Centre for Policy Studies

Pointmaker

THE PENSIONS DASHBOARD: VITAL FOR UK plc

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SUMMARY

- This paper discusses the pensions dashboard, now in development. It has the potential to provide more financial advantage to consumers than any previous pensions initiative. It matters.
- Fully functioning, the dashboard could become the ultimate disruptor of incumbent industry providers because, by offering consumers a simple overview of all of their pensions pots, it could break the industry's cultural attachment to opacity.
- But merely providing information will not embed the dashboard into the consciousness of the general public. To spur individual action, it must demand engagement by offering utility to unlock its huge potential value to consumers through, for example, the ability to consolidate disparate pots into one place. This would improve their bargaining power with the industry, leading to larger retirement incomes via lower costs, and other scale economies.
- Utility, allied with enhanced transparency to push back on the industry's innate talent to complicate, would also help drive competition within the industry, kindling trust between it and consumers. Ultimately this would encourage more people to save more, helping to close the savings gap, to the benefit of the individual, UK plc and the industry.
- An air of politically accommodating ambiguity surrounds the dashboard's development, particularly in respect of accountability and responsibility. The Government, having chosen to steer the boat rather than to row it, is performing a delicate ballet, seeking to nudge the industry to lead.
- This is at odds with international experience of what is required to realise a successful dashboard. Australia, Denmark, the Netherlands and Sweden all used legislation to shove, rather than nudge, the industry into participating, particularly to compel data submission to the dashboard. However, the Government's strategy is understandable given its chastening experiences with IT-centric projects. In addition, it has given the industry an opportunity to shape its own destiny.
- This could induce a dose of business schizophrenia amongst a minority within the industry: a fully functioning dashboard would highlight poor performing, high charging providers. They could choose to play chicken with the Government, by prevaricating in perpetuity. Consequently, given the absence of any legislated "driving imperative" or formal contractual arrangements with the industry, the top priority for the dashboard's ministerial champion, Harriett Baldwin MP, should be to establish an independent governing board. Its purpose would be to keep the melee of project participants and stakeholders moving forwards, thereby helping to ensure delivery.

- Part I of this paper describes the dashboard's purpose and design, highlighting some of the technical issues. Part II considers the challenges facing its delivery.
- **Just the beginning**
  A pensions dashboard should be merely the first step towards a comprehensive dashboard to display all facets of our personal finances. It should display bank balances, savings accounts and investments alongside liabilities so that, for example, users would be a mouse click away from offsetting high cost credit card overdrafts and consumer loans against any positive cash balances (today yielding next to nothing). Thus consumers would be able to dramatically improve the return on their assets, by disintermediating the retail financial services industry, much of which we do not need. Indeed, it is one of the underlying causes of the UK's poor productivity growth.

Below are nine specific proposals.

HOW TO DELIVER THE PENSIONS DASHBOARD

Proposal 1: The first dashboard should be hosted on a ".gov.uk" website, perhaps overseen by the forthcoming pensions guidance service.

Proposal 2: A multi-dashboard market should be served by a central communications hub to minimise the number of required connections between each dashboard and the many industry participants. The hub should be overseen by a body independent of the industry.

Proposal 3: The Government should prepare the ground for the dashboard by mimicking Australia's SuperStream programme. This would require employers, pensions funds, service providers and HMRC to adhere to standardised electronic pensions data and payments processing, linked by National Insurance number, to facilitate consistent messaging standards.

Proposal 4: The forthcoming Funds Market Practice Group report into transfers should favour *in specie* (i.e. non-cash) transfers, where possible, and insist that assets may only be transferred to accounts controlled by the customer and bearing his National Insurance number.

Proposal 5: The dashboard's ministerial champion, Harriett Baldwin MP, should appoint a small governing board, independent of the industry, to mentor the dashboard project. It could operate under the aegis of the forthcoming pensions guidance service.

Proposal 6: The Government could provide some focus to the development of the prototype by requesting that it be built specifically for the 4.6 million members of the Local Government Pension Scheme (LGPS).

Proposal 7: From 2019, small pots (with less than £2,000, say) and lost (or orphan) accounts should be exempted from all charges and fees.

Proposal 8: A 2019 deadline should be set by when all life companies' closed books should be "dashboard-ready".

Proposal 9: The Government should set some interim delivery dates for the dashboard, ahead of final delivery in 2019.

INTRODUCTION

In 2013, a DWP Command Paper set out the issue of the escalation of dormant pension pots as a result of automatic enrolment.[1] It signalled an intention to bring forward primary legislation to create a "pot follows member" automatic transfer system: pension savings would move with people, as they move jobs. The author, disagreeing with the accompanying Impact Assessments[2], proposed an alternative approach, that of virtual and physical aggregation (concerning data representation and pot transfers, respectively).[3] The Pensions Act 2014, however, stuck with pot follows member, only for the new pensions minister, Baroness Altmann, to drop it and put aggregation into the frame, albeit with a new narrative: "dashboard".

In March 2015 the FCA[4] recommended the creation of a pensions dashboard, reiterated in the Financial Advice Market Review's (FAMR) final report: *HM Treasury should challenge the industry to make a pensions dashboard available to consumers by 2019*.[5] Two days later, in his Budget speech, the Chancellor stated that *the Government will ensure the industry designs, funds and launches a pensions dashboard by 2019*.

PART I: PURPOSE AND DESIGN

1. WAKE UP AND SMELL THE COFFEE

Many businesses have realised that mechanisms that lock in their customers do not create customer loyalty. Retaining loyalty is all, and to do that, business must be customer-obsessed, allowing customer preferences to prevail. The old strategy of creating barriers to leaving is defunct: customers, armed with technology, are becoming too powerful. It would appear that some in the UK's life and pensions industry ("the industry") have yet to "get it".

Meanwhile, a revolution is underway in all facets of personal finance, impelled by a growing recognition that customer data belongs to the individual, not the provider. In addition, customers are entitled to see it. In parallel, the Government is intent on empowering them to make it easier to switch between service providers, thereby increasing competition.

