the cost of acquiring customers. This relied on there being effective competition between comparison services and consumers using multiple comparison services. It remains to be seen how effective competition will be in the market for pensions dashboards.

Recommendation 5: The Financial Conduct Authority (FCA) should review the business models of pensions dashboard providers as part of the authorisation process to remove conflicts of interest.

- The FCA should ensure that levels of commission are disclosed and pensions dashboard providers are prohibited from describing themselves as independent if they receive commission or are operated by a pension provider. In the longer term, the FCA could introduce rules for remuneration similar to those that exist for investment platforms, which limit the money they can receive from product providers and require the cost of the dashboard to be paid for by a charge disclosed to and agreed by the individual.
- The FCA should introduce restrictions on aggressive marketing on pensions dashboards. It should also prohibit the promotion of unregulated investments and any statements that encourage people to cash in their pensions to invest in other products.

Creating a government-backed non-commercial pensions dashboard that provides offline access

To enable people to use online versions of the pensions dashboard, they will need access to the internet, the skills to use it, motivation as to why it is a good thing and trust that nothing will go wrong. A significant number of people, particularly those who are older or vulnerable, may not have the access, skills, motivation or trust to use an online dashboard. If we are to maximise the potential of the dashboard then it is essential that offline access is available. Offline access is unlikely to be a priority for commercial providers of the dashboard, due to the additional cost involved so government should step in to guarantee a service that offers offline access.

Current levels of access to the internet and use of online financial services

In 2016, 86% of UK adults said that they have internet access at home via any device. This varies by age with more than 90% of adults aged under 55 having access, 87% of those aged 55-64, 77% of those aged 65-74 and just 45% of those aged over 75. 92% of those in managerial or administrative occupations have internet access, but this falls to 86% of skilled manual workers and 74% of semi or unskilled manual workers.[70]

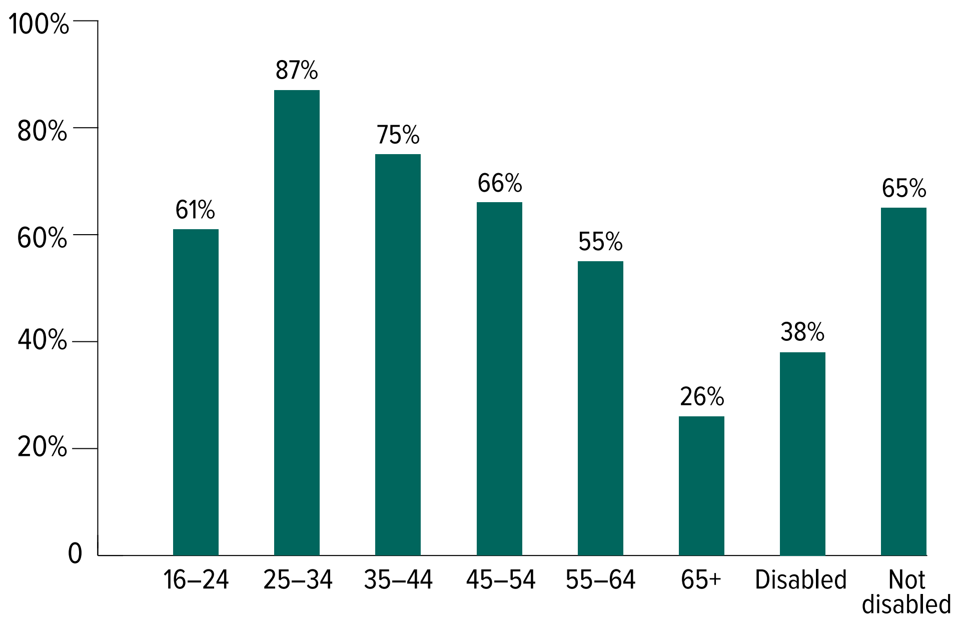
68 FSA (2010), Policy Statement 10/06, Distribution of retail investments: Delivering the RDR - feedback to CP09/18 and final rules

69 FCA (2013), Policy Statement 13/01, Payments to platform service providers and cash rebates from providers to consumers

70 OFCOM (2016), Communications markets report, Page 194,

Take-up of smartphones has continued to increase. Seven in ten adults (71%) now own a smartphone, up from 66% in 2015. Six in ten households (59%) have at least one tablet computer, a five percentage point increase between early 2016 and the previous year. Younger people are more likely to own smartphones, with 90% of those aged 16–24 owning one and 91% aged 25–34. This reduces to 83% of those aged 35–54 and 42% of those aged over 55.[71] Older people are also less likely to use internet or mobile banking or to use the internet to purchase other financial services such as insurance or credit.[72]

Figure 10: Internet banking usage in the last 12 months by age group and disability status, 2016 [73]



Mobile banking is popular, but many customers still prefer internet banking for larger or more complex transactions. While customers like the ease of checking their balance with an app on their phone or tablet, they often use a PC to transfer larger amounts of money or apply for a mortgage.[74] On average, mobile-banking users interact with their bank more frequently – up to three times more than people who bank online, and 20 times more than those who bank via their branch. But these interactions tend to be for short periods of time – also known as snacking – and for simpler tasks such as checking balances and paying bills.[75]

The pensions dashboard, particularly if it can be accessed via smartphones, is likely to have a similar effect of increasing people's interaction with their pension schemes. But to maximise the benefit this interaction will need to go beyond simple tasks such as checking pension balances and involve some form of transaction or other action.

71 Ibid, Page 191
72 ONS (2016) Dataset: Internet Access – households and individuals, Table 23
73 ONS (2016) Dataset: Internet Access – households and individuals, Tables 7 and 8
74 BBA (2014), The Way We Bank Now, Page 3
75 FCA (2014), TR14/15 Mobile banking and mobile payments

The government should guarantee offline and telephone access to a pensions dashboard

Many interviewees, particularly those from consumer organisations and guidance providers saw offline and telephone access as important. The following were suggested as potential offline mechanisms for accessing the dashboard:

- Pension Wise telephone helpline and face-to-face appointments
- IFAs
- employers
- the government's new single financial guidance body (SFGB); and
- a government telephone number or postal address, like that used to access state pension forecasts.

> *"For inclusivity, offline access needs to be available, which could be done during a pension guidance session with an output document."*
>
> Guidance provider

> *"I suspect that providing an offline dashboard, with all the cost implications, isn't something that most commercial providers would want to do and would not be an attractive model."*
>
> Pension provider

> *"By the time the dashboard will be fully live, it will be 2023 or 2024 as it will take a lot longer than anticipated. A lot of customers in their fifties will have access as everyone is on mobiles and tablets – so as long as there is a good user experience. There is too much cost associated with offline access."*
>
> Fintech

> *"It is moderately important that people have offline access. There are a fair number of people who don't use the internet. Face to face services would be very expensive but telephone services would work well."*
>
> Guidance provider

> *"Pension Wise should say: I can login to your dashboard for you and give you the information and you can also do it yourself."*
>
> Pension expert

> *"I still come across a number of people who haven't got a computer. There has to be some alternative means of getting the information such as phoning up and getting it printed and sent to you."*
>
> Guidance provider

People want a centrally accessible, consumer-facing dashboard that is free from commercial pressures and is linked to and sponsored by the government.[76] The new SFGB is being given a specific function to "provide, to members of the public, information and guidance on matters relating to occupational and personal pensions".[77] In exercising this function the SFGB also has to have regard to the need to support the provision of information, guidance and advice in areas where it is lacking and to ensure that information, guidance and advice is available to those most in need of it.

Providing a pensions dashboard is also a natural complement to the current activities of MAS, the impartial information, guidance and planning tools

76 ABI (2017), Pensions dashboard Project: Reconnecting People With Their Pensions

77 Financial Guidance and Claims Bill [HL], Part 1, Financial Guidance

provided by TPAS and the impartial guidance sessions provided by Pension Wise. These three services will all be merged into the SFGB and the provision of a pensions dashboard as part of these services could improve their usefulness to consumers. These services, functions and objectives mean that the SFGB is the natural home for a non-commercial version of the pensions dashboard and for this version to include offline access.

Recommendation 6: The government's new single financial guidance body should develop and host a non-commercial pensions dashboard and provide offline access through Pension Wise appointments and over the phone for consumers who are digitally excluded.

