Pensions Dashboards Consultation

February 2019

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Pension Protection Fund response

About the PPF

The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation.

The PPF is a statutory fund run by the Board of the PPF, a statutory corporation established under the provisions of the Pensions Act 2004. The PPF became operational on 6 April 2005.

On 10 July 2009 the Board of the PPF was also given the responsibility of being the scheme manager for the Financial Assistance Scheme (FAS). FAS provides assistance to members of eligible underfunded defined benefit schemes that started to wind-up between 1 January 1997 and 5 April 2005, or between 6 April 2005 and 27 March 2014 where an employer insolvency event occurred before 6 April 2005.

General comments

The Pension Protection Fund (PPF) welcomes the opportunity to respond to this consultation document.

We are strongly supportive of the ambition underlying pensions dashboards, namely to enable people to better engage with their pension savings through digital channels.

As an organisation with nearing 250,000 PPF members and c.155,000 FAS members, we have ourselves recently expanded our digital channels to better engage our members, and launched an innovative new digital tool, 'Retire Now', which enables members to retire online without having to call or write to us.

We intend to participate with this important initiative and stand ready to constructively engage with the proposed industry delivery group. Informed by our own customer service and delivery experience, we have sought to constructively contribute thoughts on how practically this might be most effectively realised, particularly in the areas of architecture, data protection and security, governance and implementation.

Questions for consultation

Wider benefits of a dashboard

I. What are the potential costs and benefits of dashboards for:

a) individuals or members?

We agree with the conclusions in the consultation document regarding the benefits of pension's dashboards for individuals.

b) your business (or different elements within it)?

It is difficult to identify or quantify the costs or benefits of dashboards to the PPF until we are clearer about how they would operate. As set out below, we think there are some key areas of cost (revolving around system development to enable provision of data to dashboards and managing permissions to share data). However, further detail is needed to quantify this. For example, if PPF and FAS data delivery was based on data we already hold, in a structure that is not complex and via a connection to a dashboard that is not too onerous, then we wouldn't expect participation to be too costly. If we were required to build data to meet a dashboard standard that was presented to individuals, that would increase our costs.

Architecture, data and security

II. Do you agree with:

a) our key findings on our proposed architectural elements; and

b) our proposed architectural design principles?

If not, please explain why.

At a high level we consider the architectural design principles and the key findings to be appropriate. We do, however, want to highlight some implications of the proposed architecture. (This is from our own perspective but we believe the same considerations could well apply to DB schemes).

Firstly, if we are to supply data direct to dashboards (rather than via an integrated service provider) then we would need to establish a secure area, disconnected from PPF internal systems where the appropriate data will be pushed and held (this is known as a "demilitarised zone" or "DMZ"). The requirement for the DMZ is best practice to segregate external, non-business access to PPF data and will ensure we comply with our security certifications and data compliance responsibilities. For our part, we believe this is manageable but obviously has cost and time implications.

At this stage, we also believe that – in order to maintain compliance with data protection legislation – we would need to secure permission from our members to hold their data in the DMZ for the purposes of dashboard access and that we would need to update privacy notices and / or contracts. The same would be true if we were to transfer data to an integrated service provider. (The majority of the functions the PPF currently carry out are for "lawful processing - to comply with a legal obligation". The Pensions Act 2004 sets out our obligations and is the primary reason why we need to process member data. Obviously this does not cover provision of data for pension dashboards).

This may require an up-front consent exercise whereas the consultation seems to envisage that consent would only be needed as an individual signs up to a dashboard (i.e. consent on an "on demand" basis rather than in advance). Again, there are cost and time implications of this.

Alternatively legislation could be amended to add dashboards to the list of acceptable disclosures the PPF can make.

Finally, the extent of our comfort with the proposed architecture will depend to a large extent on the underlying detail.

In particular, we support the consultation's focus on correct identification of dashboard customers and welcome its reference to the National Cyber Security Centre's Good Practice Guide 45. However, this needs to be more specific to allow the PPF to have reassurance around the quality of identification. Given the access to financial information, we would recommend at least L2, and possibly L3 evidence on strength of identity before allowing dashboard participation. Further, an audit approach will be needed to ensure organisations maintain in compliance with these requirements to protect the ecosystem from issues with data protection

We would also want to understand the governance and control of access to the DMZ, including how the connectivity to the data source will be encrypted and protected; and of course we would also need clarity on what data will be required to be provided.

