THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

Submitted by email only: infopdp@maps.org.uk

Pensions Dashboards Programme
Call for input on staging

8 July 2021

The Society of Pension Professionals welcomes the opportunity to respond to this call for input.

Q1: We will be sharing the content of your responses with DWP, TPR and FCA to feed into the government's policy development. Please confirm you are happy to be identified when we are sharing.

The SPP is happy to be identified when you share our response.

Q2: Please tell us the name of the organisation on whose behalf you're responding.

This response is on behalf of the Society of Pension Professionals (SPP).

Q**3:** Please select which category/categories of respondent best represents you: pension scheme or provider: master trust pension scheme or provider: FCA regulated provider of personal or stakeholder pensions pension scheme or provider: DC occupational scheme used for Automatic Enrolment pension scheme or provider: DC occupational scheme, with 1,000+ members pension scheme or provider: DC occupational scheme, with 100-999 members pension scheme or provider: DC occupational scheme, with under 100 members pension scheme or provider: DB occupational scheme, with 1,000+ members pension scheme or provider: DB occupational scheme, with 100-999 members pension scheme or provider: DB occupational scheme, with under 100 members public service scheme administration provider software provider (both yellow and green, if possible) consumer group other

As a pension industry trade body, the SPP would not directly fall into any of the categories listed, although our membership is drawn from organisations that will fall into many of these categories

Q**4:** Based on the information, how long do you estimate you will need to be ready to connect, and why? From what point in your working assumptions does the lead time start (e.g. draft regulations, regulations laid before parliament, or approved)?

Our membership is drawn from across the pensions industry and each firm will have a different answer.

The legal requirement will drive what needs to be done within firms. The sooner those requirements are known the sooner definite plans can be made. Those administration firms that provide services to trustees of pension schemes are reliant on trustees agreeing to the cost of the work in getting scheme data on to a dashboard. Persuading trustees to pay for something before the legal requirements have been fully defined may be difficult. Trustees have conflicting priorities (e.g. GMP equalisation) to contend with during this staging process and this will place some constraints on the resources available to onboard schemes to the dashboard. Some trustees also have an annual budgeting process and will need notice to build dashboard developments into their budget.

Some Third Party Administrators may be in a position to onboard clients earlier than is required by the regulations and we would hope that this would be possible. It would be very helpful if a universal standard could be agreed for matching requirements so that Third Party Administrators could confidently apply the same matching standards across all their clients and trustees would not need to incur additional costs by taking legal advice on this aspect.

While data is being onboarded it will be important that any dashboard user is given appropriate messaging to manage their expectation around what schemes will appear on the dashboard.

Q**5:** [Pension & data providers:] If different from your response to Q4, how long would it take you be able to provide all the required view data?
For some schemes, a longer period will be required to provide 'view' data than 'find' data. In particular, it will be challenging for some schemes to provide a projected defined benefit pension.

Q**6:** Would response time be material to onboarding ie would longer response times for ERI or accrued value information (rather than real-time) facilitate earlier staging? If so, what sort of response time would make a difference?
We anticipate that provision of ERI will be one of the bigger obstacles to be overcome by schemes when preparing to provide data to the dashboard. The ability to provide data on a "matching only" basis initially would undoubtedly allow schemes to provide data earlier and then develop ERI functionality thereafter.

To make any difference the response time would need to mirror administrators' current Service Level Agreements with schemes / members. These are likely to vary, but 10-15 working days may well be typical where a manual calculation or manual checking is required.

Q**7:** [Pension & Data Providers:] What further information, if any, do pension providers need to get ready for dashboards?
Providers will require more detail on what will be acceptable as an ERI. In particular, will it be acceptable to provide the deferred pension at leaving?

The precise legal basis for providing the data including:

- how the dashboard requirements interact with any GDPR constraints.
- Universally applied matching requirements.

is essential, as early as possible in the staging process. Otherwise, trustees will be forced into seeking guidance from legal advisers, which could see a proliferation of differing legal interpretations, resulting in greater complexity for third-party administrators, in particular, who will be seeking to achieve standardization and consistency. Moreover, the need to obtain legal advice will add considerably to trustee's costs.

Q**8:** Do you have any further evidence on consumer needs and/or the acceptability of a dashboards service displaying partial information for a limited time?
We have no evidence of consumer needs. However, we advocate providing the system on a find basis only initially. This would enable the system to be tested to confirm that that the matching was working correctly before data is loaded.