5. Establishing an independent body to govern the pensions dashboard initiative

The timely and successful implementation of the pensions dashboard could have significant benefits to consumers. A prototype has been developed, but there will be a significant amount of further work necessary to ensure that the government's target date for implementation is met. So far, the Association of British Insurers (ABI) has managed a process of consumer research alongside an examination of the costs and benefits and further development of the data standards necessary to deliver the service.[78] In October 2017 the Pensions Minister announced that the Department for Work and Pensions (DWP) will take forward the development of the pensions dashboard.[79]

There were various models discussed with interviewees for how the project could be governed:

- continuing with the current coalition of the willing, managed by an industry group;
- establishing an independent entity or project board, with representatives from all of the groups involved alongside representatives from consumer group and fintechs; and
- for responsibility to be given to the government's Money Advice Service (MAS), or its replacement the single financial guidance body (SFGB).

Overall, the consensus from interviewees was that the best option was for a new independent entity to be established. This would be responsible for agreeing standards for data, conducting consumer testing and encouraging all pension schemes to participate until legislation could be introduced. It was seen as important for the implementation entity to include representation from advisers, consumer groups and fintechs. Government and regulators would need to oversee the progress this body was making and would be able to intervene if there was insufficient progress.

> *"It should be a new body or maybe even more than one body. One body would run, oversee and develop the technology and another would oversee the governance process. Bacs was owned by the banks and therefore set data standards and IT procurement. Funnily enough you got data standards which suited the banks and you never really had a true open market solution. We should learn from that mistake of*

78 ABI (2017), Pensions dashboard Project: Reconnecting People With Their Pensions

79 The Times, October 19th 2017, Guy Opperman: Time has Come to Join Online Pensions Revolution

allowing payment services to develop as a cartel. We must not allow the technology for the dashboard to develop into a cartel."

Pension provider

"The government needs to make sure that it happens. They have to set the rules they need to see it through. Without their input it will be difficult to keep it moving as people do have day jobs and for many the dashboard is not going to create additional business. Having an independent body overseeing the dashboard is important."

Pension expert

"It shouldn't be run as an initiative by a group of insurers."

Pension provider

"There should be a completely independent governance board, which is constituted to run the pensions dashboard project going forward. The single financial guidance body could run the secretariat for an independent board."

Guidance provider

"The role of the steering committee should be to set the direction and make decisions. It could identify key questions that could then be answered by groups of industry experts. An inclusive approach should be taken to set the direction for the project rather than trying to impose it with limited consultation. There could be a 50:50 mix between large providers and third parties including consumer groups."

Fintech

"There needs to be a lot more consumer organisation involvement in the dashboard project. The industry needs to be given a deadline to deliver the dashboard."

IFA

"We should look to set up a special purpose governance body to take the project forward."

Pension provider

"The project didn't really take into account the views of consumer groups. There was only one stakeholder event and it didn't have any real influence."

Guidance provider

There was also the question about who should pay to establish and operate the new organisation. An industry levy or voluntary contributions were suggested. For one interviewee, pensions dashboards were analogous to online banking so the pension providers should bear the cost of developing them. It was also noted that: 'it would take a lot of costs out of their business. Indirectly we all pay for online banking, but it comes out of what we pay our banks.' Others thought that the government should pay some of the development costs. Industry representatives acknowledged that the pension industry should pay the majority of the costs, but also said that contributions should be made by fintechs and others accessing the data.

"It is very clear, the pension providers should pay the vast majority of the costs. It would take a lot of costs out of their business. Indirectly we all pay for online banking, but it comes out of what we pay our

> *banks. People accessing the data shouldn't pay. If pension providers get away with saying the people using data will pay, this is a way of constraining consumers' access to data/information. I don't like that at all. Dashboards are equivalent to open banking: consumers don't have to pay for open banking data so why should consumers have to pay for dashboard data?"*
>
> Pension expert

> *"True innovation won't come from the mainstream providers. Instead it will come from companies like Nutmeg and Scalable Capital, but they don't have deep enough pockets to fund an industry project. It should be a government initiative, not one led by the private sector. It didn't cost the Dutch government buckets to develop a pensions dashboard. Government needs to set standards and tell industry to do it within 2-3 years. It is probably worth it to give everyone in the UK a comfortable retirement."*
>
> Fintech

In other sectors, a specific independent body has been established to discuss and agree the technical standards necessary to enable consumers to share their data. In the banking sector the CMA required the major banks to establish and fund an open banking implementation entity. This is led by an independent trustee, and its steering committee contains representatives from the major banks as well as independent members, including two customer representatives (one consumer and one small business). The appointment of the independent trustee was approved by the CMA.

The government must take overall responsibility for ensuring that a pensions dashboard is implemented. It will need to set a clear timetable and ensure that appropriate industry and consumer expertise is involved in setting and developing the standards necessary for the dashboard. Most importantly, decisions about the development of the dashboard will need to be taken in the best interests of consumers.

Recommendation 7: The government should establish an independent body to govern the pensions dashboard initiative that is responsible for overseeing its introduction by 2019 and future development.

- The new body should have an independent chair and representatives from industry, consumer groups, fintech, regulators and government to implement the dashboard by 2019.
- It should also develop a long-term vision for the future expansion of the pensions dashboard initiative and develop clear criteria for evaluating outcomes.

6. The comprehensive information that people should see on pensions dashboards

The pensions dashboard prototype proposed by the industry-led project group only contains basic information, such as the location of an individual's pensions and their values. While this will help people find out where their pensions are, it is unlikely to help them make decisions or lead to the improvements in engagement and competition that is required in the current environment where the burden of pension choices falls on the individual.

The government should require pension schemes to make comprehensive information available to the pensions dashboard from 2019, which includes the value and location of pensions, current contributions, projections of values to a chosen retirement date, details/flag of guarantees and extra benefits, investment/fund holdings, default investment strategy, charges, services offered and the availability of employer matching contributions. The information on the dashboard will need to be expanded further in the future if people are to make decisions about where to make additional contributions, whether to consolidate their pensions, investment choices, how to access their pensions under the new freedoms and how to shop around for annuities and income drawdown. The independent pensions dashboard implementation body should develop a clear timetable for pension schemes to make more comprehensive information available to the dashboard.

People could be entitled to valuable guarantees and extra benefits in some of their pension schemes. While a flag identifying that guarantees exist is absolutely essential, full details of the guarantees, together with an indication of their potential value would be more helpful to promote understanding and awareness of these guarantees and extra benefits amongst consumers and their advisers. People can currently request a quote for the amount of money they would receive if they gave up the guaranteed income they would receive in a defined benefit (DB) scheme. The number of people transferring out of DB schemes has increased and the Financial Conduct Authority (FCA) has issued a warning about the quality of advice consumers are receiving.

In their annual pension statements consumers are given a projection of the potential income they might receive in retirement. This is currently based on a series of assumptions but different schemes can use different projection rates for the investment returns from the same funds, which could lead to confusion or inappropriate decisions. Alongside charges, it is important that people are provided with information about the services available from their pension scheme and an indication of the quality of service. But for these to be useful to consumers they will need to be reliable, rigorous and comparable between different schemes.

What information do people need to engage with their pensions and take beneficial actions, and can the industry achieve this?

This research examined the information that needs to be available to help consumers make decisions during the two main phases of pension provision:

- **Accumulation**: The accumulation phase involves saving and growing assets for use in later life. Individuals and their employers can contribute to different types of pension schemes, including DB schemes, defined contribution (DC) schemes and hybrid schemes.
- **Retirement income**: The retirement income, or decumulation, phase generally involves converting the assets held in DC pensions into income before or at retirement. Following the pension freedoms, members of DC schemes have a range of ways to do this, including fully withdrawing the pension pot, taking out a lump sum, buying an annuity or investing in a flexi-access drawdown product. DB scheme members in contrast are automatically provided an income by their pension scheme, unless they transfer to a DC scheme.

Views of different constituencies on the level of information that should be provided on the dashboard

Consumer representatives, IFAs and fintechs generally supported comprehensive information being available but some industry representatives were more cautious about making certain information available, such as charges, at least in the short term. Interviewees also suggested a number of pieces of information that should be included on pensions dashboards, including that held by pension schemes and that held elsewhere (see Appendix 2).

IFAs, fintechs, consumer representatives and pension experts supported pensions dashboards showing more comprehensive information

IFAs and fintechs were more likely to argue for comprehensive information to be made available on pensions dashboards. IFAs noted the complexity of taking decisions about pensions, and that if key pieces of information were missing, then people risked making the wrong decision. Fintechs wanted the dashboard to contain comprehensive information so that they could use it to provide analysis, insight and useful services to the customer. For many fintechs the benefit of the pensions dashboard lay in digitalising pensions data, setting clear data standards and improving access to this data.

