



ROYAL LONDON POLICY PAPER
5. Pensions Dashboards around the
World

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The publication of this paper in May 2016 coincided with a Royal London conference on 'Pensions Dashboards around the world' with participants from Australia, Sweden and the Netherlands. We are most grateful to our conference participants for their contributions, which have helped to inform the commentary in this paper. Any errors are however our own.

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PENSIONS DASHBOARDS AROUND THE WORLD

Executive Summary

Citizens of Australia, Sweden, the Netherlands and several other countries can do something that British citizens cannot – they can go to a single website and see all, or most, of their pension rights in one place. This can help them to plan better for their retirement, to move their money to the best value pension schemes and track down lost pensions. Whilst there has been much talk in the UK about the need for a Pensions Dashboard, the current timetable to have something in place by 2019 looks very unambitious.

This paper first provides a taster of what is done in other countries.

In Australia the dashboard is hosted by the Australian Tax Office and was driven by the desire to see consolidation of multiple small pension pots created through mandatory saving into superannuation schemes. The focus is very much on reuniting people with their lost pension pots and prompting them to consolidate into fewer, more cost-effective pots.

In Sweden, citizens have for some years received an eye-catching ‘orange envelope’ providing an annual update on their pension rights across a range of schemes, and this service has now moved online. Although this was achieved without legislation, it was made clear to pension providers that if they did not deliver the necessary data then regulation would follow.

In the Netherlands, the national pensions dashboard is in its early stages but already provides details of a range of pension entitlements. At present data is updated only on an annual basis but later this year it is envisaged that there will be a monthly data feed from schemes to the dashboard, providing something close to ‘real-time’ information.

The second part of this paper summarises the UK debate to date. It highlights the fact that whilst ideas for dashboards have been around for years, very little progress has so far been made despite the best endeavours of various players. It calls for government and regulators to move from their passive stance to date. Instead, they need to actively drive forward the process, making sure that the consumer interest is front and centre and that all holders of pension data play their part in providing the information that scheme members want and need.

1. Pension Dashboards around the world – case studies

a) The Netherlands

Since 2011, citizens in the Netherlands have been able to visit a government-owned website where they can see their state pension rights and their occupational pension rights in one place. ‘Third pillar’ personal pension products are not covered. The dashboard refers individuals back to their own pension schemes for additional information on their occupational pensions beyond that which is contained in the dashboard. It is not possible to use the site to consolidate multiple pension pots into a single savings vehicle.

Pension schemes are obliged by law to provide data to the dashboard. At present data is only provided on an annual basis but it is envisaged that from July 2016 schemes will have to provide monthly updates. Data is presented on both a pre-tax and a post-tax basis.

Whilst the functionality of the dashboard is currently limited, one likely evolution is to allow individuals to simulate their future pension income based on their own data. Individuals are also able to simulate the impact of certain ‘life events’ such as retiring earlier or later than planned. Commercial providers are also looking at which additional services could be linked to the dashboard data.

The national dashboard currently covers only the working age population but it is envisaged that the scope will be extended to cover retirees. Work is also underway to drive up usage of the site and to find ways of bringing information about ‘third pillar’ provision (ie personal pensions) onto the site.

The main aim of the Dutch site was to generate engagement with pension saving through increasing individuals’ awareness of their pension rights.

b) Australia

The driving force behind the online pension dashboard in Australia has been the desire to improve the efficiency of the ‘Super’ system, linking people to their various pots, reducing lost accounts and consolidating small pots. For example, in 2010 it was estimated that there were 33 million ‘super’ accounts, representing an average of three per worker, as well as 5 million accounts on the Lost Member Register.

In Australia there has been a drive towards common data standards for superannuation contributions and a linkage to Tax File Numbers (TFNs) as a common identifier. Use of common ISO data standards and standardised reporting are a legal requirement on providers and employers, and standards were agreed between the tax authorities and the pensions industry.

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Individuals can now log on to the Australian Tax Office portal using their TFN and can see the latest valuation of all of their active super accounts as well as any unclaimed money belonging to them where the scheme has lost contact with the member. The process of creating this single data source started with Australia's largest employers and was gradually rolled out across all employers. Pensions which pre-date the creation of 'super' are not, however, within scope of the portal.

It is estimated that streamlining of processes and consolidation of small pension pots could save around \$1 billion per year in running costs, but automatic consolidation has met with industry opposition.