<u>Q**9:** Do you see any barriers to early staging?</u>
As mentioned in our response to Q4 pension schemes face conflicting priorities and a finite amount of resources – human and financial - to work on those priorities. The finite amount of suitably qualified human resource may well prove to be the biggest constraint.

Also, trustees, pension providers and regulators are aware of the increasing risk of fraud. This month the Pensions Administration Standards Association published counter fraud guidance and is working on other initiatives. It appears to us that the level of protection will be set at a level designed to make use rather than security the main aim and this may make trustees and providers nervous of participating before they are legislatively required to do so

<u>Q**10:** This question particularly applies to data providers, what is your appetite for staging early? Are there things PDP could do to encourage you to onboard earlier?</u>
Some schemes and providers will have an appetite for staging early where that aligns with other priorities they are dealing with. We think that allowing schemes to participate on a "match only" basis initially would assist in finding scheme and providers who wished to onboard earlier than legally required.

<u>Q**11:** Do you agree with our recommendation to prioritise occupational schemes with 1,000+ members and FCA regulated providers in the first two years?</u>
This seems to be a reasonable approach. The phasing proposed should allow available resource to be spread out across the initial two years.

<u>Q**12:** Do you agree master trusts should be the first to stage? Do you have any further evidence that speaks to their deliverability?</u>
This seems a reasonable approach. In most cases they will have newer systems and better data quality when compared to other schemes.

However, we note that a handful of master trusts specialise in bulk transfers of existing schemes. The data for these master trusts might not be in such good shape. It would seem reasonable to stage master trusts by number of members as for other DC schemes.

<u>Q**13:** Do you agree that non-commercial master trusts should stage as part of the next cohort? In the absence of a legal definition of non-commercial, is 20,000 members a suitable proxy to differentiate them from master trusts competing in the AE space?</u>
We agree that different types of master trust should have different treatment with regards to staging.

Non-commercial master trusts are likely to have more historic records which may be of poorer quality.

We do not believe that defining non-commercial as those with fewer than 20,000 members is a suitable proxy. For example we note that the University Superannuation Scheme (USS), which we would consider to be a non-commercial scheme, is listed on the Pensions Regulator's website[1] as an authorised master trust and has many more than 20,000 members. We suggest that the legislation names those authorised master trusts that would stage in cohort 2. There will not be many such schemes, and, as the regulations will be issued in draft, that gives schemes the opportunity to appeal if they feel they have been incorrectly categorised. Any master trusts authorised after the regulations are finalised would by default stage in cohort 1, but they would know that would be the case when seeking authorisation, so we don't see that as being a problem

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[1] https://www.thepensionsregulator.gov.uk/en/master-trust-pension-schemes/list-of-authorised-master-trusts

– or the Pensions Regulator could be given discretion to add to the list as part of the authorisation process.

Further, we note that the USS has both DB and DC rights. Please see our comments in Q18 below

<u>Q**14:** Do you agree FCA regulated pension providers should be among the first to stage? Do you have any further evidence that speaks to their deliverability?</u>
This seems a reasonable approach, in general, though special consideration might be required for providers with closed book schemes.

<u>Q**15:** Taking into account any existing plans to consolidate systems, and the potential to use an ISP (in-house or external), what specific challenges, if any, do FCA regulated providers of personal pensions face in getting all or part of their business dashboard-ready? Please provide evidence of the nature and scale of those challenges and how those challenges might be overcome.</u>
We believe that FCA regulated providers will be aware of the challenges facing them in preparing for the dashboard. One area where we think such providers will need further clarity is on how their books of business relating to buy outs from Defined Benefit schemes will fall to be treated for staging.

<u>Q**16:** Do you agree that DC schemes used for AE should be the second cohort to stage? Do you have any evidence that speaks to the deliverability of this?</u>
This seems a reasonable approach although we do not have any evidence as to deliverability other than the points made in Q18 on schemes with both DC and DB rights.

<u>Q**17:** Do you agree that non-commercial master trusts not included in cohort one should join cohort two?</u>
If you are going to distinguish between different types of master trusts them this seems the correct place to stage the non-commercial master trusts.