This is the age of the customer.[6]

2. THE DASHBOARD

2.1 Better decisions from better data

The FAMR's final report describes a pensions dashboard as *a consumer-friendly digital interface that would display information about all of an individual's pension savings in one place*. Readily available, accurate data will nudge consumers towards making better decisions about their personal finances, as well as being able to conduct a proper value-for-money assessment of their service providers.

Consequently, the dashboard should show *all* facets of private finance: assets, pension entitlements and liabilities. At its most basic, it should display the following:

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1 *Automatic transfers: consolidating pension savings*; DWP, April 2013.

2 *Small Pots and Automatic Transfers Impact Assessment,* DWP0030; DWP, 21 May 2012, and subsequent *ad hoc* release of October 2012.

3 *Aggregation is the key;* Michael Johnson, CPS, 2013.

4 *Retirement income market study: final report – confirmed findings and remedies. Remedy 4;* FCA, March 2015.

5 *Financial Advice Market Review final report, Recommendation 16,* March 2016.

6 See *Competitive strategy in the age of the customer;* Forrester Research, October 2013.

(i) a static data address book, listing providers' and employer-sponsored schemes' contact details. No specific benefits or pot values would be listed;

(ii) all three pension pillars, ideally expressed in a common language so that they could be presented individually and in consolidated form (graphically and tabular).

- **State Pensions** (basic, S2P, SERPS, single-tier), including any Guaranteed Minimum Pension guarantees for those who were contracted out of SERPS between 1978 and 1997.
- **Occupational pensions,** showing dormant and live DC pots with "real time" valuations for liquid, listed assets. The value of illiquid asset classes (such as commercial property) should be updated monthly. Deferred and actively accumulating DB rights could be expressed as monthly income from retirement age, in today's money terms, less basic rate Income Tax, updated on a monthly basis.
- **Private pensions** (SIPPs, Stakeholder, other); and

(iii) alongside each pot, all allied costs and charges (implicit and explicit), any transfer constraints, and embedded provider guarantees. Such enhanced transparency should:

- improve savers' bargaining power with the industry, leading to larger retirement incomes via lower costs and scale economies (via pot consolidation);
- help drive competition within the industry; and
- improve trust between the industry and consumers, ultimately encouraging more saving: good for UK plc and the industry.

Over time, the dashboard's display should be expanded to include:

(i) non-pensions savings and investments, including ISAs, the Lifetime ISA, and other savings vehicles;

(ii) life insurance policies, bought individually and provided via a workplace benefits ("group risk protection") package;

(iii) consumer credit liabilities, to (i) raise awareness that they typically charge APRs of over 16%; and (ii) facilitate paying them down with DC pot assets (for those aged at least 55), to generate a risk-free return equivalent to 22% post-tax (for a basic rate taxpayer), far more than could be expected from DC pot assets. It could, however, prove to be a challenge to encourage some people not to subsequently take on more debt;

(iv) mortgages, with the prevailing rate of interest being charged (plus accompanying details, such as the maturity date and any fixed rate term or endowment features);

(v) an indication of the value of money being offered by different providers, perhaps via an index (relative to a benchmark)[7];

(vi) alerts as to a potential breeches of the Annual or Lifetime Allowances; and

[7] An index could take into account not just costs and charges, but also asset allocation, alpha generation, investment performance volatility, hedging, the quality of administration and "customer" service, and transparency.

(vii) warnings of on-going scams.

Sweden's dashboard, Min (my) Pension (operating since 2004) has been gathering evidence of its impact on users. It reports that 48% of people who had used it say they then had enough information concerning their pensions, compared to 13% of those who had not used the service.

2.2 Information is not enough

Simply providing information will not achieve the engagement necessary to spur individual action: the dashboard must also *demand* engagement. Timely, personalised messages that present an active choice should be combined with the ability to execute transactions, requiring decisions to be made (for example, to consolidate disparate pots into one home). Consequently, the dashboard must provide utility, crucial if it is to become embedded into the consciousness of the general public.

2.3 Utility: crucial for engagement

Dashboard utility should include the following.

(i) **A communications facility**, to enable users to advise providers of any changes in their contact details, and to issue instructions. Links to bank accounts could be used to effect cash transfers.

(ii) **Projection tools to help the dashboard come alive**, with an emphasis on projected incomes in retirement, rather than capital sums at retirement. Users should be able to set personal goals, based upon their age today.

- **Up to the age of 40.** Many users will be focused on buying a house, not yet planning for retirement income. The dashboard could include peer group pot size comparisons; reviews and ratings written by other users; and reminders about auto-enrolment ("are you in?", "want to contribute more?").
- **40 to retirement**: the user focus is likely to shift to boosting savings. A tool to track progress towards meeting a user-set target monthly retirement income, would be helpful (comparing existing savings with what would be required to reach the target). Projected retirement incomes should be expressed in terms of today's money, net of basic rate Income Tax, and assume the continuation of current earnings (i.e. no future rises in real terms) and any ongoing DC pension provision, until retirement. Consequently, projected DC-derived retirement income would be driven by some user-controlled modelling assumptions, including retirement age, life expectancy, annuity pricing at retirement and future real-term asset growth (each with a default setting?).
- **60 plus**: users are likely to be more focused on decumulation. Functionality should include a DC drawdown forecasting tool with a user-set percentage of capital being drawn down each year (5% as the default?). Illustrations could be included to show the impact, over time, that a selected drawdown rate may have on pot size (overlaid on any DB income).

(iii) **An annuity pricing tool**, with the ability to making annuity purchases via a competitive market.

(iv) **Pot consolidation though transfers.** For all the reasons that underpinned the former pensions minister Steve Webb's "operation big fat pot", it is absolutely crucial that dashboard users are able to consolidate their disparate (DC) pension pots into one pot (i.e. physical aggregation), via simple mouse click transfers. DB pot consolidation would be less straight forward, given the plethora of different scheme rules, and should be accompanied by appropriate health warnings as to the wisdom of requesting such transfers.[8]

The dashboard could also display some nudges to increase contributions (had a recent pay rise?), and indicate the kind of pot size that would be required to support a user-specified monthly retirement income. In addition, given that most people want others to take pensions-related decisions for them, perhaps the dashboard should include some default actions (such as auto-consolidation?).

