

<b>Title:</b> Pension Dashboards Impact Assessment <b>IA No:</b> DWP-001-2019  <b>RPC Reference No:</b> RPC-4337(1)-DWP  <b>Lead department or agency:</b> Department for Work and Pensions <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 05/02/2019
	<b>Stage:</b> Development/Options
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
	<b>Contact for enquiries:</b> Max.Levene@dwp.gsi.gov.uk
<b>Summary: Intervention and Options</b>	<b>RPC Opinion: Green</b>

**Cost of Preferred (or more likely) Option (in 2016 prices)**

Total Net Present Social Value £m	Business Net Present Value £m	Net cost to business per year £m	Business Impact Target Status Qualifying provision
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**What is the problem under consideration? Why is Government intervention necessary?**

As a result of changes in the private pensions landscape, millions more individuals have started saving for a private pension (through automatic enrolment), increasingly pension scheme members will have multiple pension pots, and the responsibility for risk and decision-making is shifting from employers to individuals (long-term shift from Defined Benefit to Defined Contribution workplace pensions, and the new pension freedoms).

Under the current system, information failures and behavioural biases mean that the costs for individuals to access their pension information is inefficiently high, meaning they may struggle to keep track of their pension pots and may make sub-optimal decisions in relation to both the accumulation and decumulation of pension wealth. Ultimately the risk is that individuals have poorer retirement outcomes.

Government intervention is necessary to promote engagement with retirement planning (which can be considered a merit good), and solve the coordination problem in industry-led provision of pensions dashboards.

**What are the policy objectives and the intended effects?**

Develop a new pensions dashboard ecosystem to enable citizens to securely access their pensions information online, all in one place, and at a time of their choosing, to:

- Increase individual awareness and understanding of their pension information and possibly their estimated retirement income.
- Build a greater sense of individual control and ownership of pensions.
- Increase engagement, with more people (regardless of their pension wealth) taking advantage of the available advice or impartial guidance.
- Support the advice and guidance process by providing people with access to their pensions information at a time of their choosing, removing the need to search for this information during any advice and guidance session.
- Reconnect individuals with lost pots, benefitting the individual and industry.
- Enable more informed user choices in the decumulation phase (the point when a decision is made by a saver on how to access their savings) by making it easier to access the information on which to base these decisions.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

Option 0: Do Nothing.

Without Government intervention we do not expect the market to establish a free, universal dashboard or other mechanism to provide individuals with a single, complete view of their pension information. In this case we would expect some individuals to continue to lose track of their pension pots, continued low levels of member engagement in pensions, and potentially sub-optimal decision making (in relation to the amount saved, scheme/investment choice, and decumulation decisions).

Option 1: Alternative to legislation.

The Government promotes and facilitates stakeholder co-ordination to develop an industry-led dashboard service online. Industry stakeholders could design a dashboard service, and then voluntarily provide their data to the dashboards, which will let people access their pension information in a single place online. This could include both private pensions and state pensions data.

Without legislation to compel providers to supply data, we would expect only partial coverage because some pension providers may rationally decide not to participate in any dashboard. This would undermine the objectives and limit benefits for members<sup>1</sup>.

Option 2: Government to legislate: (the preferred option).

Government supports the coordination of an industry-led dashboard, with new legislation to ensure that all eligible schemes participate within certain timescales. This will lead to the creation of dashboard service designed, developed and owned by industry, facilitated by Government, backed up by a compulsion for schemes to supply data to the dashboard ecosystem. This option is preferred as the only option that ensures dashboards work for everyone, providing a sufficiently complete picture within a reasonable timeframe while taxpayer costs are minimised.

The Government intends to take powers in primary legislation to require pension providers to provide information to the pension dashboard ecosystem. The specific design features of the dashboard system – e.g. implementation approach, data requirements, compliance and enforcement, etc. – will be set out in subsequent secondary legislation. At this stage, given the range of possibilities on the final design and implementation plan for dashboards, it would be disproportionate to provide a meaningful EANDCB estimate. Therefore the analysis presented here is intended only to provide indicative estimates of the possible scale of impacts. The impacts will be re-assessed and an EANDCB provided at the point of secondary legislation.

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** N/A

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	<b>Micro</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)		<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:



Date:

6 February 2019

<sup>1</sup> <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer#chapter-5--meeting-the-users-needs>

Description: Do nothing – leave coordination and delivery of pensions dashboards to the market

**FULL ECONOMIC ASSESSMENT**

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant	Total Cost (Present Value)
Low	Optional		Optional	<b>Optional</b>
High	Optional		Optional	<b>Optional</b>
Best Estimate				

**Description and scale of key monetised costs by ‘main affected groups’**

N/A

**Other key non-monetised costs by ‘main affected groups’**

If the pensions industry decided to establish a dashboard service this would be purely voluntary and therefore business would only choose to do it if they deemed it to be in their interests to do so. Any associated costs would therefore be permissive.  
Assuming no dashboards were developed we would expect the long-term costs to consumers of sub-optimal retirement outcomes to continue, growing in line with Defined Contribution (DC) scheme memberships and assets, without any increase in engagement in retirement planning and decision-making.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant	Total Benefit (Present Value)
Low	Optional		Optional	<b>Optional</b>
High	Optional		Optional	<b>Optional</b>
Best Estimate				

**Description and scale of key monetised benefits by ‘main affected groups’**

N/A

**Other key non-monetised benefits by ‘main affected groups’**

N/A

**Key assumptions/sensitivities/risks**

Assumes the market will not invest in a solution that delivers universal, free, access to complete pension information.

Discount rate

**BUSINESS ASSESSMENT (Option 1)**

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs:	Benefits:	Net:	

Description: Alternative to regulations – The Government promotes and facilitates stakeholder coordination to develop industry-led pensions dashboards

**FULL ECONOMIC ASSESSMENT**

Price Base Year	PV Base Year	Time Period	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
<b>COSTS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant)</b>		<b>Total Cost (Present Value)</b>
Low	Optional		Optional		<b>Optional</b>
High	Optional		Optional		<b>Optional</b>
Best Estimate					
<b>Description and scale of key monetised costs by ‘main affected groups’</b>					
N/A					
<b>Other key non-monetised costs by ‘main affected groups’</b>					
<p>There would be some costs to Government to facilitate industry engagement and coordination. If the pensions industry decided to establish a dashboard service this would be purely voluntary and therefore business would only choose to do it if they deemed it to be in their interests to do so. Any associated costs would therefore be permissive.</p> <p>Assuming dashboards were developed with incomplete coverage we would expect the long-term costs to consumers of sub-optimal retirement outcomes to continue, growing in line with DC scheme memberships, without any increase in engagement in retirement planning and decision-making.</p>					
<b>BENEFITS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant)</b>		<b>Total Benefit (Present Value)</b>
Low	Optional		Optional		<b>Optional</b>
High	Optional		Optional		<b>Optional</b>
Best Estimate					
<b>Description and scale of key monetised benefits by ‘main affected groups’</b>					
N/A					
<b>Other key non-monetised benefits by ‘main affected groups’</b>					
<p>There may be some benefits to scheme members of those schemes who may choose to invest in supplying information to an industry dashboard, but these would be limited without complete coverage.</p>					
<b>Key assumptions/sensitivities/risks</b>					<b>Discount rate</b>
Assumes the market will not invest in a solution that delivers universal, free, access to complete pension information.					