<u>Q**18:** Do you agree with the rationale for requiring mixed benefit schemes with DC sections used for AE to be part of cohort two? Do you have any evidence on the impact of this? How far does this differ from current disclosure practice ie issuing annual benefit statements? What is the scale of the population impacted?</u>
We believe this depends on why DB schemes have been placed in cohort 3. If it is because of their complexity when it comes to calculating ERI then we would expect that DB sections of mixed benefit schemes will face the same issues as pure DB schemes.

We do not believe that there will be a standard disclosure practice currently for these mixed schemes. Some will issue only DC benefit statements automatically and issue DB statements only on request. Some will issue both, or combined, DB and DC statements automatically.

Our view is that either the DC and DB parts should be treated separately – specifically, that the DC part would fall into this tranche and the DB rights into the cohort relevant for their size of membership, or that mixed benefit schemes should be treated as a DB scheme for the onboarding timetable for both the DC and DB parts.

As a specific example of this, for sectionalised schemes, we suggest that each section should be assessed independently in determining its staging date.

<u>Q**19:** Do you agree the largest DB schemes should be staged from Autumn 2023 and all DB schemes with 1,000+ members should be staged within the first wave (within two years from April 2023)? Do you have any evidence that speaks to the deliverability of this?</u>
This seems a reasonable approach although we do not have any evidence as to deliverability.

Q**20:** [DB schemes:] What are the specific challenges for DB schemes in connecting to dashboards? Which data elements are challenging, and why? Please provide any supporting evidence.

Provision of an ERI is likely to be the biggest challenge for DB schemes Currently schemes only need to provide this where a member requests it and this often involves a manual calculation or an automated calculation that has to be checked and / or reviewed independently before being issued. Making this something that is available on demand and instantly would be a significant development for many DB schemes.

Where ERI data was problematic for a scheme we believe it would be preferable for a scheme to participate on a “match only” basis.

The fact that DB schemes are not required to issue annual statements to members can make them more likely to lose contact with deferred members – although this is not an issue exclusive to DB schemes. Allowing schemes to participate on a “match only” basis initially may help to improve this (and having a dashboard that allows people to be matched with forgotten pensions should be viewed as a success).

Q**21:** [Largest DB schemes, over 50,000 members:] When is the earliest in 2023 the largest DB schemes (over 50,000 members) could reasonably be expected to comply? Why? Please provide any supporting evidence.

We do not have any evidence to provide a detailed answer but it is likely to depend on when the schemes have certainty of statutory requirements.

Q**22:** Do you agree that all public service schemes should be staged as early as possible within the first wave? Do you have any evidence that speaks to the deliverability of this?

This seems a reasonable approach. We believe that the administration of public service schemes will be spread across a small number of administration systems which should assist with this.

Q**23:** [Public sector schemes:] What specifically are the challenges presented by the McCloud Judgement for public service schemes in terms of dashboard readiness? What is the earliest that public service schemes could reasonably be expected to connect?

Not applicable.

Q**24:** Do you agree that all remaining DC schemes with 1,000+ memberships should be staged by the end of the first wave (within two years of April 2023)? Do you have any evidence that speaks to the deliverability of this?

This seems a reasonable approach although we do not have any evidence as to deliverability.

Please see our comments on mixed benefit schemes in Q18.

Q**25:** Do you have any additional evidence on the ability of medium schemes to participate in pensions dashboards?

We have no direct evidence but as we have mentioned before the speed with which schemes participate in the dashboard will be dependent on how they manage the conflicting priorities the face over the next few years.

Q**26:** Do you have any evidence about the potential impact on savers of deferring medium schemes until the bulk of large schemes have staged?

We have no direct evidence but we think that communication within the dashboard will be key to setting user’s expectations of what they will see displayed on a dashboard.

<u>Q**27:** Do you agree that small and micro schemes should form a third wave, after large and medium schemes? If so, when would be a reasonable timeframe for staging these schemes, and why?</u>

This seems reasonable approach. We think it worth noting that these schemes may fall into two categories:

- Those schemes that are run by a Third Party Administrator who has already dealt with staging for medium and large schemes – these schemes should be relatively straightforward to include in the dashboard
- Those schemes, particularly those administered in-house, which will have had no previous interaction with the dashboard. The extent to which these schemes can be brought into the dashboard is likely to be dependent on the ability of the ISP market to support them.

