

George Currie
Policy Lead
Pensions and Lifetime Savings Association
24 Chiswell Street
London
EC1Y 4TY

8 June 2020

Dear George

Pensions Dashboard Working Papers - Questions

The Association of Professional Pension Trustees (APPT) acts as the representative body for trustees of occupational pension schemes who fall within the Pension Regulator's description of professional trustee as set out in its August 2017 policy document.

The APPT maintains a set of standards for professional trustees to improve and provide assurance on the quality of professional pension trustees. The APPT also oversees the process by which members may become Accredited professional pension trustees.

The APPT acts as the collective voice of the profession and we estimate that our members work as trustees on over 500 defined benefit (DB) schemes. Our members also sit on a large number of trustee boards for defined contribution (DC) schemes including DC master trusts. Our members each typically work on multiple appointments and in total are responsible for managing schemes with assets of over £300 bn.

In preparing our response to your questions, we have considered our experience of working with multiple third-party pension administrators making it easier for us to compare the administration and data management processes both from scheme-to-scheme and from administrator-to-administrator.

Summary comments

We believe that the introduction of a pensions dashboard as proposed is a laudable goal that will help pension scheme members understand the total pension benefits they have accrued making it easier for them to plan for their retirement. The APPT is supportive of this initiative although we recognise there are various complications with a project of this type.

A key consideration from our perspective as trustees, is that the information presented to members is clear and concise with easy to follow instructions on where they can obtain further information. If the dashboard generates any confusion, then the questions raised by our members are likely to be referred to us in our trustee role for us to resolve with the separate administrators serving our schemes. This could add unnecessary cost to the ongoing running of our schemes which is something we would wish to avoid.

Our response to the questions your two papers have raised are set out below.

Data Scope Paper Questions

What proportion of their pensions being found will most individuals find acceptable when first using a pensions dashboard?

In our view, the pensions dashboard should show all or very nearly all the benefits members have accrued from launch. If there is a significant proportion of pensions missing on first use of the dashboard, then the credibility of the dashboard will be damaged making it less likely that members will wish to reuse the dashboard in future. Where information is not complete, user expectations should be managed with timeframes clearly communicated for the provision of the balance of information.

The above is compounded by the fact that many administrators and providers have already developed or are developing user interfaces that will show the data proposed by the dashboard albeit in the context of a single scheme. Therefore, many members already have access to their individual scheme specific information which means that their main purpose for using the pensions dashboard will be to see all their entitlements in the same place.

How long will most individuals find acceptable between first using a dashboard (and finding only some of their pensions) and subsequently finding out that more of or all their pensions are now available to view?

Following on from the question above, this should be a short period of time. An extended period will impact the credibility of the dashboard in the eyes of the members.

What, if any, specific segments of the population exist for whom the majority of their pensions could be covered early by selecting a subset of providers / scheme types?

We do not feel it is easy to identify a segment of the population for whom the majority of pensions could be covered early by selecting a subset of providers or scheme types. Younger members are more likely to have DC benefits only and such benefits are likely to be with a DC master trust arrangement or a GPP. However, in our experience, younger members may not be as engaged on pensions matters as older members who are nearer their retirement date. So targeting younger members may be easier but may not generate a high level of engagement. If high levels of engagement could be achieved with younger members then the likelihood of lost pots in future reduces.

Targeting older members will be more difficult as they are likely to have more benefits across multiple providers and types of benefit. This will require significant historical data gathering.

One possibility might be to target members across industries where consolidated pension scheme information may be easier to provide.

If a segment is identified in answer to the question above, what simple, cost effective communication approach(es) could be adopted to explain to all individuals (both within and outside of the segment) which pensions they would and would not be able find and view on initial dashboards (before the end of the staging window)?

When specifically thinking about the members we look after as trustees, the information on the dashboard including details of what is and is not available could be added to existing regular communication provided to the members. This includes newsletters and funding statements that schemes already send out. Each scheme could include specific details of that scheme's entries on the dashboard as part of the education process for the wider population.

Data Definitions Questions:

In Level 1a, we have set out a long list of data items against which pension entitlements could potentially be matched: which of these items would you anticipate using to match with the pension entitlements you administer?