**BUSINESS ASSESSMENT (Option 2)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>Score for Business Impact Target (qualifying provisions only) £m:</b>
<b>Costs:</b>	<b>Benefits:</b>	<b>Net:</b>	

Description: Introduce legislation to create an industry-wide dashboard or dashboards

**FULL ECONOMIC ASSESSMENT**

Price Base Year	PV Base Year	Time Period	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
<b>COSTS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant)</b>		<b>Total Cost (Present Value)</b>
Low	Optional		Optional		<b>Optional</b>
High	Optional		Optional		<b>Optional</b>
Best Estimate					
<b>Description and scale of key monetised costs by ‘main affected groups’</b>					
<ol style="list-style-type: none"> <li>1. Familiarisation costs – once the design and implementation plan is agreed, there will be costs for the pensions industry to familiarise with new requirements</li> <li>2. Implementation costs – we expect material costs for pension schemes and providers to invest in new software/IT architecture to be able to provide data to the dashboard(s)</li> <li>3. Ongoing costs – to provide data, ongoing governance, and regulatory compliance on an annual basis</li> </ol> <p>Illustrative costs are provided for familiarisation costs (£2m in year 1 only), one-off implementation costs and ongoing costs under three scenarios with different data requirements and coverage to highlight the potential range of impacts on the pensions industry. Data cleansing is not included as a cost, as it is already a required under existing regulations.</p> <p>Under these scenarios (with no adjustment for the recommended phased implementation approach) estimated one-off implementation costs range from £200m to £580m over 10 years and ongoing costs range from £245m to £1.48bn over 10 years.</p>					
<b>Other key non-monetised costs by ‘main affected groups’</b>					
<ol style="list-style-type: none"> <li>4. New regulatory functions</li> <li>5. Costs to Government of providing State Pension data to the dashboard</li> <li>6. Although dashboards are intended to be free at the point of use, consumers may bear some indirect costs if industry pass on costs through higher scheme charges.</li> </ol>					
<b>BENEFITS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant)</b>		<b>Total Benefit (Present Value)</b>
Low	Optional		Optional		<b>Optional</b>
High	Optional		Optional		<b>Optional</b>
Best Estimate					
<b>Description and scale of key monetised benefits by ‘main affected groups’</b>					
N/A					
<b>Other key non-monetised benefits by ‘main affected groups’</b>					
<p>The primary direct benefit is for individuals, for whom the dashboard provides free information, saving consumers time and potentially the costs of paid financial advice. Some consumers may benefit from recovering lost pension pots. Where engagement with a dashboard leads to better retirement planning and decision-making, consumers may benefit from improved retirement outcomes (higher pension wealth to convert to income, and better use of available wealth through retirement).</p> <p>There may be some benefits to the pensions industry if the dashboard leads to less contact from members looking to retrieve their information (e.g. fewer customer telephone calls), or increased demand for transfers, consolidation or decumulation products.</p> <p>If the dashboard led to higher engagement and increased pension saving this would increase revenue for providers, but behavioural effects are highly uncertain.</p>					
<b>Key assumptions/sensitivities/risks</b>					

There is significant uncertainty of the regulatory impact given the work to be done by the industry delivery group to agree the final design, data standards and requirements, implementation plan, and compliance regime.

At this stage there is too much uncertainty and insufficient evidence to produce a robust EANDCB estimate. These impacts will be further assessed and an EANDCB provided at the point of secondary legislation.

The illustrative scenario estimates assume:

- Dashboard 'onboarding' starts in 2019, with no adjustment made for phased implementation (which would alter the profile of industry costs)
- Data requirements mirror those currently required in the Annual Benefit Statement under the first two scenarios
- Providers only need to update information annually
- Schemes with over 100,000 members will update their own software to connect to the dashboard ecosystem, schemes with 99-99,999 members will use a pension administrator to connect, and schemes with <99 members will use an integrated service provider

Behavioural effects are uncertain given that the product is untested in the UK context, and complete information may be a necessary but insufficient condition for better retirement planning and outcomes.

### **BUSINESS ASSESSMENT (Option 3)**

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>Score for Business Impact Target (qualifying provisions only) £m:</b>
<b>Costs:</b>	<b>Benefits:</b>	<b>Net:</b>	

## Evidence Base (for summary sheets)

### Problem under consideration

1. During working age, the majority of individuals will:
  - build up entitlement to the new State Pension,
  - accumulate private pension wealth through workplace pensions arranged by the employers they work for,
  - and may have additional saving through personal pensions (or other forms of wealth).
2. In order to plan for retirement, individuals need to make a number of decisions, including:
  - how much to save for the retirement they want, and potentially decisions about investment strategy etc.,
  - when to retire,
  - when to claim their State Pension,
  - and when/how to access their wealth to provide retirement income.
3. These decisions are very long term, can be complex, and involve significant uncertainty (particularly given longevity risk, inflation risk, and investment risk). In making these decisions individuals have incomplete information and a number of behavioural biases may lead to sub-optimal decisions (typically not saving enough for retirement, or being under/over optimistic about risk which leads to sub-optimal use of wealth in retirement). This is not a new problem, but there are two important factors in the UK context which increase the potential risk to individual retirement incomes:
  - a) As a result of automatic enrolment, over 9.9 million additional individuals<sup>1</sup> have been automatically enrolled into a workplace pension, typically into a Defined Contribution (DC) scheme where the employer pays a contribution but the individual bears the risk (e.g. of receiving a poor return on savings). This significant growth in the number of DC members follows a longer-term shift away from Defined Benefit (DB) schemes (where the risk is borne by the employer). As individuals move through the labour market, they may build up multiple private pension pots depending on how many jobs they have over their lifetime. Therefore, in the future more individuals will have a greater number of DC pensions contributing to their overall pension pot.
  - b) The pension freedoms introduced in 2015 mean that individuals with a DC pension pot are now responsible for decisions over how to use their pension wealth from the age of 55. This gives individuals much greater freedom and choice, but requires them to take more complex decisions than previously would have been the case when they typically would have used their pension pot to buy an annuity. Since more individuals will have DC pots in the future, this means that more individuals will need make complex decisions about how to access their pension wealth.
4. Under the current pensions landscape all DC members and some (*active, public sector*) DB members should receive an (paper) Annual Benefits Statement (ABS) for each individual membership, but the onus is typically on the individual to tell their scheme of any change in contact details<sup>2</sup>. Since 2016 individuals have been able to use Check Your State Pension to forecast their future State Pension entitlement. Since launch, this service has been used over 10 million times<sup>3</sup>. But currently it is not possible for individuals to access all of their pension information in one place. Therefore, many people may lose track of their pension pots over time, and/or may struggle to effectively plan for retirement.

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<sup>1</sup> <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis>

<sup>2</sup> <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management/communicating-to-members>

<sup>3</sup> <https://www.yourpension.gov.uk/10-million-state-pension-forecasts/>

The Government does currently fund the Pension Tracing Service (PTS)<sup>4</sup> which is a free service to help individuals trace their pension, but this service only provides individuals with contact details for pension schemes they may have paid into, still necessitating individuals to spend time contacting those schemes and retrieving their information, and not making it possible to access all their information in one place.

5. Research shows the difficulty individuals have with accessing and understanding information on their pension savings. FCA's Financial Advice Market Review<sup>5</sup> finds that people often find it difficult to access their data from financial institutions. Pensions Dashboard research also highlighted that many individuals have low understanding of their own pension information<sup>6</sup>.
6. The consequence of this is low levels of knowledge, engagement, and feelings of ownership with pension savings. This creates risks of individuals making poor decisions in the accumulation (saving) and decumulation (consumption) stages of their retirement saving. A quarter of people aged 55 and over who are not retired say they do not know the size of their pension savings, while 8 in 10 people with a DC pension have not given much thought to how much they should be paying into it to maintain a reasonable standard of living when they retire<sup>7</sup>. There are low rates of individuals seeking advice and guidance, even when it is in their interest to do so<sup>8</sup>. According to Experian, an estimated £400 million in pensions or other life insurance products is currently left unclaimed<sup>9</sup>.
7. Better access to complete information on pensions should enable consumers to keep track of multiple pension pots, and better understand how much money they will have in retirement, which should help them to make better decisions about retirement saving and use of wealth in retirement.