Given that the accumulation and decumulation phases usually involve different decisions, the dashboard could present them separately. Only decumulation, for example, would require functionality concerned with utilising the 2015 pension freedoms.

2.4 Advice / guidance required

Empowering people is not enough. Before being able to make decisions, many dashboard users would benefit from an improved wherewithal about their different savings and pensions pots. Given the wide variety of pension assets, expressing them in a common language would be a challenge, so guidance or advice is likely to be required (for example in respect of any valuable guarantees).

Consequently, the dashboard should include a robo-advice facility, contact details of approved advisers, and real time online support via links to the future pensions guidance service and the DWP's pensions tracing service (which a truly comprehensive dashboard could make redundant). The adviser community are supportive of the dashboard, and nearly 60% of advisers believe it would help people engage in retirement planning.[9]

3. DESIGN CONSIDERATIONS

3.1 The OIX White Paper

In 2015 an discovery phase report[10] was published, concerning digital identity, facilitated by the Open Identity Exchange (OIX).[11] It was followed by the Pensions Finder White Paper summarising the preliminary planning for a dashboard, taking into account DC and DB pensions, plus the State Pension.[12] It considers:

- **consumer journeys**, from verification and login, finding and seeing pensions, forecasting future income and consenting to sharing data with third parties;
- **consumer research**, to further validate the concept of the dashboard and to dig deeper into different aspects of the customer journey;

8 Very sensibly, Hargreaves Lansdown has recently (June 2016) decided not to revive its DB pensions transfer operations, after temporarily closing the service in 2015. The rationale is that it is rarely in a client's interest to make such a transfer.

9 Royal London survey, May 2016.

10 *The Pensions Finder Tool: a Discovery Project White Paper*; Barclays, Cabinet Office, DWP, MAS, HM Treasury, June 2015.

11 OIX is an independent global organisation where research projects relating in some way to digital identity can be collaboratively undertaken by members. In the UK, OIX is run by Government Digital Services (GDS), part of the Cabinet Office. This allows GDS to initiate research projects but run them outside of government and in collaboration with private companies.

12 *Creating a pensions dashboard; Pensions Finder Alpha White Paper*, 26 May 2016.

- **the architecture**. The White Paper envisages a dashboard comprising a user interface (the actual dashboard) supported by a pension finder service (to retrieve data from providers, schemes and government, delivering it to the user interface), and security features ("a digital identification capability");
- **data standards**, to ensure a common format and meaning is used by all participants, to enable smooth data exchanges;
- **open APIs**[13] to facilitate communication between all parties; and
- **governance**. The White Paper rightly identifies the need for a decision-making body that is independent of both government and firms' individual commercial interests.

A number of these themes are discussed in more detail, below.

3.2 How many dashboards?

A number of technical aspects are unresolved (discussed below), but first we should consider a fundamental question. How many dashboards should there be?

(a) A question of ideology

Is the dashboard essentially a national utility, one purpose being to increase the general public's awareness of how little their pension pots are worth?[14] If so, the underlying objective could be to encourage (shock?) more people into saving more, thereby helping to reduce the UK's savings gap and the prospect of future pressure on the welfare state.[15]

If there were to be only one dashboard, then given its (initial) focus on pensions, it could be hosted by the forthcoming pensions guidance service website. Many industry participants, notably advisers, have already indicated their support for a single dashboard to be on a website bearing the Government's seal of approval (i.e. ending with ".gov.uk"). This is seen as an important feature of Denmark's dashboard, for example.

> **Proposal 1:** The first dashboard should be hosted on a ".gov.uk" website, perhaps overseen by the forthcoming pensions guidance service.

(b) White labelling?

Once the first incarnation of the dashboard were technically ready, its core competencies could be white-labelled by other, approved, private sector dashboards. These would all provide access to the same data, but could compete with one another by adding their own nuances to serve different user niche markets (retirees, Generation Y, those with DB accruals….).

Ultimately, we are likely to have multiple competing dashboards, not least to maximise the consumer reach. Such an approach would also resonate with the Government's "freedom and choice" agenda. White labelled dashboards would, however, inevitably become part of the marketing effort, as platforms for sales

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13 Application Programming Interfaces.

14 An Aviva analysis of 9,498 people during 2015 found that more than a quarter of savers (28%) have never reviewed their retirement savings. YouGov found that 60% have no idea how much money they had saved for later life. A 2016 Which? Report shows that 47% of employees aged over 50 with a personal pension are not confident in how much they have saved up for retirement, and 21% have never checked how much they have in their pension pots.

15 Savings gap: that between current savings for retirement and what is necessary to generate a desirable income in retirement.

opportunities. Safeguards would have to be put in place to ensure that they did not risk consumer confusion.

3.3 A communications hub

(a) "Many to many" or "many to one"?

In a multi-dashboard market, each dashboard would have to connect with every potential data source: a "many to many" communications framework. A central communications hub would reduce this to a "many to one" requirement for each dashboard and each data source: this would be simpler.

Such a hub, referred to as "PensionClear", is described by the author in a 2013 paper.[16] PensionClear is effectively a pensions clearance service, fielding data requests from multiple dashboards and then pulling it from industry participants. It could also drive the security process, and facilitate the execution of transfers, but it would not store any data.

(b) Hub governance and ownership

There are some questions concerning the governance and ownership of the hub, and who would assume responsibility for its continued operation. Options include:

- an industry collective, operating as a not-for-profit trust adhering to an ethos of public service;
- one or a combination of private sector operators;
- the forthcoming pensions guidance service; or
- HMRC, playing a role akin to that of the Australian Taxation Office.

To maintain the public's trust, the hub should be overseen by a body independent of the industry.

> **Proposal 2:** A multi-dashboard market should be served by a central communications hub to minimise the number of required connections between each dashboard and the many industry participants. The hub should be overseen by a body independent of the industry.