Consumer and pension experts and guidance providers also supported comprehensive information, though some who were closer to the project acknowledged that the dashboard needed to start with a certain level of information and then expand and develop over time. It was also seen as important that people were not overwhelmed with information when using a dashboard.

Reasons given by those supporting comprehensive information on the dashboard included:

- Information on pensions values and their locations would be a big step forward, but probably not sufficient to prompt consumers to take action.
- Excluding vital pieces of information such as detail about guarantees and the availability of employer contributions could lead people to make the wrong decision and suffer detriment.
- People have a right to know how much they are paying for their pension and how it is performing. If this information was excluded from the dashboard then this would fuel mistrust.
- Excluding information would mean that those providing advice and guidance would have to seek further information before offering these services or tell the person to go and find further information.

> *"The dashboard should include all the information which is currently publicly available to consumers via their annual pension statements. For deeper engagement, things like risk profiles, fund structures and asset allocation are required. Consumers could then see this information on sophisticated portals which would take the information on the dashboard and conduct further analysis."*
>
> Guidance provider

> *"Performance data needs to be included to show how the pension has been performing in the past. People want to know: how much did it cost me? Cost is such a hidden factor at the moment. People should be told: this is what you have paid to this company to manage this pension."*
>
> Fintech

> *"If people are to consolidate, they have to understand charges and be told how much they are being charged in each pension. Without that information, presented in a standardised way, how can they take informed decisions?"*
>
> Guidance provider

Pension providers argued for less information to be shown on pensions dashboards

The pension providers that were interviewed for the research argued that less information was needed on the dashboard than other interviewees. Pension providers raised a number of concerns with including more information, including that:

- Many pension scheme providers might be unable to provide more detailed information, particularly the occupational DC sector or DB schemes.
- Providing more detailed information would not be possible in the short term and would delay the project: 'walk before you can run' or 'aim for something realistic on day one' were common refrains.
- They did not want to provide information in isolation: 'if you include charges then people will think it is all about the charges'. They also argued that there would need to be information about service levels and investment performance that would not be possible within the initial timescale of the project.
- People might make the wrong decision, for example if they were provided with the transfer value from a DB scheme or were provided with information about charges.

• It is not necessary for the dashboard to fulfil its aim. For them, the dashboard was about telling people how much they have and where to find it.
• Unregulated dashboard providers might gain access to consumers' information, which could lead to data leaks, the potential for selling inappropriate products, fraud or pension scams, data harvesting and unauthorised marketing.

> *"In the long term we should include as much information as possible. In the short term we have to restrict the information that is provided. On day one, information should include: fund values for DC schemes, current deferred pension for DB schemes and some note as to whether the DB accrual is ongoing or for DC schemes whether it has current contributions being made into it."*
>
> Pension provider

> *"I think we should walk before we can run and crawl before we can walk."*
>
> Pension provider

> *"I don't see information on charges and investment choice as necessary. I don't know what it tells people."*
>
> Pension provider

> *"This is a doubled-edged sword. If you simply put data about charges on there you will inevitably focus consumer attention onto 'it's about the charges and nothing else'. I would be very uncomfortable with just putting charges up there in isolation. If you are going to broaden the information on the dashboard to include charges it would have to be framed and presented in such a way so that it didn't crowd out other considerations as to the relative merits of different pensions, such as investment choices and performance"*
>
> Pension provider

Information required before people make decisions or actions

Providing information to consumers is aimed at helping to improve engagement with pensions and helping them make decisions that are beneficial to their prospects of securing a comfortable retirement. During the interviews, discussion frequently turned to what the users of the dashboard would need to know before making specific decisions or taking action about their pensions.

Figure 11 is based on discussions with a number of the interviewees and highlights that the basic information included on the prototype will only help people answer the basic question of where their pensions are and how much they are worth. It also highlights that the current prototype contains fewer pieces of information than would currently be found on a typical pension statement.

Although all interviewees agreed that the limited information offered by the existing prototype would provide a valuable service to people, as it would improve financial knowledge, it would not be helpful for those wanting to make decisions and take action. The prototype contains fewer pieces of information than would currently be found on a typical pension statement. The basic information would enable people to understand where their pensions are and how much they are worth but will not lead to the dramatic improvements in engagement we need in the current environment where the burden of pensions choices falls on the individual.

Figure 11: What the pensions dashboard prototype enables consumers to do compared to existing written pension statements and what a more comprehensive pensions dashboard could enable

	TYPE OF DECISION			
	THE PENSIONS DASHBOARD PROTOTYPE	CURRENT WRITTEN PENSION STATEMENTS	A MORE COMPREHENSIVE PENSIONS DASHBOARD	
INFORMATION	Basic information (Prototype): Where are my pensions and how much might I have at retirement?	Pension Statements: Information typically contained in pension statements	Bridging the gap: Where should I make additional contributions?	All in one place: Should I transfer or consolidate my pensions?
Value of assets in DC	X	X	X	X
DB entitlement	X	X	X	X
Past contributions/membership dates	X	X	X	X
Current contributions	X	X	X	X
Forward projection of pension values/income at retirement	X	X	X	X
Guarantee flag	X	Potentially	X	X
Company/provider details	X	X	X	X
Charges/costs		X	X	X
Services available/service ratings		Services available only	X	X
Availability of employer matching contributions			X	X
Availability of buying extra income in DB			X	X
Fund holdings and asset classes		X	X	X
Past performance and likely future performance		Performance in last year	X	X
Default investment strategy			X	X
Contribution limits/lifetime allowance			X	
Payment of commission/fees to intermediaries			X	X
Comprehensive info about guarantees			X	X
Life insurance/death in service benefits			X	X
DB summary funding statement				X
DB cash equivalent transfer values				X
Options for deferring state pension				
Amount of income payable from DB/ purchased annuities				
Guaranteed annuity rates – terms and rates				
Scheme-specific annuity rates				
Amount of DC pension which has been accessed and the type of access				
Whether they have used the new pensions advice allowance				
Forward projection of how long the DC fund will last based on decided level of withdrawals				
Tax position and tax which has been paid on state/DB/DC pension income				
Other financial assets such as ISAs, cash savings, long-term investments and debt				

Figure 11 (continued): What the pensions dashboard prototype enables consumers to do compared to existing written pension statements and what a more comprehensive pensions dashboard could enable

	TYPE OF DECISION		
	A MORE COMPREHENSIVE PENSIONS DASHBOARD		
INFORMATION	Investment choice: How are my investments doing and should I switch them?	Retirement income: How should I access my pension?	Shopping around: How do I shop around for annuities and income drawdown?
Value of assets in DC	X	X	X
DB entitlement	X	X	X
Past contributions/membership dates			
Current contributions	X	X	X
Forward projection of value of pension values/income at retirement	X	X	X
Guarantee flag	X	X	X
Company/provider details	X	X	X
Charges/costs	X	X	X
Services available/service ratings	X	X	X
Availability of employer matching contributions			
Availability of buying extra income in DB	X	X	X
Fund holdings/asset classes	X	X	X
Past performance and likely future performance	X	X	X
Default investment strategy	X	X	X
Contribution limits/lifetime allowance		X	
Payment of commission/fees to intermediaries	X	X	X
Comprehensive info about guarantees	X	X	X
Life insurance/death in service benefits		X	X
DB summary funding statement		X	X
DB cash equivalent transfer values		X	X
Options for deferring state pension		X	X
Amount of income payable from DB/purchased annuities		X	X
Guaranteed annuity rates – terms and rates		X	X
Scheme-specific annuity rates		X	X
Amount of DC pension which has been accessed and the type of access		X	X
Whether they have used the new pensions advice allowance		X	X
Forward projection of how long the DC fund will last based on decided level of withdrawals		X	X
Tax position and tax which has been paid on state/DB/DC pension income		X	X
Other financial assets such as ISAs, cash savings, long-term investments and debt		X	

Unless further information was easy to find and understand, there is a risk of people becoming disengaged, thinking the whole process was too difficult and taking no action, or making a potentially inappropriate decision, such as paying into a high-charging scheme, missing out on employer-matching contributions, surrendering valuable guarantees or withdrawing their entire pension as a lump sum. The information on the dashboard will need to be expanded further if people are to make decisions about where to make additional contributions, whether to consolidate their pensions, investment choices, how to access their pensions under the new freedoms and how to shop around for annuities and income drawdown.