### **Rationale for intervention**

8. Whilst there are some incentives for pension schemes and providers to improve access to accurate information for members, evidence suggests that the market will not deliver complete information without intervention.
9. Complete information on pension saving can be considered as a merit good, in the sense that information failures mean that it has greater benefits for a given individual than that individual realises. Those information failures, driven by behavioural biases and perceived difficulty in understanding the pension system, mean that individuals under-value the benefits of retirement planning, and by extension the value of access to a complete picture on pension saving. As a consequence, there is little consumer demand and therefore an inefficiently low level of provision of this service. This suggests that intervention is justified to correct for this market failure and promote the consumption of this good, and with it engagement in retirement planning.
10. There is also a coordination problem present. Research suggests that the positive benefits of the dashboard are only realised when there is sufficiently high participation by industry to provide a complete picture to consumers<sup>[1]</sup>. However, there are reasons why without Government intervention it would be difficult to coordinate to achieve such participation. For example, there will be cases where pension providers have insufficient incentive to make the required investments: whilst there are potential benefits/ efficiency gains to pension providers if consumers are encouraged to keep track of their pensions, save more, consolidate, and shop around for decumulation products, many schemes are closed to new members and relatively few providers are active in the decumulation market. Many schemes therefore may face net costs in providing information to their members via dashboards, and rationally decide not to make the required investments.

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<sup>4</sup> Individuals enter their former employers' details into the online database and are provided with contact details for pension schemes they may have paid into. <https://www.gov.uk/find-pension-contact-details>

<sup>5</sup> <https://www.fca.org.uk/publication/corporate/famr-final-report.pdf>

<sup>6</sup> [https://masassets.blob.core.windows.net/cms/files/000/000/837/original/Final\\_2CV\\_report\\_MAS\\_branded\\_for\\_website\\_\\_23.10.2017.pdf](https://masassets.blob.core.windows.net/cms/files/000/000/837/original/Final_2CV_report_MAS_branded_for_website__23.10.2017.pdf)

<sup>7</sup> <https://www.fca.org.uk/publication/data/data-bulletin-issue-12.pdf>

<sup>8</sup> The Money Advice Service, Pensions dashboard research, September 2017

<sup>9</sup> Email received from financial institution.

[1] Chapter 3, <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer#chapter-3--building-the-evidence>



11. Furthermore, even if each pension provider would privately benefit if industry collectively provides complete information, individual providers may rationally decide not to participate if there was a risk that other providers would not make the required investments, as this would mean the potential benefits would not materialise. This suggests Government intervention may be necessary to solve this problem.

### **Policy Objective**

12. The overarching aim is to enable citizens to securely access their pensions information online, all in one place, and at a time of their choosing, to support better planning and preparation for retirement.

13. The policy objectives outlined in the consultation document<sup>10</sup> are to:

- Increase individual awareness and understanding of their pension information and estimated retirement income, in order to support better planning for retirement.
- Build a greater sense of individual control and ownership of pensions.
- Increase engagement, with more people (regardless of their pension wealth) taking advantage of the available advice and impartial guidance.
- Support the advice and guidance process by providing people with access to their pensions information at a time of their choosing, removing the need to search for this information during any advice and guidance session.
- Reconnect individuals with lost pots, benefitting the individual and industry.
- Enable more informed user choices in the decumulation phase (the point when a decision is made by a saver on how to access their savings) by making it easier to access the information on which to base these decisions.

### **Description of options considered**

#### Option 0: Do nothing – Government leaves provision of individual pension information to the market

14. This is the status quo, in which the market has not (yet) provided a solution that meets the policy objectives. It is possible in future that parts of the pensions industry come together to collaborate and build one or more dashboard ecosystems, each connecting to information from different sets of providers. This could deliver effective information to consumers, or could lead to confusion and a fragmented consumer journey, with limited benefits to members. The Government has been actively working with the pensions industry to explore the feasibility of a dashboard, and little progress has been made in the absence of legislation. Given the fragmented nature of the industry with around 40,000 pension schemes, thousands of providers, administrators, trustees, and employee benefit consultants, with no single point of leadership/authority, there seems limited scope for an industry-wide dashboard ecosystem in the absence of Government intervention. Furthermore, to provide complete access to information any dashboard should include State Pension data which would be dependent on appropriate governance and security measures. In this scenario it is likely that State Pension data would continue to be provided separately, via the existing Check Your State Pension (CYSP) service.

#### Option 1: Alternative to legislation – Government acting to coordinate industry

15. The Government could help promote and facilitate the coordination of an industry-led dashboard service online, which will let people access their pension information in a single place. This could include both private pensions and State Pension data.

16. Whilst this option would build on the do nothing option by addressing the coordination problem, without compulsion for pension providers to connect to the dashboard ecosystem and provide data the likely outcome is that any resulting dashboard would provide only partial coverage and would not meet the

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<sup>10</sup> <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation>

policy objectives. User research and international evidence<sup>11</sup> suggests that achieving sufficient coverage so that users will be able to see all their pension information in one place is key to successful delivery. Dependent on the governance and security measures, it may not be appropriate for Government to supply State Pension data, so we would expect under this option for CYSP to be kept separate from an industry dashboard.

### Option 2: Establish an industry-led dashboard, with new legislation to ensure that all eligible schemes participate within certain timescales

17. Under this option the Government acts to bring together stakeholders to coordinate an industry-led delivery of dashboard(s). As outlined in the consultation document, the Government intends that the Single Financial Guidance Body (SFGB) should bring together an industry delivery group to lead the design and the implementation of the dashboard eco system. This delivery group, with representation from across industry, consumer bodies, regulators and Government, will lead the design and implementation of dashboards. This will draw on proposals for a candidate architecture (the dashboard ecosystem) and governance arrangements set out in the consultation to determine the final dashboard architecture and infrastructure. The industry delivery group will need to develop data standards, technical solutions and put forward an implementation plan. This will help to inform the Government's approach to more detailed provisions involving secondary legislation. The precise data standards and timescales for a proposed staged implementation (among other details) are not yet known.
18. Government will introduce legislation to compel pension providers to make certain data available to members via dashboards. Primary legislation will introduce necessary powers. Subsequent secondary legislation will specify the design and implementation decisions taken by the new industry delivery group, and establish a regulatory framework to implement appropriate and robust controls to protect users.
19. With a more active role for Government in ensuring the dashboard ecosystem has robust governance and security measures this option will allow State Pension data to be provided as part of the dashboard.
20. Government has worked with industry on a feasibility study and consultation, and concluded that Option 2 is the preferred option since this is the only option that will meet the policy objectives.
21. The Department's user research built on the Pension Dashboard Project's recommendation that 'a non-commercial service, endorsed by the Government, must be made available'<sup>12</sup>. The research found that people tended to show a preference for a single, Government-sponsored dashboard citing key reasons such as data security, trust and commercial bias. It found some people, however, may prefer to use their own dashboard provider (possibly a bank or large pension provider) due to higher levels of familiarity and trust.

### Costs and benefits

22. This impact assessment accompanies primary legislation which provides powers to compel pension providers to make data available to members via a dashboard. The outputs from the industry delivery group will inform subsequent secondary legislation.
23. At this stage, given the range of possibilities on the final design and implementation plan for dashboards it would be disproportionate to provide a meaningful EANDCB estimate. Therefore, the analysis presented here is intended only to provide indicative estimates of the possible scale of impacts. The approach taken is to consider alternative scenarios focused on key areas of uncertainty to demonstrate the mechanisms through which a dashboard will lead to costs and benefits for different groups.