Individuals can pro-actively visit the ATO portal and trigger the process of consolidation. With member consent, super providers can search the ATO register for lost super accounts and can then advise members to consolidate if this would be in the member's interests.

c) Sweden

Since 1999, the Swedish Pensions Agency (Pensionsmyndigheten) has posted out an annual statement of state pension rights in a bright orange envelope. This includes a statement of rights to date and a projection of future rights. The following description is from the Agency's website:

"The annual pension statement in the orange envelope shows the balance on your accounts for income and premium pension and how your premium pension funds have developed during the year. The orange envelope also includes information on how much pension you have earned. It may also include a forecast of your future national retirement pension.

This year, the orange envelope also includes a personal code that you can use to view your pension statement online at www.minpension.se. The information is also available at the website of the Swedish Pensions Agency.

The online projection is more accurate than the printed pension statement and includes not only the statutory old-age pension but also data on your possible premium pension and individual pensions, if the pension provider has registered with the minpension.se service. Nowadays, premium pensions cover more than 90 per cent of paid work in Sweden".

The process of moving from an annual paper statement covering only state pension rights to an online portal covering (almost) all pension rights has taken over a decade. The first site was established in 2004 and has evolved over the following decade based on extensive discussion and collaboration between government, employers, the pensions industry and trade unions. The site now has 99% coverage of pension rights, including defined benefit rights.

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The information on the dashboard includes the current value of pension funds as well as a projection of the income that would be generated if individuals continued earning and contributing at the same rate as at present. When an individual logs on to the site it obtains information in real time from the various pension schemes of which the individual is a member, displays it and then disposes of it once the individual session is finished. There is no permanent central repository of data.

A key option on the site is to simulate the impact on an individual's income in retirement of varying their retirement age.

Of the 5.5m eligible working age population, around 2.65m are registered with the site, a further 1.85m are potential users in that they have internet access but do not currently use the site, and an estimated 1m do not have internet access. Data on the age of users of the site suggests a strong correlation with age, with those closest to retirement most likely to log in, and with the under 30s making very limited use. Survey evidence suggests that those who have used the site feel that they are far more likely to have the information that they need to make the right choices about their pensions.

2. Pension Dashboards in the UK – the debate so far

The idea of a single place where individuals would be able to see all of their pension rights is not a new one. For example, in the last Parliament the Department for Work and Pensions (DWP) consulted on how best to deal with the proliferation of small pension pots that will be generated through the process of automatic enrolment into workplace pensions. One idea considered was of a ‘virtual aggregator’ where pots would not necessarily be physically consolidated but where individuals would at least be able to see all of their pensions in one place. More recently, in 2014 the Financial Conduct Authority (FCA) made the case for a Pensions Dashboard as one of the conclusions of its review into retirement incomes.

A number of initiatives are currently underway to take this idea forward, notably a Cabinet Office led project on the idea of a ‘pensions finder’ service which would address many of the issues of data matching and identity verification which would need to be resolved if a Dashboard were to be implemented. A White Paper on this project is expected to be published shortly. Meanwhile, the industry owned ‘Origo’ service, which currently facilitates pension transfers, has been working on an interface between providers and a database which it says is at an advanced stage.

But the 2016 Budget simply said that the goal would be for a Pensions Dashboard of some sort by 2019. Where other countries have got on with getting a dashboard up and running and are already considering how to expand the scope of the service that is provided, UK consumers look set to be left in the slow lane. So in the next section we look at some of the issues that would need to be addressed if this project is to succeed in the UK.

3. Issues to address

When discussions take place in the UK about the idea of a pensions dashboard, a whole range of practical issues are often raised about why this is all very difficult. And there is no doubt that as soon as you get beyond generalities about the value of being able to 'see all your pensions in one place', a host of practical questions do arise.

Yet it is very striking that many other countries with diverse pension systems seem to have overcome these objections. It seems reasonable to conclude that there is unlikely to be any 'deal-breaker' which would prevent rapid progress in the UK. But it also seems reasonable to conclude that many of these challenges, some of which arise from the competing priorities of vested interests in the debate, will only be overcome by an active role by government and regulators in driving forward decisions about governance and implementation.

a) What is the scope of the dashboard – what is included and excluded?