3.4 Data storage

There has been much debate as to whether there should be a central database. While conceptually simple, several risk considerations conspire against it, notably security. The data itself would remain the property of the individual. A more secure approach would be to leave the data within the industry, with the communications hub acting as a "library index", akin to holding a name card for each pot. Thus it would not store data, but the hub would know where to get it from.

However, users would probably want data that they had "pulled" to their dashboard to remain there, which would require some third party data hosting.

3.5 Data protection

Only the Government, not the industry, is empowered to resolve any potential data protection issues. Europe has taken a lead, in respect of the processing and free movement of personal data, by recently adopting rules to strengthen citizens' data protection.[17] Member States have to transpose the Directive into their national law by 6 May 2018.

16 See Chapter 6 of *Aggregation is the key,* CPS, 2013.

17 Regulation (EU) 2016/679 and Directive (EU) 2016/680 of the European Parliament and of the Council, 27 April 2016.

This, alongside 2015's revision of the Payment Services Directive,[18] is viewed as a major step forward in the implementation of the Digital Single Market Strategy, to benefit consumers and businesses alike.

3.6 Funding the dashboard

If the dashboard is to be meaningful, contemporaneous and complete, it will not be cheap to develop. Ultimately it will be the consumer who pays; the question is, through what mechanism?

The White Paper suggests three alternative models for funding the dashboard's development costs:

(i) commercial self-funding by a group of industry participants;

(ii) an industry-wide levy, an approach used elsewhere (the new pensions guidance and money guidance bodies will levy all FCA and TPR regulated bodies, for example), but apportioning any levy is inevitably controversial; and

(iii) a membership model, including an initial joining fee to recoup the seed capital.

The White Paper makes no recommendations, although it does suggest that the dashboard's main cost to many providers and schemes will be improving their data to enable it to be submitted. But they should be doing this *anyway*, to raise the quality of their customer service, as well as their own operational efficiency.

Dashboard development is likely to be helped along if those covering the initial costs know that they will be reimbursed once the dashboard is operational. This could be from selling (or auctioning?) licences to competing dashboards, in return for a data-feed service (akin to how Bloomberg and Reuters distribute their data).

The White Paper steers clear of any direct usage charges, perhaps recognising that this would risk user engagement (notwithstanding that it may represent "good value"). An exception could perhaps be made in respect of executing transfer requests, prices being cost-based (i.e. not "cost plus").

As an aside, the Dutch national Pension Register website, which is free to use and prohibits commercial activity, was built at a cost of €6.5m (£5 million). Sweden's Min Pension dashboard, which includes all three pillars, costs roughly €3.5 million (£2.7 million) per year to maintain.

3.7 Pensions data: regulation required?

There is a risk that a few providers introduce charging models for data access, in which case price caps may be required. In addition, over time, a market could develop for pensions data: we may need to regulate how it could be used. Some may take the view that any such market would self-regulate through a desire to preserve reputations, but the past behaviour of a few industry participants does not inspire confidence.

4. TO BE DETERMINED….

The dashboard is not a technical challenge, but there are some unresolved issues. These include determining the identification and authentication processes; data standardisation and protection; and agreeing which open messaging standards

[18] On November 16, 2015, the Council of the European Union passed Payment Service Directive 2 (PSD2). This provides better protection to consumers when they pay online, promote the development and use of innovative online and mobile payments, and make cross-border European payment services safer. Member states will have two years to incorporate the directive into their national laws and regulations.

should be used. The industry has already solved some of the challenges of presenting online information clearly and concisely, sometimes borrowing ideas from other sectors.

4.1 Digital identity (to establish trust)

The UK's Government Digital Service (GDS, part of the Cabinet Office and a member of the OIX) is examining how the government's digital identity framework (GOV.UK Verify) could be used in the private sector. It is already used by HMRC for tax returns, and DWP for State Pension forecasts. The aim is for everyone to have a single common identity that can be used across many government and private sector services, with a panel of "identity providers" rather than the Government controlling the process.

The dashboard could potentially use the Verify service, both for data supply to it (i.e. marrying data to the user: is he who he says he is?) and the subsequent handling of any transfer requests (is the potential recipient regulated?). There are many unresolved issues, including:

- how to include, within the process, the whole gamut of third party administrators and intermediaries, and other service providers; and
- the selection of the exchange protocol ("API") to recognise a user (or his authorised representative) as being who he claims to be when logging on to the dashboard. It would then have to be universally agreed.

4.2 Open Data Protocol (ODP)

All industry participants appear to agree on the need for one Open Data Protocol, a system of computing rules designed for querying, finding and updating data. It would facilitate interoperability between competing software solutions and encourage financial technology ("FinTech") providers to compete to improve price, service, scope and speed of development: very relevant in assisting multiple dashboards to spawn.

But it is yet to be decided who should determine the ODP. Competing interest groups within the industry are currently jockeying for position (a parallel perhaps being the videotape format war[19] of the late-1970s), including Origo which is working with the Pension Finder project. As a software provider itself, and entirely owned by life companies, is Origo potentially conflicted?

Ideally the ODP should be established by an independent body, perhaps comprising a combination of The Pensions Regulator (TPR) which has worked with data standards alongside Pensions BIB, the driving force behind PAPDIS,[20] the Pensions Administration Standards Association (PASA), the GDS and the UK Funds Market Practice Group.

4.3 Standardisation

The dashboard will only work well once the industry embraces widespread standardisation. Unfortunately this is anathema to some. Ideally, all data should be submitted using the same formats, encryption and standards of accuracy, via the same API-based medium. Once multiple dashboards become operational, a major

[19] In the late 1970s and the 1980s, there was intense competition or "format war" between incompatible models of consumer-level analog video cassette recorders (VCR), mainly involving the Betamax and VHS formats. VHS ultimately emerged as the preeminent format.

[20] BIB is a group of representatives from three payroll developers organisations. PAPDIS is a free and open data interface standard for payroll software developers.

challenge would be to ensure reasonably consistent projections across different dashboards: impossible without standardisation. Without consistency, public trust in the dashboards would quickly erode.