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<sup>11</sup> Chapter 3, <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer#chapter-3--building-the-evidence>

<sup>12</sup> Pensions Dashboard Project, Reconnecting People With Their Pensions, October 2017: <https://pensionsdashboardproject.uk/industry/reconnecting-people-with-their-pensions/>

24. The inclusion of representatives from industry, consumers, and Government in the industry delivery group will ensure that needs are met, while ensuring that costs to industry are well understood and minimised.
25. This impact assessment will be reviewed and updated with input from the industry delivery group and industry stakeholders to provide further analysis to support subsequent secondary legislation.
26. The impact of this policy on the pensions industry will depend on the following decisions:
  - a) Data standards – for example, the specific information providers must supply, the timeliness of this data, format of data, and technical standards that enable systems to communicate with the dashboard ecosystem.
  - b) Scheme exemptions – the Government will consider the case for scheme exemptions. For example, any pension schemes whose members are demonstrably less likely to need a dashboard. This would significantly affect the number of schemes that need to connect to dashboards, which is a key determinant of industry costs.
  - c) Implementation plan and timetable – the consultation discussed several options for implementation, recommending a phased approach (similar to that taken for automatic enrolment) to gradually introduce compulsion to pension providers. The specific timetable for delivery will also affect the profile of costs and benefits.
  - d) Regulatory framework – Government intends to use the existing regulatory framework as far as possible, but recognises that new activities may be identified that are not covered by existing regulation.
  - e) Responsibility for regulatory functions
  - f) Funding model – the Government intends the dashboard ecosystem, governance, development of non-commercial dashboard and any new regulatory activities to be funded by industry, possibly through an industry levy but the mechanism is to be decided.
27. In order to assess the potential range of impact on industry, DWP has used formal consultation and informal engagement with the pensions industry to seek advice on the costs and benefits associated with dashboards. This engagement has included pension providers and schemes of all sizes, industry bodies, large administrative software firms, public sector pension providers, the Pensions Regulator (TPR) and the Financial Conduct Authority (FCA). Given the uncertainty of final design and implementation requirements the majority of stakeholders did not feel able to provide cost estimates. We will continue to engage with industry stakeholders to improve the quality of our evidence base for secondary legislation stage. Those estimates we did receive were heavily caveated as rough estimates based on strong assumptions about the final design. We have not received any responses from small or micro pension schemes, or the industry bodies representing them, so for these schemes we rely on responses from software providers who may provide services to these schemes. Furthermore, we do not currently know how the population of small and micro schemes are associated with business size, e.g. it is unclear how many micro schemes will be sponsored by large employers. This is an area we intend to investigate further to better understand the impact on business, and to inform any decisions around exemptions made in secondary legislation.
28. The costs to Government of providing State Pension data to the dashboard ecosystem, and the cost to the SFGB to host a non-commercial dashboard will also depend on detailed design requirements and implementation plan.

### Consumers

29. The main purpose of dashboards is to provide benefits to scheme members who will be able to access all of their pensions information (including the State Pension) in one place at the time of

their choosing. There are no direct costs to consumers as they will not be required to pay to access, and use of dashboards is entirely voluntary.

30. The direct benefits to consumers are as follows:

- Time savings (reduced search costs equivalent to the value of their own time, or for those who engage financial advisors the value of time advisors spend retrieving information on their behalf). The value of time saved will depend on the number of individuals who use the dashboard, estimates of the time taken to access information on the dashboard compared to the counterfactual of finding the information themselves or engaging a financial adviser.
- Recovering 'lost pots'. The concept of 'lost' pensions has multiple definitions, at one end of the scale there is an estimated £19.4 billion<sup>13</sup> in pots that have been "lost" (i.e. the provider / administrator has lost contact with the member) but only £400 million<sup>14</sup> described as 'lost' in terms of unclaimed assets (those which should have been paid out but for some reason have been left unclaimed). Dashboards will help link providers and members. The obvious value for members who find lost pots is any additional retirement income they receive as a result, though in practice for many individuals the benefit will be in time saved finding lost pots, and the value of better decisions taken as a result of a more complete understanding of their pension provision. The value of recovering lost pots will depend on the level of take up amongst members, since pots can only be found for individuals who engage with the dashboard.

31. In theory there are potentially significant indirect benefits to individuals on the basis that information failure currently prevents individuals from saving enough for the retirement they want and/or making optimal decisions about how to use their pension wealth in retirement. Dashboards reflect principles of influencing behaviour as set out in the EAST (easy, accessible, social, timely) framework<sup>15</sup>. Arguably the dashboard is a necessary but not sufficient condition, and there is no robust evidence to attach causality and monetise the benefits in terms of increased retirement income that results from the dashboard. However, given the number of pension scheme members and value of total assets in DC schemes (both of which are expected to grow as a result of AE), such benefits could be material for millions of individuals in the long term.

32. In terms of assumed dashboard usage, the Pension Tracing Service (which has limited publicity) supported 1.2 million customer traces in 2017/18<sup>16</sup>, whilst CYSP has had over 10 million uses since its launch in 2016. This is a small proportion of the total population of 53m members<sup>17</sup>. We would expect higher take up of the dashboard as an improved service offer, and over time with growing number of pension members with multiple pots.

33. There may also be some interaction with the financial advice market. On the one hand, if it is easier for individuals to find information without advice then individuals could see cost savings (with correspondingly lower IFA revenue). On the other, if the dashboard acts as a springboard which encourages individuals to seek financial advice, this could improve retirement incomes if more consumers take advice which leads to improved individual outcomes (and would act to increase IFA revenue). A report by the International Longevity Centre<sup>18</sup> showed that those who had received financial advice between 2001 to 2007 had accumulated between 16% (if the individual is 'financially just getting by') and 21% (if the individual is 'affluent') more, on average, by 2012 to 2014 than someone who had not received financial advice. At this stage we have no

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<sup>13</sup> Lost Pensions: what's the scale and impact? PPI Briefing note Number 109, <https://www.abi.org.uk/globalassets/files/publications/public/its/2018/20181010-ppi-bn109---lost-pensions-final.pdf>

<sup>14</sup> Email received from industry stakeholder

<sup>15</sup> The Behavioural Insights Team (2014) *EAST: Four Simple Ways to Apply Behavioural Insights*. Available here: <https://www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/>

<sup>16</sup> <https://www.gov.uk/performance/find-pension-contact-details/transactions-by-channel#from=2017-04-01T00:00:00Z&to=2018-03-01T00:00:00Z>

<sup>17</sup> Internal analysis of data extract received from TPR January 2018

<sup>18</sup> <https://ilcuk.org.uk/new-research-finds-those-who-receive-financial-advice-are-on-average-40000-better-off-than-their-unadvised-peers/>

evidence on the proportion of dashboard users who may reduce/increase demand for financial advice as a result of the dashboard.

### Pensions Industry

34. Introducing legislation to compel pensions schemes and providers to provide data to the dashboard ecosystem will impose new regulatory burden on the pensions industry.

35. Key direct costs are as follows:

- Familiarisation costs – all schemes in scope will incur familiarisation costs. There are an estimated 40,690 schemes in the market, 40,272 of which are in the private sector. Assuming two trustees of each scheme need to familiarise with the new legislation, through one hour of time each, valued at £22.44<sup>19</sup>, and after a 27% uplift for overheads (as in the Green Book) we estimate that there will be a one-off cost in year 1 of £2,295,407 for all schemes to do this.
- Providing data to the dashboard ecosystem involves a number of component costs:
  - a. Ensuring data is accurate, cleansed where necessary, digitised, calculated and in an appropriate format (for example, national insurance number and value of the pension pot) to ensure individuals are linked to correct data
  - b. Connecting to dashboards and enabling data to be accessed via dashboards
  - c. Ongoing provision of data in line with data standards to be determined. For now we assume that data requirements will mirror that required in an annual benefit statement, data will be updated annually, and data standard will be consistent with those already required by TPR. More frequent data, or additional data would naturally be expected to incur higher costs.

For these costs we consider three different scenarios for dashboards

1. Dashboard information equivalent to ABS, with small schemes (with fewer than 12 members) exempt. This would exempt 30,000 schemes, which is 75% of total schemes, but accounting for less than 0.2% of total membership<sup>20</sup>.
2. Dashboard information equivalent to ABS, but no schemes exempt (significantly increasing the scope of costs).
3. Dashboard contain more information than supplied on an ABS, e.g. projections of likely retirement income at different retirement ages, data on investment approach, performance and charges (significantly increasing the scope of costs).

#### *Scenario 1 (central assumption, micro schemes exempt)*

36. Evidence from engagement with industry stakeholders suggests the way schemes connect to the dashboard ecosystem, and associated costs, varies by scheme size. We assume large and medium pension providers and administrators will either invest in new systems or upgrade existing systems in order to connect, which incurs IT costs to integrate with the dashboard system and establish an Application Programming Interface (API) which allows an external system such as a dashboard to access data held by schemes. We assume small schemes (12-99 members) will integrate to the dashboard ecosystem using contracted relationships with ISPs.