It seems reasonable to start from the premise that the goal of a dashboard project would be for individuals (and their advisers) to be able to see all of their pension entitlements in a single place. This would include:

- State pensions – for many people, the state pension remains a major part of their expected retirement income, and it will be very hard to make sensible plans without clear information of accrued state pension rights; although this information is available on request from the government, the whole point of a dashboard is to enable people to see everything in one place rather than to have to track it down; the dashboard should also include information about expected state pension age, since we are likely to see a period of continued change to state pension ages and knowing **when** a payment is available is as important as knowing how much is due;
- Salary-related occupational pensions – although access to defined benefit pensions is in decline in the private sector, millions of workers still have DB pension rights accrued from past service, and around five million public sector workers are still accruing DB pension rights; in a world of pension freedoms where individuals are making choices about how to use DC pension 'pots', it is important that people know how much guaranteed income they have from state and DB pensions; this is likely to affect the extent to which DC pots are used either to buy an annuity or to generate a regular income through drawdown;
- Defined Contribution pensions, whether trust-based or contract based – in most cases the information will be about fund values rather than rights to a particular level of income, but in a world where most new workplace pension rights in the private sector are in DC schemes rather than DB, it is clearly essential to aim for comprehensive coverage of DC pension rights;

- Other resources available in retirement? – whilst the focus of a dashboard is inevitably on pensions with a view to aiding planning for retirement, even a full pensions dashboard will only tell a partial story when it comes to retirement planning; for example, individuals may have other assets at their disposal, such as ISAs and other savings accounts, and may have significant housing equity which would have a material impact on their options in retirement; whilst it is hard to see how such information could usefully be included in a pensions dashboard, the site might well flag the need to take a ‘holistic’ view of finances in retirement, as well as the benefits of seeking impartial financial advice when making choices.

Whilst it is easy to say that a dashboard should be as comprehensive as possible, there are challenges in each of these areas.

State pension information is not currently available online and personalised statements are only available (by post) for those within ten years of pension age. However, work to digitise National Insurance records is at an advanced stage and this should mean that by the time the private sector is ready to supply data to a dashboard, the Government should be ready to play its part.

Information about Defined Benefit pensions will be reasonably readily available for active members of schemes, where new rights are being built up and annual statements are issued as a matter of course. Much more challenging may be providing information for deferred members. Many DB schemes do not routinely contact deferred members (partly because relatively little may change from year to year) and some would only calculate the rights of a deferred member upon reaching scheme age. Providing information about the rights to date of deferred members to a central dashboard could involve such schemes in considerable additional cost.

For Defined Contribution schemes, the data challenges will vary according to the age of the scheme. Most new DC schemes, such as those used for automatic enrolment, will tend to be on modern computer systems with reasonably high quality data. But millions of people have DC pension rights under ‘legacy’ schemes where data quality can be patchy and manipulating data into a standard format for a dashboard could be challenging.

For all of these reasons, a sequential approach to establishing a dashboard is likely to be required. Rather than wait until everything is available, it would make sense to make a start, perhaps beginning with state pensions and new automatic enrolment pensions, before adding other pension rights. This will help to iron out practical issues and also begin to raise awareness of the database and of the project. As long as it is clear on the dashboard that the coverage of the pensions shown is likely to be incomplete, this would still be a valuable tool and could begin the process of educating and engaging people with their pension rights.

In the medium term, another issue which may need to be addressed might be whether to include pensions in payment, annuity income and/or the value of drawdown policies. In the world of pension freedoms, the distinction between the ‘accumulation’ phase and the ‘decumulation’ phase is not as clear cut as it might once have been. For example, individuals could be in receipt of annuity income but still investing in pension saving and the dashboard might usefully show this information in one place.

b) One dashboard or many?

The international experience suggests that the norm is to have a single portal where a citizen can see their pensions in one place. In the case of Australia this is under the auspices of the Australian Tax Office, whilst in Sweden there is a single site hosted by a public-private partnership overseen by the Swedish Pensions Agency.

To date the UK Government has been much more ‘hands off’ than some of their overseas counterparts, and it is clear that the Government does not want to “provide” the database. However, the UK regulator has recently talked about a “single digital portal” and in practice this is likely to be under the auspices of a governing body comprising a mixture of government and industry representatives.

A key question which is so far unresolved is whether other players such as pension providers would be able to access a ‘data feed’ from the dashboard which they could then display on their own websites and in their own context. For example, a pension provider might find it very attractive to show their customers all of their pensions in one place and then encourage them to consolidate funds with the host provider.