(a) Data standardisation

Data supplied to the dashboards should be based upon standardised templates. There are many examples to consider, the ideal perhaps being a combination of those used by the Federation of Dutch pension funds (the uniform pension statement, UPO) and the CEM Benchmarking annual global pension fund survey.

(b) Operational standardisation: learn from Australia

The dashboard requires one common set of communication standards so that industry participants can supply it with data in a consistent manner and through secure and tested protocols. The Australian government prepared the ground for the introduction of their dashboard by introducing a package of measures designed to bring pensions' back offices into the 21st century: SuperStream. Along with standardised data formats, it demands:

- use of unique tax file numbers (TFN) as the key identifier. Consequently, the Australian Tax Office (ATO) became the financial and electronic hub ("gateway"?), facilitating the exchange of information with all parties around the government's dashboard;
- the use of electronic transmission of financial and member data between employers, pensions funds, service providers and the ATO, and standardised electronic payments processing; and
- the straight-through processing (STP) of pensions transactions.

The resulting simplification has dramatically improved efficiency, helping to cut (user-directed) transfer times from what used to take up to 90 days to no more than three days. This has been helped by linking Australian employers to every provider, with data "cleaning" taking place at employer level.

In the UK, pan-industry efforts to standardised have, to date, failed, collaboration being hindered by competing commercial agendas. In addition, some weaker providers are fearful that it would expose them to heightened competition. The Government should act to avoid the risk of the industry prevaricating in perpetuity.

Proposal 3: The Government should prepare the ground for the dashboard by mimicking Australia's SuperStream programme. This would require employers, pensions funds, service providers and HMRC to adhere to standardised electronic pensions data and payments processing, linked by National Insurance number, to facilitate consistent messaging standards.

Standards for data and operational procedures should be established jointly by government and industry, with an industry or dashboard governance body responsible for enforcing them. Without this, the dashboard's reputation would be put at risk.

(c) Messaging standards

Dashboard development should adhere to ISO 20022, the International Standard describing a common platform for the development of messaging. It provides a basic building block for straight-through processing, and a framework within which new, consistent, standards can be developed (facilitating innovation to improve processing efficiency). In the pensions and savings arena, the UK Funds Market Practice

Group (UKFMPG) already performs a coordination role.

4.4 The transfer mechanism

An integral part of the dashboard must be the ability to instruct pension pot transfers, to consolidate them in a single place. Automated transfer frameworks for contract-based (workplace) pension schemes are already operational (notably Origo's Options Transfers), but automated transfer procedures need to be developed for trust-based schemes, personal pensions and closed books. Today they are often conducted manually, which is expensive and painfully slow.

A UKFMPG report into transfers is expected in late-2016. Hopefully it will consider how to conduct transfers in a totally secure environment, at minimal costs and without exposure to market risk. *In specie* transfers should become the norm, which avoids the need to convert an asset to cash (for example, in respect of funds, through the reassignment of units).

Other challenges to address include protecting transfer counterparties from scams, engaging occupational schemes in electronic transfers when there is no central register, and determining what a supporting regulatory framework for transfers should include.

> **Proposal 4:** The forthcoming UK Funds Market Practice Group report into transfers should favour *in specie* (i.e. non-cash) transfers, where possible, and insist that assets may only be transferred to accounts controlled by the customer and bearing his National Insurance number.

PART II DELIVERY

5. WHO IS ACCOUNTABLE FOR DELIVERY?

5.1 Can the ABI deliver?

The Pension Finder dashboard project was initiated by the GDS under the OIX banner, with the Money Advice Service (MAS) leading it. However, it would now appear that the Association of British Insurers (ABI) is leading the initiative (perhaps because of MAS's imminent demise), accompanied by a coterie of other interested parties: the recent White Paper was emblazoned with 14 different logos.[21]

Pan-industry collaboration, essential for success, is vulnerable to competing commercial agendas: it is not *one* industry (and the ABI represents but one part of it). Internecine warfare could stymie progress, evidenced by a Citywire headline: *Tisa and Origo deny pensions dashboard feud.*[22]

It is now down to the ABI to demonstrate that is can take the *whole* industry with it, and evidence that its interests are wholly aligned with consumers'. That will require a change in behaviour of some of the ABI's membership.

5.2 Hands-off government

To-date, the Government has adopted a less assertive role than other countries with dashboards in place today, choosing to have one hand on the tiller, i.e. to steer the boat, rather than to row it. By asking the industry to lead on dashboard implementation, the Government has given it an opportunity to shape its own destiny. There is, for example, no formal Request for Proposal detailing the dashboard's key architectural features, capabilities and security and testing criteria (although a 2019 delivery date has been specified). It is certainly better to have

[21] ABI, Altus, Aviva, B&CE, Barclays, Cabinet Office, EY, HSBC, LV=, MAS, NEST, Origo, TPAS and Standard Life.

[22] 1 April 2016.

the industry "own" the project and participate *willingly* in its delivery.

But, as the dashboard is developed, a minority within the industry, weighing up its "positive" and "negative" consequences, could develop a dose of business schizophrenia. A fully functioning dashboard would highlight poor performing, high charging providers, and make it harder for them to retain customers. Some have little interest in seeing a consumer-empowering dashboard materialise: they could choose to play chicken with the Government.

Consequently, the Government is performing a delicate ballet, seeking to nudge the industry to deliver, with Harriett Baldwin MP, Economic Secretary to the Treasury, acting as ministerial champion.[23] The minister may like to ponder some rules for implementing change, gleaned from a former Cabinet Secretary, Lord Butler. Several of them are very pertinent to the dashboard project; they are summarised in the Appendix.

The minister's top priority should be to establish an independent governing board to keep the melee of project participants and stakeholders moving forwards, and ultimately to ensure delivery. This is particularly the case given the absence of any legislated "driving imperative", or formal contractual arrangements with the industry.

6. A GOVERNING BOARD

6.1 Role: to rekindle trust

A governing board is required to oversee dashboard delivery and to ensure that consumers' best interests are served by it, with trust instilled between each layer of the dashboard's architecture. This trust point is key: a relationship of trust needs to be re-established between consumers and industry. The dashboard could play a significant part in achieving this, by improving transparency and nudging (or shoving?) the industry into changing its behaviour. And then consumer engagement would rise.