Pensions dashboards should make people aware of any entitlements they have to guarantees or extra benefits

Older pension schemes can come with valuable guarantees that people would want to take into account when considering whether to transfer their pension schemes or how to access them. The most common form of guarantee is a guaranteed annuity rate (GAR), which means the individual has a certain minimum rate that they can use to buy an annuity. The audit of charges in legacy pension schemes found that 56% of pensions invested in traditional with-profits funds [80] had guaranteed annuity rates in excess of 8%.[81] An 8% annuity rate would pay-out more than 47% more income than the current best rate available in the open market for a 65 year old.[82] Other common forms of guarantees on with-profits funds could include that a certain value of the fund or future growth rate of the fund is guaranteed, even if markets perform poorly.

The introduction of the pension freedoms has meant that fewer people are taking advantage of the GARs that have been offered. Of the pensions accessed between April 2016 and June 2016 with GARs, just over half of consumers failed to take up the guarantee.[83] Some people might choose to give up a GAR in order to withdraw a lump sum from their pension and all those with a fund of over £30,000 have to take advice before accessing a pension with a guarantee. However, some people might be making significant losses by giving up these guarantees. There are also pension schemes with valuable extra benefits.[84] These could include life insurance, which could pay out a lump sum or a multiple of an individual's salary. There may also be entitlement to payments from surplus assets in with-profits funds.

Interviewees believed that it was important for the dashboard to include information about guarantees:

> *"It's perfectly possible for most of the industry to put a flag on guarantees. However, I don't know whether the whole industry will be able to give what the actual guarantee is – some have a guarantee that is only available at different ages so it might be quite hard to pull this out. It might not be recorded in the systems in the right way. When you process a retirement like that with a guarantee the insurance company would have to pull up written information stored on microfilm records. Live digital information about guarantees might not be made available across the industry."*
>
> Pension provider

80 With profits investment funds seek to smooth out the ups and downs of the investment markets. A with profits fund invests in a range of different assets and usually contain some form of guarantee

81 OFT (2014) Defined contribution workplace pensions: The audit of charges and benefits in legacy schemes, page 61 https://www.fca.org.uk/publication/research/defined-contribution-workplace-pensions-ipb.pdf

82 Hargreaves Lansdown indicate that the best available annuity rate for a healthy 65 year old was 5.38% as at 9th November 2017

83 53% of pensions with GARs were not taken up during April to September, compared with 61% during January to March 2016, https://www.fca.org.uk/publication/data/data-bulletin-issue-8.pdf

84 A list of the possible types of extra benefits found in research and suggested by interviewees is displayed in the annex

> *"People don't appreciate the value of guaranteed annuity rates and you can quite easily see people giving them up even if they were paying out at double-digit rates. There needs to be a red star on the dashboard highlighting that this pension carries valuable benefits which you should not give up without regulated advice."*
>
> Pension provider

> *"Guarantees are always hard to find on information provided by schemes. The first thing you need to do is find out if there are guarantees."*
>
> Guidance provider

> *"Some pension schemes will also have death benefits, particularly some DB schemes which have valuable death benefits. These should be flagged. Other pension schemes have good ill-health or early retirement options."*
>
> IFA

There are some categories of guarantees where it is normally advantageous for individuals to keep and utilise. Many GARs will be far above where most people can get from the current open market. Unless people have serious medical or lifestyle issues then the GARs are also likely to be above where annuity rates will return to when interest rates return to more normal levels.

The value of other types of guarantees are more difficult to determine and understand. Their inherent value will also depend on the underlying investments in the funds. For example, a guarantee of a certain minimum growth rate is more valuable in a fund invested in equities than one invested in bonds.[85] The existing accumulated returns from the pension fund might also already be above the minimum guaranteed level.

People could be entitled to valuable guarantees and extra benefits in some of their pension schemes. While a flag identifying that guarantees exist is absolutely essential, full details of the guarantees, together with an indication of their potential value would be more helpful to promote understanding and awareness of these guarantees and extra benefits among individuals and their advisers.

Cash equivalent transfer values for DB pension schemes

People in DB pension schemes who choose to transfer out are offered a payment known as a cash equivalent transfer value (CETV) in exchange for giving up their entitlement to the DB pension. CETVs can be significant. For example, an entitlement to a £5,000 a year income at age 65 could have a transfer value of over £100,000.[86] DB pension schemes are required to provide a transfer value following a request from a member but are not required to communicate the possible transfer value on annual statements.

The majority of interviewees thought that it was not necessary to include DB transfer values on pensions dashboards. This was mainly due to the complexities for DB schemes of calculating potential transfer values and

85 For example, a guarantee that you will get a minimum growth rate of 3.5% is more valuable if you also have a good chance of getting more due to the fund holding higher risk investments. If you have a minimum growth rate of 3.5% and due to the investments in the fund you have no chance of getting more than 3.5% then that is less valuable.

86 Telegraph (2016), Calculator – Final Salary Pension Valuation

concerns that it could encourage consumers to transfer out of DB schemes and give up valuable secure income. Others thought that the dashboard could show an indicative transfer value for DB schemes, but that this should be voluntary and should not be shown on pensions dashboards from day one.

> *"Although the option to take a CETV is there it should not be shoved in people's faces. I am really concerned about the advice that a lot of people are getting. Giving CETVs is just a step too far. The actual cost to pension schemes of providing updated CETVs in real-time would be huge."*
>
> Pension expert

> *"For DB, I would argue in favour of an income statement rather than a capital value because I have a particular concern at the moment around the volume of transfer activity going on and the potential for consumer detriment. I recognise the counter argument that consumers have a right to a transfer value and that the visibility of that transfer value could be useful to them in their decision-making processes. The current risk of it acting as a flag, as an inducement, as a lure to sacrifice valuable guarantees outweighs any potential benefit at this particular moment in time."*
>
> Pension provider

> *"I would like to see an indicative DB transfer value, but it probably can't be exact….With some DB schemes with online access you can get an indicative transfer value on a daily basis. These are helpful if consumers are going to make decisions about whether or not it is a good point to transfer. Part of the DB industry is already digitalised in that way and so are able to provide it."*
>
> Pension provider

The number of DB transfers has increased following the introduction of the pension freedoms. The FCA published an alert in January 2017 after seeing a number of cases of people being given advice to transfer out of DB schemes, some of which were cases of poor advice. These cases generated concerns about adviser behaviour, whereby people had given up valuable pension benefits which would probably lead to reduced levels of later-life income. The FCA is currently consulting on improving the regulation around advice on DB transfers, but it will take time to determine whether this will be effective in driving up standards.[87]

Projections of retirement income should be consistent

A key element of the dashboard will be to provide people with some form of projection of the possible income that would be available to them at retirement. Annual statements provided to people with DC pensions already contain a projection of the possible income in retirement. However, there are no clear rules concerning projections for DB pension schemes. DB statements typically contain the current entitlement, but not a forward projection to a future retirement date.

87 FCA (2017), CP 17/16, Advising on Pension Transfers

Guidance and rules exist for projections for DC pensions but allow variations in the assumptions used by pension schemes

For DC pensions, the preparation of a projection of income in retirement – known as a statutory money purchase illustration (SMPI) – is governed by guidance produced by the Financial Reporting Council (FRC) and FCA rules.[88] The projection can be given to the individual when they buy or join a pension and is included in each annual statement. These projections are used to give some indication of what income their pension might generate in retirement but are not a promise of future value or intended as a tool to compare the merits of different pension schemes.[89] Different pension schemes describe the SMPI projection in different ways. For example, NEST and Railways Pensions use the following ways to describe the SMPI:

> NEST: *"When we talk about what your retirement pot may be worth in the future, we use a statutory money purchase illustration (SMPI). It's something we're required to provide by law, but it's also a useful way of telling you how we expect your retirement pot to grow in the years ahead."* [90]

> Railways Pensions: *"Your Statutory Money Purchase Illustration, or SMPI, is an annual illustration of your future pension – in current monetary terms – that may be payable on retirement from your fund, as well as your projected fund value at that point… However, as this is an illustration and is based on assumptions, it is not guaranteed."* [91]

The FRC guidance governs the assumptions used for future contributions, investment returns, inflation and the annuity rate. The guidance standardises some assumptions such as future expected inflation. For others such as annuity rates, it allows schemes to only depart from certain assumptions if they have actual data. For example, schemes must assume that a female spouse is three years younger than her male husband unless the individual provides data about their spouse's age. Contributions can be assumed to continue at current levels and if contributions are expressed as a percentage of salary then the projection should assume that earnings grow at 2.5% per year. If the consumer has a GAR then an additional projection should be provided showing the impact of this guarantee.

The FRC guidance requires that the assumption used about the returns on the investments in the pension must "take account of the expected returns from the current and anticipated future investment strategy of the member's funds over the period to the retirement date." [92] 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 funds or assets.

