

**Summary**

- The pensions dashboard will enable people to view all their pension pots in one place for the first time. It could even allow people to get a complete picture of their financial health.
- Access to better data will lead to more informed decision-making among consumers.
- Avoiding data breaches and using a great consumer-facing interface will be crucial to the dashboard's success.

# A digital revolution?

**Louise Farrand examines the benefits of integrating the pensions dashboard within the industry and how this can best be implemented**

The pensions industry is often accused of being stuck in the past. Yet an exciting new initiative could turn it into a digital pioneer.

The pensions dashboard is a cross-industry collaboration, led by the UK Treasury and managed by the Association of British Insurers. Once the prototype is complete in 2019, it will enable people to view all their pension pots in one place for the first time.

In time, though, the dashboard could achieve even more than that. It could allow people to get a complete picture of their financial health, including their credit card debt, savings, and mortgage payments. Providers are planning to develop their own dashboard interfaces, while fintech companies are also likely to view the dashboard as an opportunity.



However, there's a long road between today's state of play and the finished product, starting with getting the underlying data right.

As Aegon pensions director Steven Cameron says: "Modern, private pensions and state pensions are going to be the easiest things to put onto the dashboard, but they are not the ones that are going to help people most.

"What would really help people with the dashboard is if they can use it to find their older pensions. If the older pensions aren't digital, then they won't be able to find anything through the dashboard. The other group are final salary pensions. Again, it would be hugely helpful if final salary pensions you might have forgotten about could be added to the dashboard. But they are going to be the most difficult to provide information on to the dashboard."

"The more comprehensive the dashboard can be, the better," says the former pensions minister Steve Webb, who is now director of policy for Royal London. "You don't want to launch with a big fanfare in 2019 and for people to say, 'Hang on, I have three pensions missing from this.'"

Cameron agrees. "We could lose a lot of credibility if we can't persuade the older style pension schemes to modernise. We can't afford for people to come in once and see obvious gaps in their pension history. We need to have enough critical mass on day one for people to go in and say, 'That was actually helpful, I have found something I didn't know I had.'"

Although they shouldn't be underestimated, data headaches are no reason to dismiss the dashboard project. The People's Pension director of policy and market engagement Darren Philp says: "I have seen reticence from the traditional trust-based sector; people

saying that this has been tried before, it's too difficult to do. It's not necessarily a worry about the dashboard, it's more from a commercial perspective; people think it is going to be a headache to plug into.

"What I would do is throw the challenge back to the industry and say, if we are serious about delivering good member outcomes, the dashboard is a clear part of that. As an industry, we owe it to people."

### Pure and simple

"The beauty of the dashboard is that it pools everything together in one place in a simple way. Lots of people are fed up

with complex communications, which mostly get chucked in the bin," Pensions Administration Standards Association chairman Margaret Snowdon states.

The dashboard's possibilities are endless. It could be used to give savers an outline of their various pensions entitlements and their value, as well as pointing them in the direction of impartial guidance, says Snowdon.

Access to better data will lead to more informed decision-making among consumers, believes Philp. "One of the things the industry grapples with is getting the right information to the right people at the right time. I think the dashboard will help in terms of

## Three ways the industry can make use of the dashboard

### 1. To save money on communications

Many trustee boards are still spending huge sums on sending annual, paper-based statements to people. Often their efforts are to no avail, because addresses are out of date. With better data, maintained by members via the dashboard, trustees will be able to communicate more effectively.

As PAsA's Margaret Snowdon says: "If you invest in cleaning up the data, you will find that communicating is easier and that the cost of communications isn't so great. Over time, you will find fewer calls go directly to the pension company, people will be able to sort themselves out, but equally it will be easier to get financial advice and guidance."

F&TRC's Ian McKenna agrees. "This will be a way for schemes to save money. How much does it cost to create those annual statements that go in a drawer and nobody reads? The cost of producing them – never mind the environment cost – is horrific."

### 2. To get to know members

"The dashboard could be an engagement tool," says Royal London's Steve Webb. "We as a business have brought in a lot of older policies from other companies. We don't necessarily have an ongoing relationship with those clients. It could be a way to help us engage."

### 3. To stay relevant

The world is changing fast. The current data the dashboard will hold will help pension providers to future-proof their interactions with savers, no matter what happens in the next decade.

"Imagine if someone had said to you that within a decade, people would be taking photos of every aspect of their daily lives and putting them up on a website?" says McKenna. "People would have said that will never catch on. We are approaching the tenth birthday of the iPhone. Where will we be in another ten years?"



**“We hope it will lead to members voting with their feet away from high charges and low investment returns. It could really help raise standards in the industry”**

“There is a danger of assuming that consolidation is the right answer,” says Webb. “As a consumer, you see five pensions and put them all together. Do you realise what you are giving up? You might be giving up a DB pension right or a guaranteed annuity.”

Webb authored a May 2016 policy paper, *Pension Dashboards around the World*. He reports that engagement levels via dashboards has been “quite mixed ... one person said that actually, the numbers of people who went to the site weren’t that great. It was the Swedes who did the famous orange envelope through their doors. You still have to nudge people to the website.”

A great consumer-facing interface will be crucial to the dashboard’s success, argues Webb. “It helps a lot if people who are good at this set up the front end. In a sense, the dashboard is just a data feed. If firms do their whizzy things, it’s painless to access and a thumbprint on your phone instantly opens the dashboard, that’s a good thing.”

Avoiding data breaches will be absolutely vital, says Philp. “Digital verification and digital identity are huge issues. It’s absolutely crucial that we get trust and confidence. We need to make sure people can find their pension pots through a pension finder service. A dashboard is only going to be as useful as the data that is plugged into it.”

**Written by Louise Farrand, a freelance journalist**

transparency.

“We know this is a market that hasn’t traditionally functioned that well. We know there are asymmetries of information between member and providers. We know there is a weak buy side, from the Office for Fair Trading’s report of 2013. We hope it will lead to members voting with their feet away from high charges and low investment returns. It could really help raise standards in the industry,” says Philp.

In some ways, it’s remarkable that the pensions industry lags so far behind the fingerprint technology of ISA accounts, or the mobile accessibility of banking apps in the way that they communicate.

The dashboard will challenge schemes to provide up to date valuations of savers’ pensions. “If you did it in any other sector of the economy – ‘We are not going to tell the customer what the value of their money is’ – people would laugh you out the room,” F&TRC director Ian McKenna states.

**Best execution**

The industry may support the pensions dashboard, but its success will rest in its execution. From data scandals to inadvertently nudging savers into decisions that may not be in their best interests, there is a veritable minefield of mistakes to avoid.

**Who pays the bill?**

Pension providers involved in the development of the dashboard prototype have forked out £50,000 each to fund it. However, over the long-term, funding will have to come from elsewhere. There are three main ways the dashboard could be funded: by consumers, by providers, or by the government.

The experts *Pensions Age* spoke to were unanimous in their conviction that the dashboard should be funded by the pensions industry. Webb sums it up: “Firms like us have stumped up for the first round, to get the thing going. Our view is that the whole industry benefits and the whole industry should pay. Ideally, I would like to see a levy.”