Initially, the board should be primarily concerned with setting the strategy for the dashboard's development, building consensus for it amongst the multi-various stakeholders, and then performing a supervisory role as the project progresses, not least to ensure that the industry meets the 2019 delivery deadline. It could also work with the industry to establish a funding model for the dashboard, both for its development and then covering the ongoing maintenance and governance costs. Subsequently it could help devise a strategy to encourage people to use it.

6.2 Board composition

The governing board should be impartial, independent of industry and government, and exude an ethos of public service. It should include consumer interest representatives, and perhaps FinTech project management expertise, with industry and government observers.

Strong leadership would be required to corral such a disparate set of interests, perhaps operating under the aegis of the forthcoming pensions guidance service (currently being formed by the integration of the MAS, TPAS and Pension Wise).

[23] Note that under the guidance framework, pensions are with DWP, with money and debt with HMT. The hub and dashboard would appear to fall under Treasury aegis.

Proposal 5: The dashboard's ministerial champion, Harriett Baldwin MP, should appoint a small governing board, independent of the industry, to mentor the dashboard project. It could operate under the aegis of the forthcoming pensions guidance service.

7. IMPLEMENTATION

7.1 Next step: a prototype

(a) Origo's ball?

The White Paper proposes that the industry builds an end-to-end prototype of a single-, rather than multi-destination, dashboard service. This is sensible: such an approach will provide a more controlled environment for development and testing. It has, however, disappointed the FinTech community, which is keen to get going on developing alternative dashboards and pension finder services.

The White Paper includes a timeline, with the design and build of the prototype scheduled to commence in mid-July 2016. Disconcertingly, it is silent as to who, acting on behalf of the *whole* industry, is going to build it.

Origo, part of the White Paper's consortium, claims it is well on course to delivering an engine to sit between a dashboard and providers "*to provide a low-cost, simple and secure capability to share data and populate dashboards, including pension valuations*". It is also working on delivering an integration hub to enable providers and platforms to share data with third parties. This service already supports the sharing of pension valuations: Origo claims that extending this to support dashboards "*is a relatively straightforward and natural development*". The Tax Incentivised Savings Association (TISA) has proposed a rival dashboard, based upon its existing TISA Exchange (TeX) system.[24]

Many industry participants already have the software necessary to deliver a dashboard. Intelliflo, LoveMoney, Money Desktop, MoneyHub, MoneySupermarket, True Potential, Yodlee and others are today offering personal financial management capabilities that incorporate varying degrees of dashboard-like functionality. In addition, developers of a UK dashboard have considerable international experience to draw upon, including dashboards in Australia, Denmark (PensionsInfo), Netherlands (ABP, and the national pension register overseen by APG) and Sweden's Min Pension. Furthermore, consultants such as Aon and Mercer have accumulated relevant expertise, along with smaller specialists such as Sigma (the Swedish IT services company that developed Min Pension).

So, to be clear, no FinTech company has been "officially" appointed to perform any specific role: the field remains wide open.

(b) Government as client

The Government could provide some focus to the development of the prototype by requesting that it be built specifically for the 4.6 million members of the Local Government Pension Scheme (LGPS). Such an approach would serve as a live "proof of concept" test bed (particularly for security robustness), as well as ensuring on-going direct involvement of the Government, via the LGPS's sponsor (the Department of Communities and Local Government, DCLG), as the customer.

[24] TeX automates transfers of ISAs and unwrapped funds and pensions.

Proposal 6: The Government could provide some focus to the development of the dashboard prototype by requesting that it be built specifically for the 4.6 million members of the Local Government Pension Scheme (LGPS).

Mark I of the prototype could just include the State Pension and LGPS benefits (both are linked to the State Pension age). Ideally, its design would be user-led to reflect the desired "consumer journey", with the architecture being future-proofed to permit evolution to support other models, including multiple dashboards.

7.2 Delivery timetable

(a) Opinion divided

There is a wide range of opinions concerning the 2019 deadline. Baroness Altmann, the pensions minister, has said that she thinks ten years is more appropriate, whereas one Dutch pensions expert has questioned why it should take as long as three years to create a dashboard for UK consumers.[25]

"Why should it take so long? It is more the political will to do it and government drive to push it than it is a technical issue. There is a database. It has pointers to third-party administrators and pension funds. The only thing pension providers have to do is unlock their data and present it in a standardised format; you do not need three years of programming time to upload information in a standard format. The national register in Holland started with the uploading of annual statements. If the UK did that, records would at least be all in one place."

(b) A phased approach

Dashboard delivery should be a multi-stage project, starting with the lowest hanging fruit: it is important that it is not over-ambitious, to reduce the risk of non-delivery. Keeping the early versions simple would also ensure that providers have no excuse to prevaricate, or blame budgets for not progressing. It is valuable to be able to demonstrate success early on, alongside an indicative timetable for gradual expansion.

The following is merely a suggestion for a delivery sequence, with the inclusion of DB scheme relatively late on: DB data preparation is likely to be particularly arduous.

- Static data: a list of providers' and employer-sponsored schemes' contact details. This first step would require minimal dashboard security (there being no utility).
- State Pension accruals (requiring digital identity checks).
- Life companies' closed books, including all fees and charges.
- Auto-enrolled live DC (occupational) pots. Many auto-enrolled users are likely to have relatively simple pension arrangements.
- Private DC pensions (SIPPs, Stakeholder, other), and all fees and charges.
- ISAs, including the Lifetime ISA, and all fees and charges.
- Assets such as holdings of shares (including employee share ownership plans) and deposit accounts.
- Public sector DB accrued rights.
- Larger private sector company DB accrued rights.

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[25] Rik Douwes, managing director of Dutch pension provider InAdmin N.V.

- Other DB rights.
- Then start add liabilities (high cost consumer credit, credit cards, etc.) and links to bank accounts.

The ability to execute transfers to consolidate separate pots should be added as early as possible (with costs disclosed), with additional tools such as retirement income projections and robo-advice.