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88 Financial Reporting Council (2016), AS TM1: Statutory Money Purchase Illustrations
FCA Handbook, COBS 13, Annex 2: Projections

89 MoneyMarketing (2017), Where the industry is going wrong on pension projections

90 NEST (2017), Statutory money purchase illustration (SMPI) assumptions

91 Railways Pensions (2017), A guide for members on SMPI

92 Financial Reporting Council (2016), AS TM1: Statutory Money Purchase Illustrations Para C2.3

Actual charges levied by the pension provider and any other expenses or deductions should be taken off the investment return.

Pensions dashboards will show projections for different pension schemes in one place for the first time, so standardisation of projections becomes even more important

Interviewees had a variety of concerns about the current system of projections and suggested that it needed to be reformed and standardised:

> *"People don't understand SMPI illustrations. They need to be improved. SMPIs generally create customer confusion and incorrect customer assumptions."*
>
> Guidance provider

> *"I worry that people will act off the back of inconsistent projections. There needs to be standardised projection rates for the dashboard. We don't want consumers seeing different projections on the dashboard compared to their statement or different projections on two different dashboards. Projections could be standardised by the core dashboard governance body."*
>
> Guidance provider

> *"The current system for SMPI and new business illustrations is a complete mess. We are trying to give people a rough idea, but we have basically over-engineered it. We need to have a standard set of assumptions across the whole industry with the only difference being the charges. Saying that, the projection must take into account underlying investments. At the moment, insurance companies will take a view on potential returns from the assets in the fund but a different insurance company might use different projection rates for the same fund (because they have made different assumptions about the underlying asset class return). Insurance companies might take different views. It is a bit of a dog's breakfast that you can have different projection rates for the same fund. That means that the consumer is not going to get a decent comparison of charge levels. We should really go for a standardised basis."*
>
> *Pension provider*

> *"Any projection forward to retirement at a certain date needs to be on a proscribed and consistent basis."*
>
> Pension provider

> *"Forward projections are very difficult. It is very hard for consumers to really relate to it and it has the confusing impact of inflation as well – the thing about today's prices. A lot of clients say that they have just read their standard illustration and that there are adjustments into today's terms and the clients don't understand that so they think it is all very low and pathetic. And so in a way you almost need both figures – the actual figure and today's terms. You could deliver it using a chart or graphic."*
>
> IFA

The projections that people currently receive in the statements for their various pension schemes will be received at different times of the year and typically will not be compared alongside each other, as each pension scheme separately sends its own statement. The projections received on paper statements are also not interactive, so people cannot easily see the impact of making additional contributions, changing investments or switching pensions.

Projections received by those using the dashboard will be different. They will be displayed in a list on the dashboard, and people could be provided with calculators showing the impact of making additional contributions or switching between different pensions. Different pension schemes could use different growth rates for investments. Under the current arrangements even if one pension scheme has higher charges it could show a better projection than another, simply because the scheme is more optimistic about the returns that could be generated. Different pension schemes can use different projection rates for the same funds, which could lead to confusion or inappropriate decisions.

Pensions dashboards should include information about the quality and range of services available from pension schemes

There are a number of other elements regarding the quality of pension schemes that people should be told about when using the dashboard. Which? research has found that people have little idea of how to judge whether a pension scheme is of good or bad quality. Although they assumed that there were some quality standards which applied to pension schemes, no one in the focus groups that Which? conducted knew what they were or what elements of pensions they might address.[93]

Interviewees for this research noted that the services offered by different pension schemes and the quality of service could vary. Some pension schemes allowed people to take advantage of the full range of pension freedoms in the way they accessed their pension whereas others only offered restricted options. Some pension schemes offered full online access or a smartphone app, which individuals could use to access information about their pensions and take action. In addition there was said to be differing customer service standards in different schemes. Quality standards could also include factors such as governance of the scheme and who within the scheme is responsible for ensuring that it is run in the best interests of scheme members.

> *"Particularly if there was just a single dashboard, if you didn't build in the full spectrum of the characteristics of what a pension looks like down to things, such as the quality of consumer access through the website and the helpdesk and a lot of the soft characteristics which contribute to the user experience and the value of the product, then you just make it about charges. The cheapest is not necessarily the best. It always sounds very fluffy and an industry excuse about getting away with high charges until you have spoken to someone who has been on hold for 45 minutes and trying to get through to talk to someone about their pension."*
>
> Pension provider

> *"Service quality metrics could also be displayed and be made available through APIs."*
>
> Fintech

93 Which? (2013), Understanding Pensions and Auto-enrolment, Focus Groups

Alongside charges it is important that people are provided with information about the services available from their pension scheme, the quality standards it meets and an indication of the quality of service available from the pension scheme. But for these to be useful to everyone they will need to be reliable, rigorous and comparable between different schemes.

Pensions dashboards should be enabled to provide a range of services

Pensions dashboards could benefit consumers by helping them engage with their pensions, provide new insights that help them to 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: aggregation, analysis, monitoring, recommendations, transactions and automation. Dashboards could also be used to encourage people to access sources of guidance and advice and improve the efficiency of these processes.

New services potentially offered through pensions dashboards

Aggregation – enabling people to see all of their pensions and other financial products in one place

This is the simplest form of service that would be provided through a pensions dashboard and would enable an individual to see all of their pensions in one place through using a single password and personal identifier. This is a passive service, since people can see the details of their pensions, but would have to go elsewhere to take action.

Analysis – providing a series of tools and calculators that people could use to analyse their pensions

Alongside aggregation, pensions dashboards could offer a series of calculators and tools to enable people to analyse their existing pension savings and their options for the actions they could take. The pension data would be transferred directly into these tools – avoiding the need for people to enter significant amounts of data to do the modelling. Having consistent data standards would also allow app developers easier access to pension data and make it easier for apps to be developed offering analysis tools. There could even be an app store developed on the sites of dashboard providers and pension schemes that would allow external developers to offer their own apps.[94]

Interviewees thought that analysis tools available through the dashboard could include:

- 'What if?' tools showing the impact of making additional pension contributions, taking into account of tax relief and employer matching contributions.
- Analysis of how much consumers could benefit by topping up their state pension by paying additional national insurance contributions.
- Providing a combined picture of their asset allocation across all of their pensions and the probability of their pension reaching a certain value at retirement.

94 New City Agenda (2014), French bank Credit Agricole allows external app developers to offer apps to its customers

- Costs and charges calculators estimating the total savings people could achieve from switching pensions.
- 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 about how much their annual income will be once the DC pot has run out.
- For those purchasing annuities, the dashboard could illustrate the best annuity rate from the open market or highlight how much they could gain by shopping around or purchasing an enhanced annuity due to their medical or lifestyle issues.
- A tool to help those shopping around for income drawdown; although it was noted by some that charges, investment performance and investment volatility were important and these were complex elements to display in a comparison tool.

> *"When you build in tools – modelling things like life expectancy, cashflow, income withdrawal and investment strategy – you need to work out ways to provide that information to people who may not be financially literate. All of that is a work in progress – and I don't think anyone has all the answers."*
>
> Pension provider

> *"At the moment an app provider has to integrate with each provider separately. Each provider has different codes and data standards. This makes it very difficult for app owners to integrate with pension providers. Imagine if you have to do that 30 times for each app you build. If there was a dashboard solution then it would make it easier for the people developing and using apps."*
>
> *IFA*

> *"Consumers should receive individually underwritten annuity quotations instead of generic ones. These should illustrate the best annuity rate available across the open market, and reflect their individual health circumstances and relevant lifestyle factors. There are simple ways of ensuring these factors are considered and they should be incorporated as a norm. Unless quotations are individually underwritten, consumers won't know the best available guaranteed income option and may assume that their current provider offers the best deal when it doesn't."*
>
> Pension provider

> *"How much guaranteed income do you want? Well, this is how much is it going to cost you. How much do you have left over after that? What are you going to do with that money? We need to walk people through those sorts of decision-making processes."*
>
> Pension provider

> *"What you are going to give up if you are going to take money out? The problem with existing modelling tools is that you have to input all the information and that is quite onerous. People mean to find out the information and put it in but never quite do. These tools could help you choose what sort of retirement you want and the expenditure you will need."*
>
> Pension expert

> *"A dashboard would be very welcome, but if it just tells people where they are then it may be of limited benefit. There needs to be additional, impartial support to help people understand their options and how to plan for their needs in retirement. This should also include warnings of the real risk posed to consumers by scams and fraudsters."*
>
> Pension provider

Monitoring – to highlight when certain trigger points are reached or when market developments mean that a better deal is available elsewhere

This could include highlighting to people the total amount they had paid into their pension in the past year, and how much they have benefited from tax relief and matching employer contributions – including if additional matching contributions are available. By linking to open banking data, pensions dashboards could use an increase in wages, the receipt of a bonus or inheritance, or the build-up of significant balances in a savings account to suggest that the consumer might consider paying more into their pension. While in retirement it could also be used to help people understand where they would need to cut back if they withdrew too much from their DC pension and ran out of money.