Based on our experience of working with the whole market of third-party administrators, we believe that most schemes would be able to provide the data items listed in level 1a relatively straight forwardly. The only data item listed that administrators do not universally hold is the member's email address.

Based on our experience, we would have a concern about the accuracy of the data held by administrators. This concern runs through all the data questions raised in the paper as we are aware that data accuracy varies significantly between schemes. The least accurate data tends to be for deferred pensioners as their details are sometimes not regularly updated during their period of deferment. This leads to inaccurate items such as address details held by administrators which could hinder the proper use of the dashboard. However, it is likely that the dashboard will be of most value to deferred members especially those that are approaching retirement. So the group that would benefit the most are the group with potentially the most inaccurate data.

Further to the points above, there are still some schemes that use paper records with handwritten data details. Our view is that, for such schemes, the likelihood of data errors and inconsistencies is very high. Nonetheless, it may still be helpful to pension schemes members if the dashboard still alerts them to an entitlement even if that dashboard cannot show the amount of that entitlement. This will give those members an opportunity to engage with the scheme directly to help determine the correct benefits payable.

In terms of using the data fields to match member records, the national insurance number and surname could be used to match initially albeit we recognise that misspelled names is a common error that occurs on members' data records.

In Level 1b, we have set out the administrative data items which will enable the individual to see where their pension entitlements are: which of these specific items would be most challenging for you to supply and why? (Employer data being applicable only to workplace pensions)

Most of the data items in 1b are relatively easy to provide. However, there are three items that will potentially be difficult to provide depending on the past practices of the scheme administrators. In particular, the Start Date, Last Status Event Date and Last Status Event Reason may all be inaccurate or missing. Once a member leaves service and leaving service benefits have been calculated, the start date is no longer required.

If the administrator changes for a scheme, this historic data item may have been lost in the mists of time as part of the transition process. Alternatively, such data items may only be held on a member file (i.e. a paper file) rather than on an electronic file. Transferring this data to the dashboard may not be a swift process.

In relation to the three data items in the paragraph above, it is not clear to us why this is needed if the aim of the dashboard is to connect members with their pensions. Building up trust and usage of the dashboard may mean that difficult to provide and unreliable data items such as those above are excluded so as to reduce the number of times members see incorrect data held on their behalf.

Level 2a: Evidence shows that estimated retirement income (ERI) is the primary data item individuals want to see for each pension. DWP have decided that initial dashboards will not do projections, meaning pension providers / schemes must supply an ERI for each pension. Level 2a sets out our assumptions on the simplest way for pension providers / schemes to meet this need. Please comment on these assumptions, if you wish.

The APPT agrees that the ERI in today's value terms is the most appropriate item of data to provide to the members. We have no further comments on the assumptions used. The ERI will need to be calculated and the data inputs needed for this will need to be captured digitally. In our view, this will require material work on behalf of pension schemes so the the dashboard shows the ERI accurately.

In Levels 2b & 3, we have reflected DWP's decision that initial dashboards will show no more information than is currently required on annual statements, or on request (via the "disclosure item" flag against each data item). If there are any of these "disclosure items" which you are not currently able to supply digitally, please indicate how many months it would take you to make these "disclosure items" available digitally.

This delay in providing this data will vary from administrator to administrator and from scheme to scheme. This delay will be a function of historic practices and previous investments made to support the administration of each scheme. It is difficult to assess the length of delay as this will also vary from scheme to scheme. However, in our view this could be up to twelve months or so.

Additional areas of data set out in Level 3 are not currently required under the disclosure regulations: please indicate if you would be able to supply any of these, or other, areas of data optionally for initial dashboards, including any existing standards you currently use for sharing data in these areas

Our view is that a high proportion of pension schemes will be able to provide the additional data as required. This is data that would be required to prepare member quotations and so should be available to the dashboard. However, in some cases the data items may not be held digitally and so some additional work would be required to update the electronic records to capture this.

Your sincerely



Nita Tinn
On behalf of the APPT Council
Association of Professional Pension Trustees

Disclaimer

This document is intended to provide general information and guidance only. It does not constitute legal or business advice and should not be relied upon as such. Responding to or acting upon information or guidance in this document does not constitute or imply any client /advisor relationship between the Association of Professional Trustees Limited and any party, nor does the Association accept any liability to any person or organisation relating to the use of such information or guidance.