



PASA CONSULTATION RESPONSE

Dashboard

January 2019

Dashboard Consultation Response

Q1 – What are the potential costs and benefits of dashboards for:

- **Your business**

We have identified a number of potential costs and benefits of dashboards and scheme administration. Some items, such as data cleanse are likely to represent both a cost and a benefit and we view this as an investment. We believe these are as follows:

- Introducing dashboard will inevitably require data cleanse activity for some, if not the majority of schemes. The extent of the cost and benefits will depend on a number of factors such as the eventual dashboard data set, scheme type and past approach to data cleanse activity. The most significant data cleanse cost could arise in relation to making current values of defined benefit (DB) deferred pensions available to dashboard. We do not anticipate there would be a need to re-format data however if this is necessary, this would also generate a cost.
- Once dashboard is live we anticipate administrators will have to provide query support for members. This will increase costs and administration providers will need sufficient notice to ensure this capability is in place. The extent of the impact will depend on the approach taken, for example, online queries, web chat, voice
- Some members do not keep their contact details up to date with their administrator. We hope dashboard will encourage these people to engage and get in touch with their administrator. This will enable schemes to pay benefits and also potentially reduce future tracing costs.
- There will be an initial cost to administrators to make data available to a dashboard. Clarity on the operation of multiple dashboards will allow greater certainty of costs which could be incurred under this model. Administrators may also incur costs if they need to change hardware or IT infrastructure.
- We believe active promotion of dashboard will be important. Administrators making changes to their member communications to reference dashboard will support this. This should be a one-off cost for each scheme or tranche of membership going live on dashboard and we do not expect it to be significant. Employers with multiple schemes will need to think about the implications of phasing and how it is communicated to their employee members. It is now common for an individual to be a member of multiple arrangements as part of one employment.

- Many defined contribution (DC) schemes now have a secure online facility for members. Changes may need to be made to these to reference and link to pensions dashboard.
- Third party administrators (TPAs) may need to change their contracts to accommodate dashboard requirements. Certainty on lead time to introducing dashboard will support these discussions.

- **Individuals or members**

We view dashboard as a significant step forward in member engagement. We are fully supportive of this initiative and see it as delivering a potential step change in scheme members engaging with, understanding and valuing their benefits.

- Members being able to go to one place to understand the total value of all their pensions, across both private and State will provide an important tool in retirement planning. This applies both to members close to retirement and those in the early stages of their career. This highlights the importance of clear communication of the approach to phasing to maintain and improve consumer confidence.
- As the approach to funding dashboard has yet to be decided, there may be cost implications for DC members through higher charges. Passing charges on to members of DB schemes would not be possible in the same way. This is inequitable and we believe this will further drive a wedge between members of DC and DB arrangements. This challenge should not be left to chance.
- There is potential value add for members in the longer term from third party dashboards. At this stage it is difficult to quantify what this may be.

QII: Do you agree with:

a) Our key findings on proposed architectural elements?

Yes, we support the proposals in relation to the architectural elements

b) The proposed architectural design principles?

Yes, we are happy with these proposals

QIII: Is the legislative framework, which compels pension providers to participate the best way to deliver a Dashboard within a reasonable timeframe?

The PASA view is compulsion is a must for dashboard to be successful and achieve stated objectives.

QIV: Do you agree that all small self-administered schemes and executive pension plans should be exempt from compulsion, although they should be allowed to participate on a voluntary basis?

We believe coverage is key for dashboard to have credibility with consumers.

Executive Personal Pensions (EPPs) for example could represent a top up to a benefit in an occupational scheme

There are aspects of compulsion we think needs further consideration. For example, some older DB schemes began as insured arrangements, which form part of the scheme benefit – and are not additional to it. It is vital in these and similar situations, members are not put in a position where benefits could be double-counted.

QV: Are there other categories of pension scheme which should be made exempt and if so why?