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<sup>19</sup> ASHE 2017 (revised) – table 2.5a – median from professional to corporate managers and directors:  
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation2digitsocashetable2>

<sup>20</sup> Internal analysis of data extract received from TPR January 2018

37. The assumptions and implementation cost estimates by scheme size are summarised in Table 1

Table 1 – Implementation cost estimates and assumptions for private sector schemes, split by pension scheme size				
Scheme Size	No. of schemes	Cost assumptions	Evidence	Estimate
Large (over 100,000 members)	61 <sup>21</sup>	<p>Manage their own administration and individually connect directly to dashboards.</p> <p>Costs include changes to IT systems and establishing connection to dashboard ecosystem.</p>	<p>Estimate is the average of four responses to a survey by DWP Digital. Tested with some of the largest providers which suggested £200,000 was plausible, but highly uncertain.</p>	<p>£200,000 per scheme, £12m in total</p> <p>Applying 50% sensitivity adjustment gives a range of <b>£6m to £18m.</b></p>
Medium (100 – 99,999 members)	<p>3,992 schemes</p> <p>480 administrators</p>	<p>Connect through external administrator, with costs split between the administrator and the scheme.</p> <p>Multiple schemes will use the same administrator.</p> <p>Total costs include costs per scheme to prepare data, cost fee per administrator to connect to the dashboard (only incurred for each administrative software connected)</p>	<p>Indicative per scheme costs of £75,000 for data preparation supplied by one large administrative software provider</p> <p>Discussion with pension administrators who cover a large share of the market suggests setting up an API to establish a link would be around £100,000 per package.</p>	<p>£75,000 per scheme, £299m in total.</p> <p>Applying 50% sensitivity adjustment gives a range of <b>£150m to £449m.</b></p> <p>£100,000 per administrator, £48m in total.</p> <p>Applying 20% sensitivity adjustment gives a range of <b>£38m to £58m.</b></p> <p>Total costs associated with medium schemes range from <b>£188m to £507m.</b></p>

<sup>21</sup> Internal analysis of a data extract from TPR, received in January 2018

<p>Small (12-99 members)</p>	<p>3,031 schemes</p>	<p>Integrate using contracted relationships with ISPs.</p> <p>Five ISPs will cover the whole market.</p>	<p>Discussions with a large administration software provider suggest a basic package would cost £10,000.</p> <p>This estimate is highly uncertain.</p> <p>Discussions with industry stakeholders and large administration software providers.</p>	<p>£10,000 per scheme, £30m in total.</p> <p>Applying 90% sensitivity adjustment gives a range of <b>£3m to £58m</b></p>
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38. These estimates make a simplifying assumption that all schemes are required to comply with the legislation at the same time. In practice, the implementation plan adopted by the industry delivery group will have significant impact on the timing of costs, in terms of when pension schemes are required to participate in dashboards. It may be the case that a phased approach is taken by which schemes of different characteristics (e.g. size) have a different timeframe with which to comply with legislation.

39. It is possible that some schemes/providers will incur additional costs to clean their members' data prior to making it available via a dashboard. We have evidence from TPR's 2016 survey<sup>22</sup>, Pension Expert<sup>23</sup> and the 2017 ABI project<sup>24</sup> that there are cases where data will need cleansing, especially for smaller schemes. However, since data cleansing is already considered under the current TPR focus on data sources and data improvement plans, we do not consider participation in the dashboards service to add to the costs of data cleansing given that these costs are already required by the IORPII directive<sup>25</sup> (implementation of EU regulations compelling all schemes to supply an ABS) which strengthens the requirements to supply data.

40. There will be additional costs for both public and private sector DB schemes. This is because private sector DB schemes are not required to supply an ABS to members unless the individual requests it. Whilst public sector DB schemes must supply a yearly ABS to all active members, and deferred members upon request. We estimate that around 75% of DB schemes send an ABS

<sup>22</sup> TPR survey report 2016- <http://www.thepensionsregulator.gov.uk/docs/record-keeping-survey-2016.pdf>

<sup>23</sup> <http://www.pensions-expert.com/Special-Features/The-Cut/Security-and-accuracy-the-pillars-of-dashboard-success>

<sup>24</sup> Reconnecting people with their pensions, ABI, October 2017 <https://www.abi.org.uk/globalassets/files/subject/public/Its/reconnecting-people-with-their-pensions-final-10-october-2017.pdf>

<sup>25</sup> The new directive on occupational pension schemes (IORP II) must be implemented in national law by mid-January 2019. Importantly this contains a requirement to supply Annual Benefit Statements to all members. In order to do this it requires data to be in good condition. <http://www.hoganlovellsukpensions360.com/news/briefing-note-iorp-directive>

to people even if they are not required to do so<sup>26</sup>. It is also estimated that the costs of cleaning data will be up to 20% higher for those schemes who do not send an ABS to these members<sup>27</sup>. However, as above we consider data cleansing to form part of all schemes' existing data improvement requirements to comply with IORP<sup>28</sup> requirements.

41. It is expected there will be some on-going costs, such as the updating and maintenance of the data sent to the dashboard. Industry engagement suggests an additional cost in the thousands for large schemes on a yearly basis. We would expect the same for ISPs and administrators. Estimating a £100,000 on-going cost for a total of 552 connections<sup>29</sup> this will come to **£55,200,000 p.a.** when discounted over 10 years this totals **£475,100,000**. This is an extremely uncertain figure: through informal engagement, several industry stakeholders reported that on-going costs will be in the thousands, and one respondent saying ongoing costs will be similar to their starting costs minus the set up cost of technology. This is our best estimate but should be treated as purely indicative. Applying a 90% sensitivity analysis, to account for those who said it would be in the thousands, this would give us a range of £5,520,000 p.a. to £104,880,000 p.a. (discounted over 10 years gives us a range of £50m-£900m).

*Scenario 2 (ABS data, no exemptions)*

42. The consultation sought evidence about exemptions to legislation on compulsion, as for some schemes it may be argued that the costs outweigh the potential benefits to those members. For context there are around 40,000 schemes and 50 million memberships. If, for example, micro schemes (those with 2 to 12 members) were exempted this would take around 30,000 schemes out of compulsion, but would only affect about 77,000 members (or approximately 0.2% of workplace memberships<sup>30</sup>). This suggests that the costs to include micro schemes may be disproportionate to the benefit from the very small increase in coverage. However, individual schemes who want to connect should not be prevented by legislation. The delivery practicalities of this is something to be looked at by the industry delivery group.

43. This scenario considers the additional cost to industry with no exemption for micro schemes. As for micro schemes, it is considered likely these schemes will supply data through an ISP. In this case they would also face a £10,000 fee. There are an estimated 33,133 of these schemes meaning industry costs could increase by **£331m** if are included. As was done with the ISP cost a 90% sensitivity allowance to account for uncertainty must be applied, giving a range of £33m to £630m.

Table 2 – Implementation cost estimates and assumptions for micro size private sector schemes				
Scheme Size	No. of schemes	Cost assumptions	Evidence	Estimate

<sup>26</sup> Based on the disclosure RIA 2006 which evidenced the Governments Actuary Departments Occupational Pension Scheme Survey 2004: [http://www.legislation.gov.uk/ukia/2013/164/pdfs/ukia\\_20130164\\_en.pdf](http://www.legislation.gov.uk/ukia/2013/164/pdfs/ukia_20130164_en.pdf) .

<sup>27</sup> Taken from 2006 RIA: [http://www.legislation.gov.uk/ukia/2013/164/pdfs/ukia\\_20130164\\_en.pdf](http://www.legislation.gov.uk/ukia/2013/164/pdfs/ukia_20130164_en.pdf)

<sup>28</sup> <https://www.plsa.co.uk/Policy-and-Research/Europe-International/IORP-Directive>

<sup>29</sup> From table 1, this accounts for 61 large schemes who connect directly, 486 administrators of medium sized schemes, and 5 ISPs who connect on behalf of small sized schemes.