Dashboards could notify people when new low-cost pension providers have introduced a pension into the market and highlight that this provider has a lower cost than any of their existing pensions. For those withdrawing DC pensions, the dashboard could monitor investment performance and highlight when poor investment performance may mean that the consumer should reduce or suspend their withdrawals to reduce the risk of running out of money.

> *"Consumers could use data from their current account to help them identify how much they will need to spend in retirement and divide this between essential and discretionary expenditure, and see whether they could afford essential expenditure if they exhausted their DC pension."*
>
> Pension provider

> *"At the moment our app indicates the sustainable level of withdrawal from a pension scheme in drawdown given the age of the client, the size of their pension, the income they want to take, asset allocation and fee level. Our app will estimate the chances that their portfolio will run out. We want to be able to integrate to a dashboard type solution so that the client's data can be fed directly into the app. The app then becomes a living, breathing tool. If there is a market event the app will alert the client as to whether there needs to be any changes to the amount of income being taken. That dynamism would be very useful."*
>
> IFA

Recommendations – provided to consumers as to what they should do with their pension

Pensions dashboard providers could provide a specific recommendation about how much people should contribute to their pension, the investments they should buy, or 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 correct regulatory permission to offer advice. Regulated financial advice has to relate to a specific pension, be given to the individual in their capacity as an investor or potential investor and be about the merits of them 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.[95]

IFAs noted that the boundaries as to what constitutes a personal recommendation can be complicated and might not be clear to people. For example, if a pensions dashboard was to offer the ability to filter or rank an individual's current pensions against clearly defined criteria then that would probably not amount to a personal recommendation.[96] A pensions dashboard could also provide a system of star ratings for a person's pensions based on clear criteria without providing a personal recommendation. Some interviewees saw a clear risk that pensions dashboard providers would wish to stay outside the regulatory boundary, both to avoid the costs of regulation and the need to provide redress if the advice was unsuitable and to ensure that they can receive commission.

> *"People will like recommendations but that is regulated advice. There will need to be a clear distinction between people offering guidance and advice versus services which are aimed at selling products."*
>
> Guidance provider

Transactions – enabling people to make changes to their pensions through the dashboard

Transactions could include making additional contributions, changing the allocation of investments, switching pensions, transferring between pensions, buying an annuity or making withdrawals using the pension freedoms. Transactions could also include changes such as altering retirement dates, changing beneficiaries for death benefits and correcting contact details.

Interviewees were divided on the merits of allowing transactions through the dashboard. Some thought that allowing transactions to be undertaken directly through the dashboard could reduce barriers to action and therefore help consumers take better financial decisions. Others thought that allowing transactions through the dashboard would be a step too far and risk consumers taking the wrong decision – particularly if there were multiple private sector dashboards.

> *"Ultimately you would want them to have a 'click here' button to help them buy an annuity or a pension from an alternative company."*
>
> Guidance provider

> *"Some transactions have differing impacts. Changing a death benefit nomination might not be regarded as a regulated change but changing the choice of investment fund would. The dashboard would be able to help people do some things but not others."*
>
> IFA

95 FCA Handbook, COBS 9: Suitability

96 For examples please see FCA (2015), FG15/1: Retail investment advice: Clarifying the boundaries and exploring the barriers to market development

> *"I now need to make a decision about whether I should leave my pensions separately or aggregate them. If you start trying to use it as a tool to compare pension providers on charges, fund choice or past performance – good luck with that one. You would go to an IFA for that. Even getting guidance on it wouldn't get you very far. That is not the dashboard's job. Can the dashboard do that? Well, it shouldn't even try."*
>
> Pension provider

Automation – switching consumers' pensions automatically to save them time and money

Pensions dashboards could offer an overall approach to an individual's investments across all of their pensions and automatically switch them at defined trigger points in the run-up to retirement. 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 such as Save More Tomorrow.[97]

> *You could be able to set up auto-escalation within the dashboard – set yourself an objective to get to a certain level of contributions. Even putting a small amount extra into the pension can add up."*
>
> *Pension expert*

Take-up of guidance and advice might increase due to referrals from pensions dashboards

Many interviewees, particularly IFAs and providers of pensions guidance, saw significant opportunities for the dashboard to encourage consumers to access guidance and advice. The availability of data through the dashboard could also improve the efficiency of the process of giving guidance and advice. It would provide a focus to the conversation and avoid the need for the individual to go away to find further information. It could help providers of guidance and advice walk the individual through the decisions required and the factors they should take into account. It would make the conversations more practical, rather than theoretical.

The dashboard could also improve the fact-finding process, which is necessary for financial advice, by helping IFAs quickly gather information about an individual's existing pensions. However, the IFAs who were interviewed said they would still want to receive written confirmation from the pension schemes regarding the data contained on the dashboard before providing advice. However, it was noted that the dashboard could have some sort of electronic process to facilitate this.

> *"For guidance, a web-bot could be provided where people can ask questions."*
>
> Pension expert

> *"Assuming IFAs are allowed to log in to the dashboard, it would be really useful as it would give a really good overview and something to discuss with the client. You can also talk them through it – that is really valuable. I am sure product providers would like to think that IFAs wouldn't then have to go to them with letters of authority and make enquiries. The problem we would hit would be if the data was wrong*

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

and the client was disadvantaged. Therefore IFAs would still need something in writing from the provider that confirms the data. But on the dashboard the information requests could be made simpler and easier to respond to – and you could ask for confirmation. That provider confirmation would be necessary for IFAs as we would have to have it to show the Financial Ombudsman Service and our professional indemnity insurers. Their attitude to how it would be treated would need some engagement with the Financial Ombudsman Service and private indemnity insurers."

IFA

"I think there could be massive savings to advisers from easier access to electronic information. Currently it can take advisers two weeks just to get information about the client's plan as you have to get the client's authority on paper and then upload it to the pension provider. Providers then need to send the adviser the paperwork. When it arrives, if it's wrong or incomplete you need to start the process all over again. The dashboard could cut the time and effort it takes to access information quite dramatically."

IFA

"The pensions dashboard should make it clear that people should use pension guidance or seek professional, impartial support before accessing their pensions and explain how they can do so. It should emphasise the particular importance of making engaged, informed decisions and not taking choices on a whim – because the decisions consumers make are likely to have a direct impact on their income and wellbeing for decades."

Pension provider

Recommendation 8: The government should require pension schemes to make comprehensive information available to the pensions dashboard from 2019 that covers:

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

– Pension schemes should conduct a review to identify all forms of guarantees and extra benefits that have been offered by current and legacy pension schemes. Guarantees and extra benefits should be flagged clearly and full details included on the dashboard and in online pension platforms, annual statements and other communications from pension providers.
– DB transfer values should not be included on the dashboard at launch due to the complexity, the costs which could be imposed on DB pension schemes and the risk that they might lure consumers to give up valuable guaranteed income.

Recommendation 9: The independent pensions dashboard implementation body should develop a clear timetable for pension schemes to make further information available to the dashboard.

- The implementation body should also develop a simple, standardised way of categorising the quality and services available from pension schemes to be included on the dashboard alongside a set of service quality indicators.
- People should be also able to allow regulated providers of financial advice and pensions guidance to access their dashboard.

Recommendation 10: The independent pensions dashboard implementation body should oversee a programme of extensive consumer testing to ensure that the dashboards use simple language, clear methods of displaying data and can help consumers take beneficial decisions.

Recommendation 11: The Financial Reporting Council and the Financial Conduct Authority should introduce common standards for how projections of future pension values are calculated for defined contribution pension schemes. The Pensions Regulator should introduce rules on projections for defined benefit pensions.

7. The future: providing people with full access to their financial data

Overall, interviewees viewed the pensions dashboard as a crucial initiative for consumers. The market is becoming more complex and automatic enrolment has meant that it has become more difficult than ever for people to keep track of their pensions and understand the choices available. In the longer term, interviews viewed the key purpose of the dashboard as being to lead to a change of behaviour and help everyone to plan for a more comfortable retirement.

A note of caution was expressed by many interviewees that while the pensions dashboard would be extremely beneficial for people, it would not, on its own, solve all of the problems in the pensions and retirement income markets.