We believe any schemes forming part of a benefit from another scheme may need to be exempt. For DB schemes in particular we are not clear what the expectations are in relation to Additional Voluntary Contributions (AVCs) where the record keeping is undertaken by another 3rd party. We are seeing instances of deferred benefits being subject to a buyout. This needs further thought on what data is provided and who is responsible for providing it.

We believe there would be value in reviewing whether schemes in assessment for PPF should be exempt. But any review needs to take account of members' perspectives. Potentially this could be better managed through communication.

The above list is not intended to be exhaustive and our view is that there would be benefit in a working group comprised of administrators reviewing the position and the wider implications of exemption. We will be happy to drive and support this initiative.

QVI: Our expectation is that schemes such as Master Trusts will be able to supply data from 2019/2020. Is this achievable? Are other scheme types in a position to supply data in this timeframe?

- We believe this timescale is achievable for Master Trusts. Early sight of the data requirements is important in achieving this timescale and maximising coverage. Many large DC schemes should also be able to make data available in this timescale, even if it is an entry level which allows consumers to 'find my pension'.

- If the data set to 'find my pension' is aligned to TPR's 11 common data items, most schemes should be able to participate in a 'find my pension; entry level to dashboard. The challenge comes in providing up to date pension valuation figures, particularly for DB schemes
- There may be exceptions if the administration platform does not support the architecture to open up the data to dashboard. In our experience, most modern platforms used to administer medium and large schemes will have the technology to enable this

Clarity of the total requirements are important to allow time for any contractual changes before dashboard goes live. Similarly, the implementation period needs to allow time for resolution of any commercial and financial changes necessitated by the introduction on pensions dashboard.

QVII: Do you agree that 3 – 4 years from the introduction of the first public facing Dashboards is a reasonable timeframe for the majority of eligible schemes to be supplying data to dashboards?

Yes, although understanding the data set is key. The biggest risk is the requirement for DB pension values - specifically deferred members. Most DB schemes do not provide annual statements to deferred members and the quality of data for these members can be variable. It is also be important to consider the position of members where values cannot be calculated as part of an automated routine.

This represents another area where we believe there would be value in administrators working together to support dashboard implementation. Again, we welcome the opportunity to provide support.

QVIII: Are there certain types of information which should not be allowed to feature on Dashboards, in order to safeguard consumers? If so, why? Are there any other similar risks surrounding information or functionality which should be taken account of by Government?

We believe it is important to manage any risks associated with dashboard. Therefore, any data or information which results in an unacceptable level of risk should not be allowed to feature on dashboard. Below are some aspects of dashboard we believe will be helpful to consider as part of managing risk.

- There is currently no requirement for consistency of language between administrators. To help consumers, communications issued by administrators should use language aligned to dashboard. Making changes to existing communication materials would involve a cost. But not aligning language could mean members do not understand their pension benefits, which goes against the objectives of dashboard and potentially will increase member queries

- It will be important dashboard contains appropriate caveats about the data provided and it is clear where members need to go for further information. Careful consideration needs to be given to management of those queries. The credibility of dashboard could be compromised if people have difficulty in obtaining further information.
- We are not yet clear how these and other risks will be managed once multiple dashboards are in place. But we recognise this could lead to additional risks that will need to be managed.
- We see the impact of pension scams on a regular basis, so we are keen to ensure dashboard does not increase the risk to members.

QIX: Do you agree with a phased approach to building the Dashboard service, including, for example, that the project starts with a non-commercial Dashboard and the service (information functionality and multiple Dashboards) is expanded over time?

Yes, we agree this represents the best way forward and is important for member confidence.

Q X: Do you agree that there should be only one Pension Finder Service? If not, how would you describe an alternative approach? What would be the benefits and risks of this model and how would any risks be mitigated?

Yes, we agree this is the best way forward. But this aspect of dashboard should be kept under review.

QXI: Our assumption is that information and functionality will be covered by existing regulation. Do you agree and, if not, what are the additional activities which are not covered?