<sup>30</sup> Internal analysis of TPR data from an extract received in January 2018



Micro (1-11 members )	33,133 schemes	Integrate using contracted relationships with ISPs.  Five ISPs will cover the whole market (as with small schemes)	Discussions with a large administration software provider suggest a basic package would cost £10,000 (as with small schemes)	£10,000 per scheme, £331m in total  Applying 90% sensitivity adjustment gives a range of <b>£33m to £630m.</b>
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*Scenario 3 (data requirements above ABS)*

44. Under a scenario where schemes are required to produce information that isn't currently on an ABS, costs could significantly increase, which is highlighted as an area of concern for many providers. At this stage, given the lack of clarity around what additional information may be provided, and the limited evidence base on this from industry stakeholders, it is not meaningful to produce cost estimates. If it is decided that further information is required on dashboards this will be assessed in a future impact assessment alongside secondary legislation.

Cost to business to create the industry delivery group

45. The consultation set out a potential delivery model and this includes the creation of a delivery group funded by the pensions industry. In this model, the group would be responsible for governance of dashboards infrastructure, procuring a pension finder service, and establishing an implementation plan. In the consultation, the Government proposed that the industry delivery group would be funded by industry levies. Levy costs are not a regulatory provision within scope for the Business Impact Target, though do affect industry costs. It is possible that any levy costs may be passed on to members via charges.

46. It is not currently possible to estimate the running costs of the industry delivery group or implementation plan, as the SFGB (which came into existence in January 2019) does not yet have enough detail about the policy to forecast these costs. These costs will be included at the point of secondary legislation.

Cost of regulating dashboards

47. It is important that members are properly protected and DWP intend to work with the regulators (the FCA and TPR) and industry to ensure that appropriate and robust controls are in place to protect the individual user, utilising the existing regulatory framework wherever possible. There are risks to data sharing which need to be mitigated and these will be analysed in a Data Protection Impact Assessment.

48. If this work identifies new activities that are not covered by existing regulation, we will seek to amend secondary legislation as necessary. In this situation there will be a cost to the regulatory authority for the regulatory provision. These costs are not calculated in this assessment given the significant uncertainty over the full impacts of the proposal; the regulators who we contacted to estimate these costs indicated that they did not consider it a value for money exercise at this time to invest the resource necessary to create such an estimate, as such costs will be determined by the details to be set out later in subsequent secondary legislation. For example, for the onboarding process alone there are simply too many unknowns at this time, and the range would be so wide

as to make the inclusion of reasonable costs difficult. We will be working closely with these regulators following primary legislation to estimate these costs.

49. It is expected that authorisation and regulation will be funded through levies. At this stage it is not possible to assess the impact on the Levy as the exact authorisation and regulation regimes remain undecided. Impacts upon levies will be explored when secondary legislation is applied and/or if a consultation on the general pension levy is opened (which itself would require an impact assessment).

#### Costs of creating a non-commercial dashboard

50. The current proposal suggests that multiple dashboards should be allowed to promote future innovation and provide a service tailored for specific consumer groups. However, industry are also expected to create a non-commercial dashboard which could be delivered by either a new entity or an existing body such as the Single Financial Guidance Body (SFGB). As all dashboards would be based on the same dashboard ecosystem and therefore display the same basic information, it is envisaged that only the range of functions available may differ, with commercial dashboards potentially offering more tools.

51. At this stage the costs in order to set up dashboards are unclear, as there is not yet sufficient available detail on requirements and implementation for the SFGB to assess these costs. On top of this there is likely to be tendering for some of the functions of this body and therefore much of their costs would be commercially sensitive. It is likely most costs would be covered by existing levies, in this case the general levy. These costs are not part of the Business Impact Target. Therefore, at this stage it is not possible to quantify these costs.

#### Costs and benefits to providers and administrators from member contacts

52. There may be increased contact from members to providers or administrators due to additional queries relating to the information displayed on a dashboard. This could include members not understanding the information displayed, wanting to update their information or querying the data that they are being shown. There is the possibility however that this may benefit administrators, with greater contact with members allowing administrators to update their data.

53. In the long-term, pension providers and administrators may receive fewer calls as people will be able to access information about their pensions in one unified place rather than contacting the provider / administrator of each of their pension schemes. This should enable members to understand their pensions and plan for the future better, without the need to contact the pension provider directly.

54. Experian's analysis estimates that there could be around £400 million in unclaimed pension and other life insurance products<sup>31</sup>. Pension providers have a cost in attempting to locate those members who have dormant pension pots. There is evidence<sup>32</sup> that even when members are contacted about lost pots by their providers that members may think that it is a hoax and do not claim the money.

55. As dashboards will make it easier to trace a pension than the existing pension tracing service (where some information about the provider has to be known and the individual has to contact

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<sup>31</sup> Email received from industry stakeholder in December 2017.

<sup>32</sup> Commission on Dormant Assets, Tackling dormant assets, March 2017  
[https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment\\_data/file/596228/Tackling\\_dormant\\_assets\\_-\\_recommendations\\_to\\_benefit\\_investors\\_and\\_society\\_\\_1\\_.pdf](https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/596228/Tackling_dormant_assets_-_recommendations_to_benefit_investors_and_society__1_.pdf)

the provider directly) there may be a reduction in pension pots which are considered 'lost'. Therefore, there are benefits to providers and administrators through fewer members needing to be traced. There are also benefits to members recovering their lost money.

Impact on Financial Advice market

56. There could be impacts on the financial advice and guidance market. The dashboard may deliver efficiency gains to financial advisors, by reducing the amount of time required to retrieve information on their customer’s pension savings. The availability of the dashboard may also impact on consumer demand for advice and guidance. Currently these impacts are highly uncertain, and we intend to continue to monitor them across the development of the dashboards.

**Government costs and benefits**

Cost to Government to make information about individuals’ State Pension entitlement available to the dashboard ecosystem

57. Currently the Government intends to supply State Pension information via dashboards and we do not expect that this will require any new legislation. If Government does supply this information into dashboards there will be an associated cost. The DWP will calculate these costs once decisions on the dashboard requirements and implementation plans are confirmed.

Costs to public sector schemes

58. We may be required to introduce further legislation to enable certain public sector pension schemes to provide their data via dashboards. These schemes combined cover over 12 million workplace memberships (about a third of workplace memberships) within 498 schemes<sup>33</sup>. Public sector schemes are made up of 19 large schemes, 382 medium, 42 small, and 55 micro schemes. There would be associated costs of supplying data for these schemes. Public sector organisations will also incur costs for increases in the levy for public sector schemes. These levy costs are not in scope and are therefore not included in this document.

59. With consistent familiarisation costs as for private sector schemes (see paragraph 35), the cost for the 498 public sector schemes will be **£28,385**.

60. Engagement with public sector pension stakeholders suggests that they will connect in a manner consistent with private sector schemes. Large and medium sized schemes are assumed to connect via administrators, while small and micro schemes connect via ISPs.

61. The assumptions and implementation cost estimates for public sector schemes are summarised in Table 3.

Table 3 – Implementation cost estimates and assumptions for public sector pension schemes, split by pension scheme size				
Scheme Size	No. of schemes	Cost assumptions	Evidence	Estimate

<sup>33</sup> Internal analysis of a data extract from TPR, received in January 2018

<p>Large and medium schemes (over 100,000 members)</p> <p>(100-99,999 members)</p>	<p>19 large schemes</p> <p>382 medium schemes</p> <p>128 administrators</p>	<p>Connect through external administrator, with costs split between the administrator and the scheme.</p> <p>Multiple schemes will use the same administrator.</p> <p>Total costs include costs per scheme to prepare data, cost fee per administrator to connect to the dashboard (only incurred for each administrative software connected)</p>	<p>Engagement with public sector pension industry stakeholders suggests large and medium schemes will connect through administrators.</p> <p>Indicative per scheme costs of £75,000 for data preparation supplied by one large administrative software provider</p> <p>Discussion with pension administrators who cover a large share of the market suggests setting up an API to establish a link would be around £100,000 per package.</p>	<p>£75,000 per scheme, £30m in total.</p> <p>Applying 50% sensitivity adjustment gives a range of <b>£15m to £45m.</b></p> <p>£100,000 per administrator, £13m in total.</p> <p>Applying 20% sensitivity adjustment gives a range of <b>£10m to £15m.</b></p> <p>Total costs associated with medium schemes range from <b>£25m to £60m.</b></p>
<p>Small and Micro (12-99 members)</p> <p>(1-11 members)</p>	<p>42 small schemes</p> <p>55 micro schemes</p>	<p>Integrate using contracted relationships with ISPs.</p> <p>Five ISPs will cover the whole market (as with small and micro private sector schemes)</p>	<p>Engagement with public sector pension industry stakeholders suggest both small and micro schemes will connect via ISPs.</p> <p>Discussions with a large administratio</p>	<p>£10,000 per scheme, £1m in total</p> <p>Applying 90% sensitivity adjustment gives a range of <b>£0.1m to £2m.</b></p>

			n software provider suggest a basic package would cost £10,000 (as with small schemes)	
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**Small and micro business assessment**

62. The costs to business fall on pension schemes and providers. Small and micro business who operate small and micro pension schemes may be affected. However, assessing the impact of dashboards on this group is difficult, as it is not necessary that small and micro pension schemes correspond to small and micro businesses. For example, many large firms may run Executive Pension Plans with only a few members. Similarly, small employers may enter their staff in larger master trust schemes. As dashboards legislation happens on the basis of pension scheme size, and there is currently no robust evidence to link pension scheme size to employer size, it is difficult to accurately assess the impact on small and micro businesses.