> *"The definition of success is that the dashboard exists and that the information on it has grown – that it is still being developed and moving forward."*
>
> Pension expert

> *"The only measure of success is changing outcomes. If we have people using it then that is one measure of success but if they are not doing anything then it is not a success. We need evidence that we are changing behaviours, because otherwise it won't be useful."*
>
> Fintech

> *"The dashboard is about engagement but to do what? There is no default mechanism to spend retirement savings. Until we find a way to help the ordinary person spend their money that meets the needs of most, I can only see the dashboard as a planning tool, not as a path to a definitive course of action. If the definitive course of action is go and talk to Pension Wise and then a financial adviser, I think the purpose of the dashboard will be limited."*
>
> Pension expert

> *"It is going to take a long time to know whether it is successful. You will need to do some serious consumer testing of the cohort that are now being auto-enrolled. People need to start to see their pension as their money and something they have control over. If the day ever came where people looked at their pension plan the same way they look at their cash ISA then that would be a good thing."*
>
> Consumer representative

Even if people have details about how much they have in their pensions, decisions about retirement income remain complex and difficult.
The dashboard will not remove the risks of people in income drawdown

running out of money, or having to cut the amount of income they take due to falls in the value of investments. People will still find it difficult to determine how much they might need in retirement and have a strong desire for someone else to make the decision for them. Improved engagement with pensions could lead to people discovering that there are elements of the system that they do not like. Finding out how much extra they need to contribute could be demoralising rather than engaging.

There will also always be a significant section of the population that finds it difficult to engage with pensions and to shop around for different pension and retirement income products. It is important that protections are in place to prevent those people who do not switch from being exploited by firms offering poor value products.

Expanding consumers' rights to their financial data

Interviewees saw merits in integrating details of other financial products into the pensions dashboard. People saving for retirement use a variety of short-term and long-term savings vehicles, including cash savings accounts, ISAs, investment funds and the new Lifetime ISA (LISA).

> *"Open banking is missing all investment and pension information, loans, mortgages, insurance and other financial data. The correct approach to this is to build common model and standard for access to financial services information."*
>
> Fintech

> *"I don't understand why those setting standards for open banking excluded fixed-rate savings accounts. The one thing that would be useful on a dashboard is a reminder of when fixed-rate accounts are coming to an end – especially as providers are so keen to do something which can include putting you into another fixed-rate savings account."*
>
> IFA

> *"You have banking dashboards and pensions dashboards, so there needs to be some kinds of savings and investment dashboard. For many people in their 50s, their pensions and ISAs have the same purpose. You would also need a debt dashboard – to help people identify things which they should pay off first with high rates of interest and which loans have early-repayment charges. Seeing debt reducing can be a powerful motivator. And finally, a protection dashboard – which could sit with the debt dashboard or separately. If you had five core dashboards – pensions, savings and investments, banking, debt, and protection – that could lead consumers to think, well I don't have anything on the protection dashboard, am I missing something? You could develop rules of thumb about what you might have on these different dashboards."*
>
> IFA

To make appropriate decisions about pension investments and retirement income, people would also need to access information about their income, expenditure, financial assets and debt. For example, information about income and expenditure from their current account or credit cards could 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.

Other financial assets, such as cash savings and investments, can provide an alternative source of income in retirement and could inform decisions about how people wish to access their defined contribution (DC) savings. Nine out of ten retirees have other sources of income in addition to their annuity and state pension, including savings, investments, earnings from employment or rental income from a property. The median level of non-pension financial assets in households headed by someone aged 50 to 64 is £14,500, and one quarter of households have financial assets greater than £65,000.[98] People withdrawing money from their pension will also save or invest it in other products. Overall, most of the people (52%) accessing their DC pension using the new freedoms had saved or invested the money elsewhere, such as in an ISA, other investments or property.[99]

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 DC pension savings and using it to repay debt. Research from Prudential found that one in six people planning to retire in 2014 will have debts. The main sources of debts are credit cards (56% of those with debt) and mortgages (44%), followed by overdrafts (19%) and bank loans (14%).[100] The sales of interest-only mortgages in the late 1980s and early 1990s, combined with endowment mortgage shortfalls, mean that an increasing numbers of people will reach retirement with an outstanding mortgage debt. The Financial Conduct Authority (FCA) found that 14% of consumers who had accessed their DC pension had used it to pay off debt, with around a third of those consumers reporting that the debt repaid had been a heavy burden.[101]

Savings for retirement are not limited to pensions and also include a variety of short-term savings in bank and building society accounts and cash ISAs, long-term investments, stocks and shares ISAs and the new LISA. Following the introduction of the pensions dashboard, open banking and the Payment Services Directive 2, consumers will have entitlements to their financial data covering their pensions, current accounts, instant access savings and credit cards. But they will still lack access to data about their ISAs, fixed-term savings accounts, mortgages, debt and insurance.

98 http://webarchive.nationalarchives.gov.uk/20160109102542/http://www.ons.gov.uk/ons/dcp171766_305977.pdf

99 FCA (2017), Retirement Outcomes Interim Report, Page 52

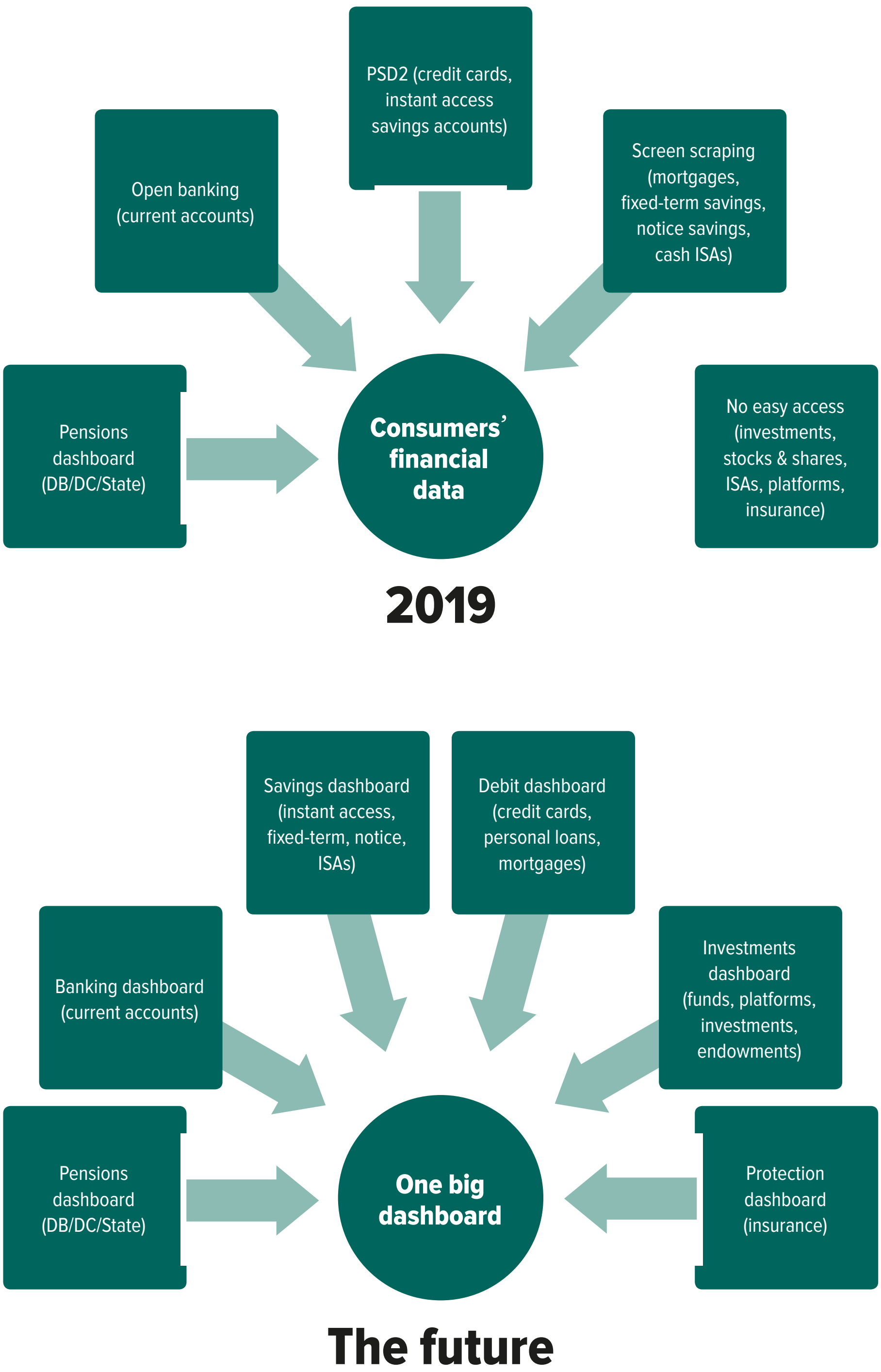
100 Prudential (2014), One in Six Planning to Retire this Year will have debts, January 2014

101 FCA Retirement Outcomes Interim Report, Page 52 https://www.fca.org.uk/publication/market-studies/retirement-outcomes-review-interim-report.pdf

Recommendation 12: The government and the Financial Conduct Authority should develop a strategy and timetable to expand consumers' rights to their financial data to other products including all ISAs and savings accounts, investments, debt and insurance.