Yes, but we believe industry best practice guidance is likely to be required to:

- Maximise quality and consistency of data
- Help administrators use language aligned to dashboard to provide clarity to members
- Help with messaging to members
- Help trustees understand what is required of them and how they need to work with their administrators to deliver dashboard

QXII: Do people with protected characteristics, or any customers in vulnerable circumstances, have particular needs for accessing and using Dashboard services, which should be catered for?

We believe people with protected characteristics which could make using dashboard difficult and so inhibit their benefit, should be considered. These could be members with visual or physical

disabilities. We also believe consideration should be given to people who may be vulnerable to pension scammers, which would include the old.

QXIII: The Department has proposed a governance structure, which it believes will facilitate industry to develop and deliver Dashboards. Do you agree with this approach? If not, what, if anything, is missing or what workable alternative would you propose, which meets the principles set out in this report?

- We agree SFGB is right way forward
- We believe for the delivery led group to be effective it needs to represent the interests and views of all stakeholders including administrators and members
- From the work PASA has previously led to provide guidance on provision of data to dashboard, we recognise and understand the differences generated by scheme type, design, method of provision etc
- Finally, if the plan is for dashboard to be industry financed, this approach needs to be reflected in management, future plans and development

QXIV: What is the fairest way of ensuring that those organisations, which stand to gain most from Dashboard services, pay, and what is the best mechanism for achieving this?

As administrators, we are not responsible for meeting the costs of dashboard. However, we do believe, in addition to any central costs for providing this facility to members, there will be scheme specific costs to be met employers and/or schemes. At this level, costs are not necessarily determined by member numbers. For example, costs of building the functionality to make data available from a medium sized scheme may not be significantly different to those of a large scheme.

QXV: Do you have any other comments on the proposed delivery model and consumer offer?

PASA is completely supportive of the introduction of pensions dashboard and would welcome the opportunity to support the project as it evolves.

We do not have any further comments specifically on the proposed delivery model or consumer offer.

We maintain a view on industry developments and we expect there to be a significant demand on administrators over the next 12 to 24 months, particularly those which provide services for DB schemes as well as DC, as they deal with the challenges and demands arising from GMP equalisation. We believe the timescales proposed for dashboard are achievable, but ask that information is shared regularly with the industry and that we receive clarity on the proposed data set as early as possible. This will allow time for administrators to ensure data is clean and up to date which will help to maximise member confidence in this very important initiative.

About PASA

The Pensions Administration Standards Association (PASA) was created to provide an independent infrastructure which will set, develop, guide and assess administration standards.

PASA will act as a focal point and engage with industry and government to create protocols for understanding good administration - but also appreciates there is no one size that fits all. PASA will develop evidential accreditation practices which will allow benchmarking across and between the industry regardless of how the administration is being delivered.

As well as raising the profile of pension administration generally, PASA will focus on three core activities.

1. Defining good standards of pensions administration relevant to all providers, whether in-house, third party or insurers
2. Publishing guidance to support those standards
3. Being an independent accreditation body, assessing the achievement of good standards by schemes (regardless of provider)

There is no organisation providing such services across schemes, yet there is a demand for evidence of service quality from scheme trustees, sponsors, administrators, insurers, scheme members and regulators.

About PASA Accreditation

PASA Accreditation is open to all corporate members of PASA (DB, DC, trust-based and contract-based schemes). PASA Accreditation is granted following an independent evaluation and assessment process, which includes on-site visits and the review of documentation to evidence controls, procedures, process, staff development and contractual positions with clients.

Full details on PASA can be found by visiting www.pasa-uk.com.

Full details on PASA Accreditation can be found by visiting <http://www.pasa-uk.com/pasa-accreditation>



THE PENSIONS ADMINISTRATION STANDARDS ASSOCIATION

Get in touch:

info@pasa-uk.com

www.pasa-uk.com