63. Primary legislation will not include detail on specific exemptions, though our illustrative costs assume exemption of micro schemes. Exemptions will be explored further before secondary legislation at which point decisions as to whether certain schemes will be made exempt or not will be explored. The correlation between Small and Micro businesses and where they fall in the pension industry is being analysed as we develop policy in the lead up to secondary legislation, and is an area we are committed to exploring in order to more fully understand the impact at that stage.

**Total costs and benefits (illustrative estimate of EANDCB)**

64. Table 4 shows indicative estimates of where the EANDCB could fall at the point of secondary legislation. Note, this table only contains monetised costs and benefits where it was feasible to do so, and that the quality of the evidence is not sufficiently high to be able to consider this a robust estimate.

Table 4 – Illustrative estimate of EANDCB for private sector pension schemes (sensitivity analysis ranges given in brackets) <sup>34</sup>			
	Fixed implementation cost	Annual Ongoing	Over 10 years
Familiarisation	£2m	N/A	£2m
Large Schemes	£12 (£6-£18m)	N/A	£12 (£6-£18m)

<sup>34</sup> Figures below £20m are rounded to the nearest £1m, figures above are rounded to their nearest £5m

Medium Schemes	£345m (£190m-£510m)	N/A	£345m (£190m-£505m)
Small Schemes	£30m (£3m-£55m)	N/A	£30m (£3m-£55m)
Micro Schemes	£330 (£35m-£630m)	N/A	£330 (£35m-£630m)
All schemes (on-going)  (assume no marginal change for inclusion/ exclusion of micro schemes)	N/A	£55m (£5m-£105m)	£475m (£45m-£900m)
<b>Total (not including micro schemes)</b>	<b>£390m</b> (£200m – £580m)	<b>£55m</b> (£5m-£105m)	<b>£865m</b> (£245m-£1,480m)

## Wider Social Consequences

65. Dashboards are expected to have positive social impacts on those with protected characteristics<sup>35</sup>. Dashboards make information about pension savings more accessible, by providing an additional and easier way for individuals their information. As dashboards are a voluntary service, they do not reduce any options that are already in place to understand pensions. For this reason, dashboards are not seen as discriminatory. If for any reason a person has no access to digitalised media they will still receive the same service they had previously such as receiving annual benefit statements (if they were entitled). However, it is important dashboards are created with accessibility needs in mind. They should meet the highest standards to allow equal access to all parties. All efforts will be made to make dashboards universally accessible.

66. Dashboards may help those on lower incomes with less savings relatively more than wealthier individuals. Less wealthy individuals will have a higher marginal value of additional savings in retirement, meaning the potential improvement in retirement planning stemming from the dashboard will have higher benefits for this group.

67. Impacts upon those with protected characteristics will be explored further in an Equality Impact Assessment to be published alongside a Pensions Bill.

## Unintended consequences

68. Increased engagement could conceivably indirectly lead to worse retirement outcomes, as provision of information in and of itself does not necessarily overcome all barriers to optimal decision making.

<sup>35</sup> Those who are considered vulnerable and covers: age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity.

For example, if individuals choose to consolidate multiple pots as a result of accessing the dashboard, this could result in all of their assets being in a scheme with poor returns. The Government would continue to encourage anyone to seek advice or guidance before making any decisions. The Government will carefully consider whether any proposals from the industry delivery group on potential functions available on dashboards could encourage poor decision making.

69. There are a number of behavioural biases to consider in designing an effective dashboard. For example, if information is displayed in a way that makes individuals believe they have significant/more wealth than they'd assumed, it could lead to them saving less in the future, as they believe they are better off than they actually are. If for example the pot is displayed as a total value of assets this can appear significant to an uninformed individual, when in fact this may only provide a modest income stream in a retirement currently lasting on average 18.6 years for men and 20.9 years for women<sup>36</sup>.
70. Alternatively, some individuals relatively new to saving may see how small their pension savings are, feel despondent, and may decide that saving is no longer worth it. In this case outcomes would be made worse in retirement.
71. A key unintended consequence to consider is the affordability, especially for smaller schemes, to ensure schemes and businesses do not become unable to afford any regulatory burdens imposed. This is a key consideration for the industry delivery group and future decisions on secondary legislation.

### **Next steps**

72. The illustrative costs in this document are highly uncertain, firstly due to the deliberate lack of prescribed detail in the design of the dashboards which allows greater freedom for the industry to create the best solution, and secondly due to a lack of currently available evidence. We will continue to gather evidence and will update this impact assessment for secondary legislation.
73. The primary source of additional evidence is expected to come from further engagement with the pensions industry to get better cost estimates, particularly for small schemes, as well as indicative call volumes from member enquiries. As at the point of secondary legislation when there is greater certainty around the policy, we expect that industry stakeholders will be better able to provide robust cost estimates to assess impacts.
74. The Government will also provide costs of inputting State Pension data into dashboards, and work with the SFGB to provide costs estimates for creating the dashboard infrastructure and setting up the industry delivery group.

### **Summary**

75. The Government will establish an industry delivery group to develop a detailed design and implementation plan for pensions dashboards, and taking powers in primary legislation to compel pension schemes and providers to supply data to the dashboards. The aim of establishing a dashboard ecosystem is to enable citizens to securely access their pensions information online, all in one place, and at a time of their choosing in order to improve retirement outcomes for millions of individuals.
76. The creation of pension dashboards will impose new regulatory burden on the pensions industry – most notable for schemes and providers who will be required to invest in new systems in order to connect with the dashboard ecosystem and provide data on an ongoing basis. At this stage it is not possible to provide a meaningful estimate of the EANCB, but illustrative estimates suggest the cost to business over 10 years could be within the range £245m-£1,480m

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<sup>36</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/datasets/healthstatelifeexpectancyatbirthandage65bylocalareasuk>

77. DWP will work with the SFGB, industry delivery group, and wider industry engagement to establish firmer evidence of the business impact as the detailed design and implementation plan is confirmed and subsequent secondary legislation is brought forward.



## Annex

### Terminology and context

78. This section contains some background information about terminology and the pensions dashboard which are used throughout the document.

#### Pension Scheme

79. Private pensions can be either occupational (usually trust-based) or personal pensions, including group personal pensions (GPPs, which are usually contract-based) and individual personal pensions (IPPs). The category into which they fall affects which regulations they must comply with and which body is responsible for regulating them.

#### Pension Provider

80. A firm which contracts with an individual, either directly (IPP) or via their employer (GPP & other) to offer a personal pension pot into which the member (and potentially their employer) can contribute and exchange for one or more cash withdrawals or an income stream (or a combination of the two) in retirement.

#### Pensions Administrator

81. A person or body responsible for the day-to-day management of a pension scheme. The administrator will maintain members' records, calculate and pay benefits and manage contributions.

#### Pension Freedoms

82. Pension freedoms introduced in the 2015/16 tax year enable anyone aged 55 and over to take the whole amount of their Defined Contribution (DC) pension as a lump sum, paying no tax on the first 25% and the rest taxed as if it were a salary at their income tax rate.