We have to be realistic in our aspirations for the dashboard. Such is the sheer range of pension benefits and vehicles that it will not be possible to collate them all in a common language. Consequently advisers' ability to use the dashboard for a comprehensive fact-find could be limited.

7.3 Communication: key

A communications strategy is needed to keep the public, consumer groups, unions and the industry informed of the dashboard's progress. Engaging with employers is important too, as they can help to reach their scheme members against a backdrop of on-going auto-enrolment. Communication could also be used to catalyse public expectation, thereby exerting pressure for dashboard delivery and for the whole industry to participate (including supplying data).

The strategy could be co-ordinated by the governing board, part of its remit being to ensure that no excessive promises were being made. Overselling the dashboard would likely lead to subsequent disillusionment, which would be hugely counter-productive.

8. CHALLENGES TO OVERCOME

8.1 Securing industry buy-in

If the dashboard is to be achieved, it has to be perceived as an opportunity for the industry, rather than as a threat, otherwise we risk patchy buy-in.

The governing board could help frame the narrative: for example, an effective dashboard would increase engagement with saving, and with more people saving more, the bigger the business pie, which would be good for the industry. And while going through the process of becoming "dashboard ready" would incur costs, substantial cost savings should then ensue from streamlined processes, small pots consolidation and the end of paper-based records and annual benefit statements.

In addition, providers should be able to glean potentially valuable insights derived from messages reporting customer use of the dashboard. "Trigger events" could lead to opportunities for deeper customer engagement. In time, being absent from dominant dashboards could be seen as a business disadvantage.

8.2 How to ensure data supply?

(a) Data from the Government

There is a widespread view that State Pension entitlement, based upon years of National Insurance contributions (NICs), including legacy entitlements, should be available through the dashboard. But, contrary to popular opinion, the State Pension is a benefit, not a contractual obligation: the State Pension age could be moved to 70+ tomorrow.[26] Consequently, this point must be highlighted, at least to diminish the risk of creating false expectations (and ultimately the risk of a WASPI Mark II).

[26] The Pensions Act 2014 provides for a regular review of the State Pension age (SPA), at least once every five years, and this is currently being conducted by John Cridland. His report is due by May 2017.

As for *when* to include the State Pension, it may prove challenging for the DWP to provide up-to-date, accurate information instantly to the entire nation (are all National Insurance records fully digitised?). However, without State Pension data on the dashboard from inception, it may lack credibility, and it would be harder to persuade some providers to willingly submit their own data to it. The momentum behind the dashboard project would then suffer, as well as consumer confidence in it.

(b) Data from the industry

(i) Much work to be done

The dashboard will not function without the whole industry agreeing to submit data to it. But some providers face some substantial impediments, including:

- poor data quality (which could involve chains of past providers);
- paper-based records requiring digitisation (time needed?);
- outdated legacy systems; and
- "proprietorial behaviours": confidentiality is often cited to justify opacity.

One consequence of these deficiencies is that it is harder to connect individuals to lost pots. Following the introduction of SuperSteam, Australia's much improved back offices identified five million lost accounts. We should introduce some nudges to encourage the industry to both modernise its record keeping and to be pro-active in connecting lost pots with their owners, and also to help customers consolidate their small pots.

Proposal 7: From 2019, small pots (with less than £2,000, say) and lost (or orphan) accounts should be exempted from all charges and fees.

Separately, there should be an on-going campaign to encourage mergers amongst the hundreds of DB occupational schemes with fewer than 100 members. Digitising their records for the dashboard, onto a standard template, would be a useful pre-requisite to facilitating such scheme consolidation.

(ii) What of life insurers' back books?[27]

Some 45% of life companies' cash flows, and up to 50% of profits, currently stem from their high margin, in-force closed books of now-defunct products. Bastions of opacity, their iniquitous high charges epitomise the mis-alignment of industry and consumer interests, acknowledged in a recent FCA report.[28] The FCA looked at 11 providers' closed-book life insurance products sold before 2000 (some £150 billion across 9.4 million customers). Six providers (Abbey Life, Countrywide, Old Mutual, Police Mutual, Prudential and Scottish Widows) currently face FCA enforcement over closed-book failures, specifically concerning their lack of disclosure of exit fees and paid-up charges, and opacity over the loss of valuable guarantees.

Other companies, including Phoenix Life (a closed book specialist), regularly attract criticism for failing to treat customers fairly (over pension exit charges, for example). Their business

[27] A "back-book" is defined as "all life" business lines excluding the go-to market business lines i.e. pensions, protection and annuities. These "closed" or "semi-closed" business lines contain out-dated products with limited or no growth prospects, and are no longer actively sold: whole-of-life policies, endowments and with-profit and unit-linked investment bonds.

[28] *Fair treatment of long-standing customers in the life insurance sector*; FCA Thematic Review TR16/2, March 2016.

practices are out of synch with modern times (including "freedom and choice").

Given that an effective dashboard's destination is likely to be online transferability, some life companies may be reluctant to genuinely engage, very aware that their back books would become exposed to the risk of (value destroying) transfers. From the consumers' perspective, the back books should be first onto a dashboard, not least to help break the life companies' hegemony.

In reality, some life companies require more than a nudge (i.e. a shove) to make their back books "dashboard ready". This could prompt some of them to re-engage with dormant customers, and start delivering a better service. Indeed, forward thinking companies could see themselves as the future consolidator of choice.

Proposal 8: A 2019 deadline should be set by when all life companies' closed books should be "dashboard-ready".

(c) Legislation required?

(i) International insights

There are a number of international examples of how to ensure delivery of a dashboard, with lessons to learn from each of them.

Australia used legislation to demand that the industry participates in a dashboard, centred around the Australian Taxation Office, ATO (i.e. the government). As previously discussed, the Australian government prepared the ground for the introduction of an effective dashboard by demanding the simplification and standardisation of back office functions (the SuperStream programme). There is an on-going debate about creating a formal system to consolidate funds.

