



# Taking the long view



▶ **With the deadline for the pensions dashboard prototype approaching, Talya Misiri questions the sustainability of the tool and the challenges it may present**

## ▶ Summary

- The pensions dashboard will encourage savers to consider their pension savings earlier and more frequently.
- While the dashboard will have its benefits for members, the creation of a 'complete picture' will not come without its challenges.
- Legislation may be required to ensure the maintenance of the tool in the long term.
- Strong safeguarding provisions will need to be put in place to protect users from cyber-security threats.
- The integration of DB schemes into the dashboard may be the most challenging issue to overcome.
- An all-inclusive retirement dashboard could aid financial planning for retirement.

The pensions industry is slowly embracing 21st century advancements as it begins to incorporate new technologies into its processes, so it seems inevitable

that digital access to our pension pots would also follow trend.

First announced in the 2016 Budget, the pensions dashboard will allow pension savers to see all of their pension

pots, including defined benefit, defined contribution and state pensions, all in one place.

The Treasury has now secured the agreement from 11 of the largest

pension providers, including Aviva, Nest, Now:Pensions and Standard Life, to build the first prototype. It will be managed by the Association of British Insurers.

The dashboard prototype is expected to be ready by March 2017, with the commitment made to launch the live, online product by 2019.

The Treasury's economic secretary Simon Kirby says: "Technology, like mobile phone apps, has made day-to-day banking easier than it's ever been and it is time for pensions to catch up. The pensions dashboard will unlock a huge amount of information that will help people make the best choices for them."

The UK has been viewed as being somewhat in the slow lane when it comes to embracing such a tool, with Australia, Sweden and the Netherlands already embracing fully-functioning dashboards.

Nonetheless, now that it is finally arriving, questioning the sustainability of such a tool is something that is likely to come to light following the launch of the prototype. While the dashboard is a very useful instrument in theory, is it maintainable in the long term, and will it become fully accepted by and ingrained into the pensions industry?

Key costs of the dashboard include the governance and maintenance of the tool, cyber-security threats, the inclusion of DB schemes and possible legislation that may be needed for the continued accrual of real-time data.

### Early benefits

To understand the challenges of the tool, however, it is important to note the benefits that the dashboard will provide. One could argue that auto-enrolment has been a catalyst in bringing about the creation of the dashboard. With greater volumes of young people joining pension schemes, there is a higher expectation and demand for clear, online and real-time accessible information.

The tool would also be beneficial for older consumers who are looking to assess their pension pots as they near retirement age. On average, a person can

have 11 employers over their working life and so could have close to a dozen pension pots by the time they retire. The consolidation of all of these, therefore, can become a demanding challenge, with many people not knowing exactly where to begin.

In a recent study published by Pensions Finder Alpha, consumers indicated that they would be more inclined to engage with and manage their pension savings if the dashboard became available.

"Any method of broadening access to consolidated information is welcomed. The success of the dashboard will be demonstrated by increased employee awareness of what their retirement income from all sources will be and an ability to use that data," says Ascot Lloyd head of benefit solutions Brian Smyth.

Furthermore, the pensions dashboard will also unlock significant information for consumers as it aims to provide a link to lost pension pots from previous employers. If achieved, this could help to release the £400 million of pension savings that the DWP estimates are currently unclaimed.

### Legislation

The governance and long-term maintenance of the pensions dashboard is something that many have called into question. For the tool to work well in the present, as well as the future, full compliance from trustees, administrators and pension providers is necessary.

While the Treasury has secured the participation of 11 of the largest pension providers to aid the project, some form of legislation may need to be put in place to ensure all providers supply the required, continually-updated information to keep the dashboard current.

It is arguable, therefore, that the system's architecture, which involves the retrieval of data, could be the most challenging aspect of the dashboard. The dashboard will need to work with pension providers, pension schemes and the government for state, public and

private pensions.

"The government may have to legislate to ensure all schemes (some of which are already under severe budgetary pressure) provide the information needed," says Broadstone technical director David Brooks.

Charles Stanley pensions and investment analyst Rob Morgan agrees that "for coverage to be universal, the dashboard may require the government to take an active role, possibly through legislation".

Industry commentators have suggested that the dashboard will ultimately need some form of active governance and oversight for it to be a continued success.

Commenting on its report on the pensions dashboards of Australia, Sweden and the Netherlands, Royal London director of policy Steve Webb says: "One of the lessons from all of these countries is that: without active government intervention, these things take forever."

Australia and the Netherlands' dashboards have been particularly successful as a result of their dashboard-related legislation, which affirms that if you run a pension scheme, data must be provided in a set format to the dashboard.