83. The following levies on industry are discussed in this impact assessment:

- Financial Services Levy - The Financial Services Levy is collected by the Financial Conduct Authority (FCA) from different sectors of the financial services industry. The levy is set by the FCA and revised each year following consultation with the firms they authorise and some other bodies. The fees charged depend on the type of regulated activities and the amount of business a firm conducts as well as the cost to regulate these activities. Some of the funds collected are also used to pay for pension guidance, money guidance and debt advice (which were delivered through Money Advice Service, Pension Wise and part of The Pensions Advisory Service (TPAS) – but have recently been incorporated in the new Single Financial Guidance Body (SFGB)).
- The General Levy is in place to cover the cost of running The Pensions Regulator (TPR), the Pensions Ombudsman Service and TPAS (TPAS is now incorporated into the SFGB). The levy is calculated by reference to the total number of members within a pension scheme.

#### What is the dashboards ecosystem?

84. The architecture behind pensions dashboards has been explored but not finalised. The architecture is discussed in more detail in the consultation document<sup>37</sup>, but note that the actual design will be developed and owned by the industry delivery group. The section titled 'Limitations and challenges of estimating the impact of option 2' outlines the key policy choices which are uncertain, and the implications for the estimates presented in this impact assessment.

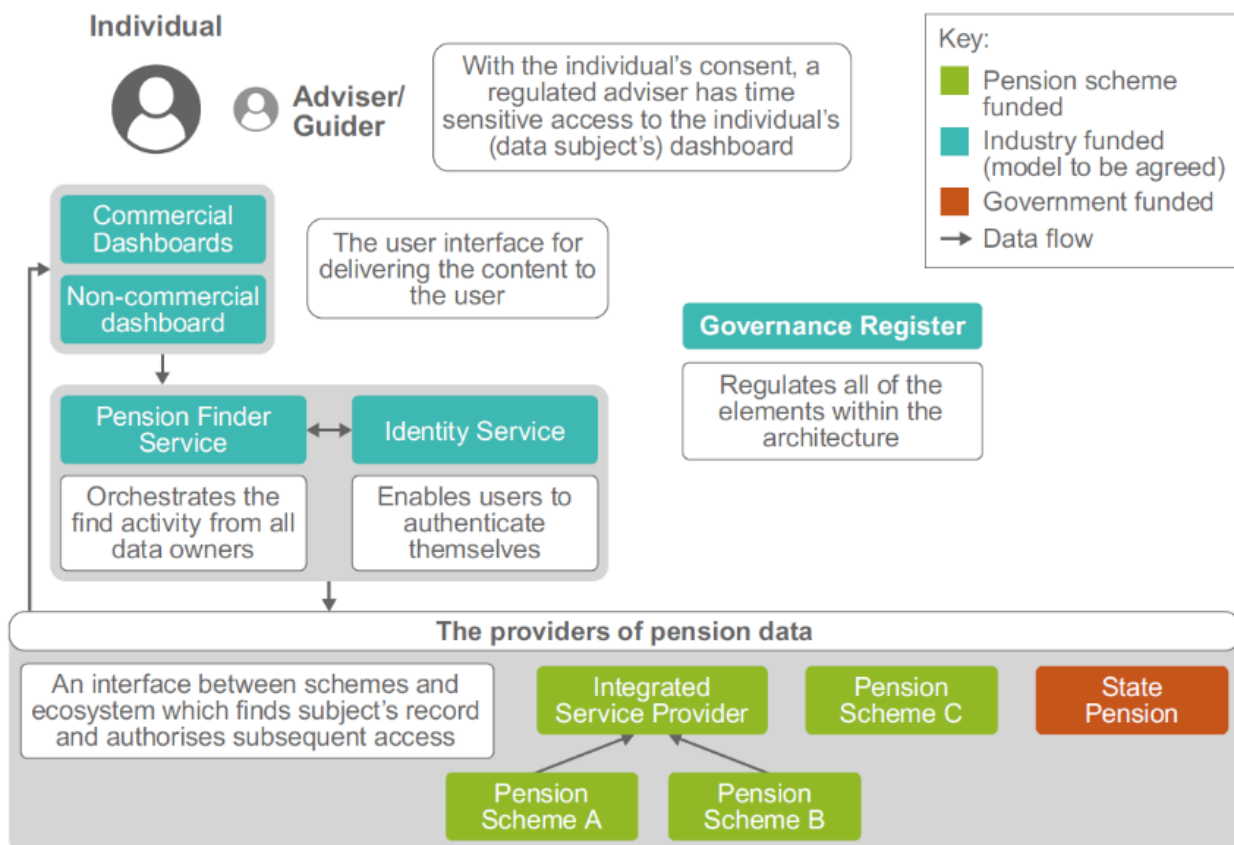
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<sup>37</sup> <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation>

- It is the design of the entire dashboard ecosystem that provides the link between the data held by pension schemes and the user who wants to be able to view their pension information on a dashboard (the user interface). This section summarises the potential model of a dashboard ecosystem as presented in the consultation document<sup>38</sup>, and outlined in diagram 1 below, with the caveat that this may be subject to change across the development and implementation of the dashboards. Under the proposed model, several elements of the ecosystem will be industry funded, with the specific funding model to be agreed. The key elements of this ecosystem are:

- dashboards (the user interface);
- Pension Finder Service (PFS);
- Pension schemes (providers of the data);
- State Pension;
- identity service (security and access control);
- Integrated Service Provider (ISP); and
- governance register.

**Diagram 1: Model of a dashboard ecosystem**



- Dashboards** are the user interface for delivering the content (data) to the individual user. This is the entry point for the user to initiate a search for their pensions and gather information about, for example, the value of their pension pot(s). The proposed

<sup>38</sup> <https://www.gov.uk/Government/consultations/pensions-dashboards-feasibility-report-and-consultation>

architecture would support multiple dashboards hosted by different organisations; whether the dashboard is commercial or not depends on the nature of the organisation hosting it. The possible functionality of dashboards (data and services provided) and what the Government may require as a minimum from pension schemes has not yet been decided. Recent research from NOW:Pensions<sup>39</sup> highlights the range of possible functions that consumers may expect. There will be multiple dashboards, however all based on one ecosystem. This means that whichever front facing dashboard an individual logs in to they will receive the same information. Having multiple dashboards could increase engagement as it allows users to log in using an institution that they have a relationship with and trust, whilst it should make dashboards more visible.

- The **Pension Finder Service** (PFS) will be developed as the part of the ecosystem. It sends out an instruction to pension providers or Integrated Service Providers to search their own records for a user's pension. As the diagram shows, if a provider or ISP finds a match, it returns a unique reference for the user's pensions asset and a token (key) which allows the user's chosen dashboard to access their data.
- **Pension schemes** hold individual users' pension data. To return data to the user, they must be connected to the dashboard ecosystem. Under the model proposed above, pension schemes will bear the cost of connecting their IT systems to the dashboard ecosystem, and for the processing and provision of the data. Where desired, schemes can utilise a contractual relationship with an Integrated Service Provider (ISP) to enable their data to be accessed by the ecosystem.
- The Department have committed to including **State Pension** in dashboards. The specifics of the delivery (data standards, security) and the timescales for this are not yet decided. The cost of this will be borne by Government.
- The **identity service** enables users to authenticate themselves so that they can access other elements of the ecosystem. It provides the verification required to assure data providers that they are returning data to the correct individual user and no one else. Provision of the identify service will be determined by the market, in ways consistent with National Cyber Security Centre's Good Practice principles.
- The **Governance Register** provides assurances that different elements of dashboards ecosystem (e.g. dashboards, pension schemes) meet certain standards and requirements. This is a technical service that would ensure that individual elements operate correctly within the ecosystem.
- An **Integrated Service Provider** (ISP) enables an individual's pension information to be securely held (on behalf of pension schemes) and accessed by the user via a dashboard where the provider is not able to do so (e.g. where a small pension scheme does not have the system capability or resources to connect to the ecosystem directly).

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<sup>39</sup> <https://www.nowpensions.com/press-release/consumers-back-dashboard-want-just-window-savings/>