Whilst the ability to exploit dashboard data in this way might be thought by government to be a good potential source of revenue to help fund the infrastructure required, there are clearly major risks of going down this route.

Given the complexity of pensions, even a well-designed and clear dashboard is likely to have only limited information about each different sort of pension right, and judging whether it is in the consumer interest to combine some or all of their pensions is likely to be far from straightforward. For example, some older DC pensions may carry valuable guarantees which would not be apparent simply from looking at fund values. A consumer might inadvertently lose out if they moved those funds into a new scheme. In many cases individuals would do well to take financial advice before making such decisions, but faced with a simple and attractive website hosted by their current provider they may be tempted to make ill-informed decisions which they later live to regret. There would be considerable risks if data from the dashboard could be re-presented by others with a commercial incentive to encourage particular forms of behaviour.

c) “Real time” information?

The value of accrued pension rights and the size of pension pots clearly changes on a regular basis. Ideally a dashboard would provide up-to-date information about pension rights.

However, in practice, the cost and complexity of a dashboard with ‘real-time’ information would be very considerable. Whilst it is reasonable to expect schemes and providers to supply the latest data available, and DB schemes might reasonably be expected to provide up-to-date information for deferred members on an annual basis, the cost to providers of constantly updating the dashboard as DC pension values fluctuate could be considerable.

In all of these things, there is a balance to be struck between the quite proper desire of consumers to have comprehensive and up-to-date data and the cost of providing that data. Ultimately, the cost of servicing the dashboard is likely to be borne out of member pensions, particularly in the DC world, and a simple cost-benefit analysis needs to be undertaken when designing the details of the dashboard to ensure that the cost of providing particular features is not disproportionate to the benefit generated.

4. The role of Government and regulators

A fundamental question is whether participation in the dashboard project should be voluntary or mandatory. If coverage of the dashboard is to be comprehensive, it is hard to see how participation can be voluntary. Many DB schemes in particular may see little benefit to themselves of providing this information and may incur considerable costs in doing so. Likewise, pension providers writing little new business and with large 'legacy' books may fear seeing an outflow of funds if pension rights are shown in one place and are easily comparable. For all of these reasons, government is likely to need either to legislate or to threaten to legislate if it is to ensure that the many different parties involved in this initiative engage fully.

Government and regulators do not need to be the providers of the dashboard but they will need to set a framework for industry initiative in order to ensure that the competing interests of the different parties involved are resolved in the interests of consumers.

Issues that may need regulatory and/or legislative input include:

- Identity verification – a crucial part of any dashboard is that the right people are matched to the right pensions; government already has its own 'verify' system for the GOV.UK service and related government services; given that government data (such as on state pensions) will feature on the dashboard, it would make sense to 'piggy back' on the government's identity verification infrastructure, rather than for the dashboard to have to design its own system;
- Funding – if the dashboard is run on a not-for-profit basis, it may be necessary to raise funding for the database by means of a modest levy on pension providers or pension schemes;
- Consumer protection – whilst there is the potential for considerable consumer benefit from access to the data on a pension dashboard, there is a risk that individuals could make poor choices in the light of that information, depending on how it is presented and by whom; regulators are likely to need to establish a consumer protection framework around the dashboard, including reference to the benefits of seeking impartial advice and guidance before acting on the information on the dashboard;
- Data protection – the data on the dashboard will be of huge value to individuals, business and potential scammers; if schemes and providers are expected or required to supply member data, there will need to be clarity as to who owns the data, who can access the data, who will bear the costs if individuals lose out as a result of data protection breaches etc.; there will also need to be action to protect individuals against the risk of pension scams which may be made easier if individuals can see all of their pension information in one place;

5. Conclusion

The facility for an individual to see all of their pension rights in one place has considerable potential to bring benefits to consumers. Whilst there are practical challenges, the fact that ‘dashboards’ of various types are already up and running in various different countries with varying pension systems suggested that none of these challenges should be insurmountable. But the international evidence also suggests that a dashboard is unlikely to happen in the UK in short order unless regulators and government take a more proactive stance than they have done to date. It will be necessary to establish quickly whether legislation will be required (for example, to require all schemes to provide data in a prescribed format) and to put in place a governance structure which will enable decisions to be made and implemented.

In a world where pension savers often have limited information and understanding, a pensions dashboard could be a valuable tool to enhance engagement with pension saving and to contribute to tackling the chronic level of under-saving. Now is the time for government and regulators to ‘step up to the plate’ and make this a reality.