<u>**Q28:** Do you have any evidence about the potential impact on savers (eg lost pots) if small and micro schemes were delayed until after 2025?</u>
Again we think that communication within the dashboard will be key to setting user's expectations of what they will see displayed on a dashboard. Allowing smaller schemes to participate on a "match only" basis could only improve the position with regard to lost pots.

<u>Q**29:** Do you have any evidence of practical obstacles to our recommended sequencing and timing for staging?</u>
We have no direct evidence but the sooner that requirements are clear the sooner proper plans can be made. Most scheme administrators will already have made some plans for their systems developments over the next few years. These will need to be adjusted to reflect work for the dashboard and decisions made on whether other projects need to be put on hold.

Some consideration should be given to how schemes planning to transition over the next few years (e.g. to a master trust or buy out) would be staged. Would they be expected to stage in line with the plan even if they would only be providing data to the dashboard for a short period?

<u>Q**30:** How well do our recommendations meet the policy objectives and staging principles?</u>
We think the policy objectives would be better met if schemes were required to participate for matching before compulsion was introduced around providing ERI. This would allow schemes to participate in the dashboard at an earlier point, would allow users to find lost pots and be put back in contact with schemes. Achieving this would be a great success for the dashboard.

<u>Q**31:** Do you have any evidence on where lost pots are most likely to be located and the impact, therefore, of our staging recommendations on reconnecting savers with lost pots?</u>
We do not believe that any particular type of scheme will be more or less likely to have lost pots. The major cause of lost pots is deferred members not keeping track of their pension pots and not keeping schemes and providers up to date with their contact details.

<u>Q**32:** Do you have any evidence on equalities impacts of staging and impacts on under-pensioned groups?</u>
We have no evidence.

<u>Q**33:** As a data provider do you intend to connect your data via an ISP type solution? If not, what is your intended alternative?</u>
Not applicable.

<u>Q**34:** As a pension provider will you work with your existing software provider or seek an alternative ISP provider?</u>
Not applicable.

Q**35:** If you are a software provider we would like to ask you a few more Questions to further understand how your organisation is preparing for staging. Please choose Yes if you are happy to answer the four additional questions Please choose No if you are not a software provider or you are a Software Provider not wanting to answer more questions
Not applicable.

Q**36:** [Software providers] As an existing software provider do you intend to extend your ISP offering beyond your existing client base?
Not applicable.

Q**37:** [Software providers] Are you considering developing and providing an ISP solution as a new entrant into the market? What sectors of the market do you envisage providing ISP solutions to?
Not applicable.

Q**38:** [Software providers] What is the anticipated lead time for bringing ISP solutions to market?
Not applicable.

Q**39:** What factors will influence the pace at which ISP providers can connect clients to the dashboards ecosystem? What can be done to accelerate market coverage to better facilitate connectivity for data providers?
We believe that providing an ERI to the dashboard will be a significant issue for schemes and providers who will use the facilities of an ISP. Therefore allowing schemes to participate on a “match only” basis initially is likely to see schemes participating sooner than if they have to develop ERI functionality first.

Q**40:** PDP would like to carry out additional research* with organisations who will be providing pension information for users to view on dashboards. We want to further understand what will be involved for you to successfully on-board with the pensions dashboards ecosystem and respond to these requests. If you’re happy to be contacted about this, please include details of the people we can reach out to here:
Although we will not be directly providing data to the dashboard we would be more than happy to work with PDP towards a successful implementation of the Pensions Dashboard.

Response ends

INTRODUCTION TO THE SOCIETY OF PENSION PROFESSIONALS (SPP)

SPP is the representative body for the wide range of providers of advice and services to pension schemes, trustees and employers. The breadth of our membership profile is a unique strength for the SPP and includes actuaries, lawyers, investment managers, administrators, professional trustees, covenant assessors, consultants and specialists providing a very wide range of services relating to pension arrangements.

We do not represent any particular type of pension provision nor any one interest-body or group. Our ethos is that better outcomes are achieved for all our stakeholders and pension scheme members when the regulatory framework is clear, practical to operate, and promotes value and trust.

Many thousands of individuals and pension funds use the services of one or more of the SPP’s members, including the overwhelming majority of the 500 largest UK pension funds. The SPP’s membership collectively employs some 15,000 people providing pension-related advice and services.