- An evaluation strategy for the pensions dashboard initiative should determine whether it is having a measurable positive impact on behaviour and consumer engagement with their pensions. This strategy should also ensure that any risks to consumers from greater access to data and the pensions dashboard are identified and mitigated through robust regulation.

Figure 12: Expanding consumers' rights to their financial data from 2019 and beyond



Appendices

APPENDIX 1: Research methodology

Which? commissioned this report to help inform the next stage of the development of the pensions dashboard and to maximise its potential benefit for consumers. Following desk-based research, 21 interviews were conducted with pension providers, IFAs, consumer representatives, pension experts, providers of pensions guidance and those from the fintech community. Subjects explored during the interviews included:

- information that should be included;
- services that might be available;
- how people could improve their provision for their retirement;
- how to achieve comprehensive coverage and encourage all types of pension schemes to participate;
- the advantages and disadvantages of having a single or multiple providers;
- the regulation and business model of providers;
- how to maximise access; and
- the governance of the pensions dashboard project in the future.

APPENDIX 2: Interviewees' suggestions for the types of information that pensions dashboards could include

Interviewees suggested a number of pieces of information that should be included on pensions dashboards, including information held by pension schemes and information held elsewhere.

Pension details and values

- Names of pension providers, contact details and policy numbers
- Value of the assets in defined contribution (DC) pension scheme
- Income entitlements for defined benefit (DB) pension schemes
- DB schemes' summary funding statements[102] and links to other information such as the annual report
- State pension entitlements and the age at which these become payable
- Past level of contributions made into pension schemes from the individual and employer
- Length of time over which DB pension benefits were accrued
- Rate at which DB benefits are being accrued

102 A Summary Funding Statement must include certain information including the latest valuation of the scheme and the extent to which the assets of the scheme are sufficient to meet its liabilities, details of any surplus or deficit and changes to the position in the last 12 months and a summary of any recovery plan of how the scheme/employer intends to eliminate any deficit

- Current level of contributions
- Selected retirement date or the date benefits are payable
- Forward projection of the value of the assets in all pension schemes and the amount of income they might generate at a selected retirement date

Fund holdings and investment performance

- Fund holdings within DC schemes and the asset classes within these funds
- Future changes which will be made to investments in DC schemes and the destination of the default investment strategy at the selected retirement date
- Value-for-money of each scheme by showing the net performance of investments after charges

Costs, charges and commissions

- Level of charges including the potential for any exit charges
- Additional costs such as transaction costs incurred within each pension scheme
- Commission payments and the identity of the adviser firm receiving those payments

Guarantees and extra benefits

- Availability of any guarantees such as guaranteed annuity rates or guaranteed returns
- Extent of any life insurance, death-in-service or other benefits provided by each pension schemes and the identity of the beneficiary

Benefits of paying extra contributions

- Employer matching of contributions[103]
- Additional entitlements in DB schemes and the price of buying these
- Ability to buy extra years of state pension by paying extra national insurance contributions
- Annual contribution limits and how close the consumer might be to breaching those limits or the lifetime allowance[104]

Information needed during the retirement income phase

- Current amount of state pension and the options they might have for deferring the date of payment for their state pension in return for receiving a higher amount
- Amount of income payable from their DB scheme and any purchased annuities, and how the level of income payable will change over time
- Availability of any guaranteed annuity rate or other guarantees
- Scheme-specific annuity rates offered by their DC pension schemes, highlighting that they may be able to get a higher rate if they shop around or have medical issues and the need to consider inflation protection and their spouse's income
- Amount of pension income or DC assets which will be passed on to their spouse, civil partner or dependents after death

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103 This was seen as essential by consumer representatives and IFAs if consumers were going to make effective decisions about where to pay additional contributions.

104 The Annual Allowance is £40,000 for those with income of less than £150,000. For those who have used the new pension flexibilities to access their pension there is a Money Purchase Annual Allowance of £4,000 per year from 6th April 2017. The Lifetime Allowance is currently £1m, although individuals may have a "protected" higher lifetime allowance

- Amount of DC pension which has been accessed flexibly and the type of access such as a tax-free lump sum, a cash lump sum, or access through income drawdown
- Rate at which DB income has to be surrendered to take a tax-free lump sum
- Whether the individual has made use of the new pension advice allowance enabling them to withdraw £500 from their DC pension scheme tax-free to redeem against the cost of financial advice
- Forward projection of how long their DC pension might last if they start accessing it or maintain the current level of withdrawals
- Tax position including the amount of tax which has been paid on existing levels of state pension, DB pension, annuities and DC pension access
- A reminder that the person should consider other forms of taxable income that they may be receiving, and a warning when levels of DC pension access could result in them paying excessive levels of tax
- A reminder that accessing pensions may impact on an individual's eligibility for certain means-tested benefits both pre- and post-state pension age

Other pieces of information which it might be useful to display on the dashboard that would not be held by pension providers

- Wider product holdings of savings and investments products that might be used to provide an income in retirement
- Data on income and expenditure to help determine the affordability of pension contributions and their potential income needs in retirement (available through open banking)
- Sources of other income (such as employment) outside their pension and the amount of tax which they have paid on it during the current and previous tax years
- Medical and lifestyle data such as height, weight, whether they were a smoker or suffered from other medical issues which could result in them qualifying for an enhanced annuity
- Details of their spouse or partner such as date of birth and medical and lifestyle data
- Information about their potential longevity and the chances of living beyond certain ages in retirement

APPENDIX 3: Information on guarantees and extra benefits that should be included on pensions dashboards

Guarantees that can apply to pension schemes and should be indicated clearly on pensions dashboards include:

- **Guaranteed annuity rates (GAR)**: the guaranteed minimum level at which the value of the fund at retirement can be converted into a secure income by purchasing an annuity. Some pension schemes will only offer this rate at the selected retirement age and there may be other restrictions such as the GAR only applying to single-life annuities.
- **Guaranteed growth rates**: guarantees that contributions made at certain times will always receive a certain minimum level of annual growth.

- **Guaranteed lump sums**: which guarantee a particular level of lump sum, either at retirement or under certain circumstances such as death.
- **Guaranteed minimum pensions**: people contracted out of the state earnings related pension into an occupational scheme between April 1978 and April 1997 have rights to a certain minimum level of pension income from these schemes from the contributions paid in during that time.
- **With-profits funds which also have underlying accrued guarantees**: these could relate to a certain level of growth which has already been added to the fund and cannot be taken away.
- **Penalty-free dates**: guarantees that enable people to make withdrawals without penalty at certain periods of time such as normal retirement age. These can be called market value reduction-free periods or dates.
- **Hybrid schemes**: which can offer a combination of a final pension linked to the greater of a certain minimum level of benefit or the return on the investments and the annuity rate at retirement.
- **Retirement annuity contracts**: Old-style contracts with slightly different rules on contributions, accessing benefits and tax-free lump sums.

Interviewees also mentioned a number of extra benefits that should be indicated on the dashboard as they could be valuable:

- **Life cover and death benefits**: schemes may offer various additional types of insurance together with a pension. The two most prominent examples are: incapacity insurance, under which the provider promises to pay the saver's regular pension contributions in certain circumstances; and life insurance, under which the provider promises to pay an additional lump sum to the saver's dependents in the event of death before retirement. There may also be pension schemes that offer enhanced life cover or death benefits to active members of the scheme.
- **Entitlement to distributions from the inherited estate**: certain with-profits funds have built-up surplus assets within them known as inherited estates. Some funds have plans to distribute these assets to policyholders over time, as they will no longer be required to support the fund. These other with-profits funds may have significant inherited estates but may have no explicit plans to distribute these to policyholders.
- **Scheme-specific protected tax-free lump sums**: some older schemes have protections enabling members to draw out more than 25% of the fund as a tax-free lump sum.
- **Ill health and early retirement**: some DB schemes may enable people to take early retirement without having their pension reduced if they are in ill health.

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