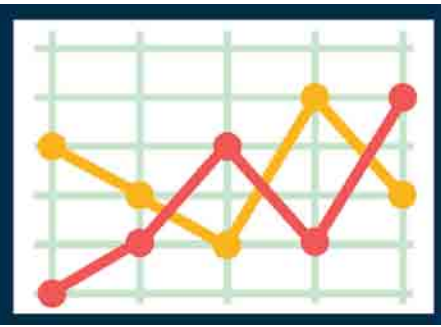
"The first thing we need is a legal framework and duties on schemes to provide data. This Pensions Bill should have provided, and could still provide, a slot. They could put in a clause saying the secretary of state may issue a regulation requiring schemes to provide specified data in a specified form," Webb adds.

It could also be that a coalition of providers, government, regulators and consumer representatives are required to essentially run and monitor the tool.

### Cyber-security:

Moreover, the dashboard would also need to be thoroughly safeguarded from





inevitable cyber-security threats.

As the pensions dashboard will hold a significant amount of personal and financial information about individuals and companies, it is likely to be an attractive target for cyber-criminals.

While pension schemes themselves are already extremely vulnerable to cyber-fraud, the dashboard will be even more so.

“The data security challenges are likely to be complex,” says Smyth. Ultimately, the dashboard will need to be frequently checked and monitored for these threats, which will enforce additional pressures on the governing body of the platform.

It should also be noted that if schemes are required to provide member data, they should be clear on who owns the data, who can access that data and who will be accountable if data protection breaches occur.

ITM director Grant Stanley says: “With cyber-attacks, website hacking, penetration testing and the new general data protection regulation being front

and centre in most people’s thinking, it is critical to the success of the dashboard that these areas are all taken into account when designing the data exchanges and front end portals.”

### Defined benefit setbacks

It has been suggested that the dashboard will gradually integrate and phase-in different types of pensions. While the state pension and auto-enrolment defined contribution schemes are likely to be incorporated into the platform in its initial stages, defined benefit schemes may be slightly more challenging.

“It will take many years before DB schemes can participate in annual benefit statements for active members but not deferred members,” Smyth comments.

Furthermore, Morgan says: “Providing details of the pension rights of deferred members of defined benefit schemes would be challenging. Many schemes do not regularly calculate these, only doing so if requested by the member or upon the member reaching retirement age. Thus providing this information to a central dashboard could result in extra (and possibly onerous) costs for schemes.

“Starting with the state pension, auto-enrolment schemes and modern DC schemes would seem sensible to get the project off the ground rather than aiming for a ‘complete picture’ at outset.”

### Retirement dashboard

The scope of the dashboard may be an additional setback or hindrance to its success. While the tool will consolidate each individuals’ pension savings in one place, there is also the case that it won’t necessarily take all savings into account.

TISA policy strategy director Adrian Boulding says: “The pension dashboard will fail if it only covers pensions, as that’s not what’s relevant to consumers.”

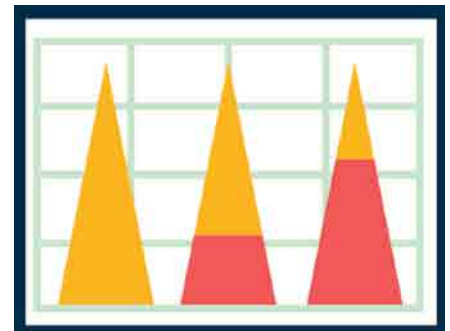
Consequently, it is arguable that the pensions dashboard could lend itself to a broader retirement dashboard in years to come. This could be a better solution in aiding financial planning for retirement where the full scope of an individual’s savings and assets are presented.

“The dashboard needs to be about retirement, and we know that many people are saving for their retirement through ISAs and through housing as well as through pensions. If it only covers pensions then people will not engage,” Boulding claims.

While the pensions dashboard may be a nudge in the right direction for member engagement, more stringent regulations may need to be put in place to ensure industry-wide compliance, and so long-term maintenance of the tool.

Webb concludes: “Whilst there are practical challenges, the fact that ‘dashboards’ of various types are already up and running in various different countries with various pension systems suggested that none of these challenges should be insurmountable.”

Written by Talya Misiri



### A nudge in the right direction

The pensions dashboard could be the nudge people need to begin to think about their income for retirement and consolidate their pension pots.

Columbia Threadneedle head of pensions and investment education Chris Wagstaff claims: “Although behavioural economics doesn’t have all the answers, applying simple behavioural interventions could not only generate more optimal individual saving decisions, but could ultimately lead to a retirement to be enjoyed rather than endured.”

If the dashboard is delivered effectively, it is likely that it will ‘nudge’ greater volumes of people, who will begin to consider their pensions at an earlier stage.

The introduction of the pension freedoms in April last year has also given savers more reason and encouragement to take an active approach in their retirement planning. The pensions dashboard will, therefore, enable members to assess their retirement options with the provision of a more rounded view of their savings.