The **Dutch** also used legislation to require pension schemes to provide data, monthly, to a (free to use) national dashboard.[29] This includes state and occupational, but not personal, pensions (now in the planning).

Sweden's Min Pension dashboard emerged via a less authoritarian voluntary public-private partnership, but with the threat of legislation to nudge the insurance industry to participate. Consequently, progress has been slower than elsewhere, the first version taking five years to appear (in 2004). Today, users may see estimates of their combined pension income across public, private and occupational streams once they retire (99% of schemes are covered, including DB pensions), but they are yet to be able to consolidate pots via the dashboard.

(ii) Domestic disagreement

The former pensions minister, Steve Webb, believes that unless the dashboard forms part of the next Pensions Bill, it is unlikely that it will be created in time to meet the 2019 deadline set out by government. Others, including Mark Boyle, chairman of TPR, prefer a voluntary arrangement with, for example, no requirement for providers to submit data: a "coalition of the willing".[30] This is a variation of a collaboration strategy devised by political scientist Robert Axelrod, whereby a small group of lead companies are "Nice, Retaliatory, Forgiving and Clear" to encourage others to join in.[31]

[29] The Stichting Pensioenregister, overseen by APG, established under the Pension Act of 2006.

[30] Mark Boyle has outlined a three step plan: establish a steering group including government and providers; develop a consensus government view, to include HMT, DWP, FCA and TPR; and ensure there is clear ownership and strong governance.

[31] See *Appendix III, Aggregation is the key*; Michael Johnson, CPS, 2013.

Both Webb and Boyle agree, however, that that there is a need for somebody to take a strong leadership role.

(iii) The Enterprise and Regulatory Act 2013

The Government has some tools at its disposal to encourage the industry to submit data to the dashboard. The Enterprise and Regulatory Reform (ERR) Act 2013 was introduced in support of the Government's Midata programme, designed to improve market efficiencies. Concerned that voluntary codes may not work, the Government has given itself some regulation-making powers, without actually enacting the regulations. These could compel companies and banks to give consumers their own data in a useable electronic form, and have already been deployed against energy companies.

The ERR Act has potential profound implications for businesses that rely on opacity for competitive advantage…..epitomised by the pensions industry. There is no reason why the Act should not be used against it, should providers decide to deny consumers access to what is, after all, their own data.

There are parallels in other industries. For example, the Competition and Markets Authority (CMA) has recently set out proposals to reform retail banking, to improve competition and to get a better deal for customers.[32] It highlighted the inability of consumers to get information on costs and charges, and proposed requirements that banks introduce an Open API banking standard, which will enable customers to safely and securely share their unique transaction history with other banks and trusted third parties, and join a price-comparison website.

(iv) The ultimate sanction: compulsion?

Some are of the opinion that the UK industry should follow others (Australia, the Netherlands), and be compelled to make their customers' data readily available to the dashboard, in an intelligible, comparable form. It may come to this in the UK but, for now, the ball is with the industry, albeit with, hopefully, a governing board looking on. It would probably have no powers to impose sanctions on any recalcitrant industry participants, but it could name and shame them.

(v) Delivery: a warning from history

So, as we (the DWP) *proposed in the Green Paper, we will continue to develop a web-based retirement planner, which will enable people to view their total projected pension income from both state and private sources, estimate the income they might need in retirement and calculate any savings shortfall. We expect to make the first elements of this tool available in 2004.*[33]

You read that correctly: 2004. The Government's hands-off approach to the dashboard suggests that it has probably learned from past experience (it is partly an IT project). But, rather than just waiting for 2019, it could provide some definition to its delivery expectations by identifying some interim delivery dates for the dashboard, not least to give the industry the opportunity to evidence progress.

Proposal 9: The Government should set some interim delivery dates for the dashboard, ahead of final delivery in 2019.

32 *Retail banking market investigation; provisional decision on remedies;* CMA, 17 May 2016.

33 *Simplicity, security and choice: working and saving for retirement action on occupational pensions, paragraph 16, page 32*; DWP Green Paper, June 2003.

9. CONCLUSION

There is an air of inevitability about the UK having a dashboard (and subsequently, more than one), not least because foreign precedents are demonstrating just how valuable it could be, to consumers in particular.

The industry has a choice: it could either deliver it with good grace, or end up being cajoled into participating in a structure that may not be of its own making. The latter route would probably further tarnish the industry's reputation.

For now, the Government has offered the industry an opportunity to be in control, and to shape its own destiny. It should take it.

APPENDIX

EFFECTING CULTURAL CHANGE: SOME LESSONS FROM THE FRONT

The following list was gleaned from a former Cabinet Secretary, Lord Butler, in a 2006 meeting with the author.

(i) Get the data prior to making decisions.

(ii) Get commitment from the very top. It is all too easy for senior civil servants to "put their head down" and carry on as normal until the drive for reform blows over. The only way to avoid this tendency is to make clear the drive comes from the very top. In addition, those not committed to reform should be encouraged to leave.

(iii) Strong leadership is required. Have a project leader whose career depends on success; make them accountable and give them the responsibility.

(iv) Maintain consistency. It takes time to reform large, inertial organisations, akin to turning a super-tanker around.

(v) Get the politicians hooked on success. Get them to announce their plans and targets and hold them to account

(vi) Cut off the lines of retreat to the bad old ways. Ensure that changes in governance, structure and process are irreversible by changing the entire infrastructure, right down to how the filing is done.

(vii) Communicate. Make it clear to the staff where they fit into the new vision and let them know the reasoning behind the reforms. This is the best way to avoid resistance and encourage staff to buy into the reform agenda. Communication does, however, work both ways and listening to staff is important.

(viii) Simplify; swim against the tide of desire to complicate.

(ix) Keep up the momentum. As with all big reform drives, there will be setbacks; the important thing is to keep moving with the reform until it is complete. It is all too easy to give in at the first sign of difficulty but half-completed reform is usually worse than the status-quo.

(x) Show that you appreciate the staff. Use natural wastage (10%) and voluntary redundancy to reduce fear of job-cuts and resistance to idea of reform.

(xi) Know when to bring the project to an end; the law of diminishing returns is out there.

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