Providing a complete picture

III. Is a legislative framework that compels pension providers to participate the best way to deliver dashboards within a reasonable timeframe?

IV. Do you agree that all Small Self-Administered Schemes (SSAS) and Executive Pension Plans (EPP) should be exempt from compulsion, although they should be allowed to participate on a voluntary basis?

We agree that a high level of scheme participation is critical to the success of dashboards in delivering the objectives set out in chapter 2. Put simply, if information accessed via dashboards is partial then it cannot help individuals fully understand their likely retirement income, and it is likely to damage take up. Given that, and the international evidence set out in chapter 5, we think there is a case for compulsion.

However, as the document highlights, the pension scheme universe is incredibly varied and compulsion *may* be unreasonable for some segments (not just SSAS and EPP). In particular, we consider that further detail on the costs of participation should be considered before compulsion is extended to *all* DB schemes. There will be fixed IT development costs in providing access to scheme data, the costs of using an integrated service provider (ISP) are as yet unknown, and there will also be costs associated with securing the necessary permissions from scheme members and managing data in a DMZ or ISP on an ongoing basis. It is possible that those costs may be significant for small DB schemes (though of course many may be helped by using a third party administrator).

In addition, in making participation compulsory, it must be clear that sharing member data in the way required, the environment in which the data will be stored and transmitted etc, must comply with all necessary standards. Pension schemes must not be put in the position of being compelled to transfer scheme data without clear assurance that the data will be adequately protected (in other words, pension schemes must not feel they have to choose between

mandatory participation and being confident they are meeting their requirements under data protection legislation).

V. Are there other categories of pension scheme that should be made exempt, and if so, why?

If the PPF were to submit data to a dashboard, this would cover estimated PPF and FAS benefits for members who have transferred. For schemes in PPF assessment the situation is less clear as these scheme are generally administered by our panel firms and members are subject to a benefit rectification when they transfer in to the PPF which could change their entitlement. We therefore suggest that schemes in the assessment period are either exempt from the dashboard, or a caveat is included explaining that these benefits could change.

Implementing dashboards

VI. Our expectation is that schemes such as Master Trusts will be able to supply data from 2019/20. Is this achievable? Are other scheme types in a position to supply data in this timeframe?

VII. Do you agree that 3-4 years from the introduction of the first public facing dashboards is a reasonable timeframe for the majority of eligible schemes to be supplying their data to dashboards?

A period of 3 – 4 years seems a reasonable timeframe for eligible schemes to be supplying their data to dashboards, assuming this timescale starts from when the legislation comes into effect (as referred to in para 24).

This timeframe will allow the PPF to create the necessary environments to allow for the data to be accessed by the Pensions Dashboard. That said, the above answers on the security, transport encryption and opting in/out options on the dashboard, will be required in the first instance.

Given wider IT transformation projects underway at the PPF, we believe a 2 – 3 year window might be a realistic timeframe for us to connect with the dashboard. As an interim step, we may be able to provide the dashboard with a link to access the retirement modeller and benefit statement viewer on the PPF and FAS member website.

VIII. Are there certain types of information that should not be allowed to feature on dashboards in order to safeguard consumers? If so, why? Are there any other similar risks surrounding information or functionality that should be taken account of by government?

As previously mentioned, the PPF would not provide direct access to the original data and source. Instead, a DMZ environment will be provided to host data that is required and has been approved by members.

An authentication layer is critical to ensure that the right people are accessing very sensitive data. If the appropriate 2 factor / one time authentication solutions are in place this should minimise concerns around security and the risk of data being accessed by the wrong people.

Any data that potentially refers to information that the PPF cannot legally provide should not be available. This applies to any information that would be a breach of individual's rights, or would

be a regulatory / statutory offence (such as disclosure of restricted information under the provisions of the Pensions Act 2004 .

If the data is clear and standardised on the dashboard (appreciating that there will be quite a few steps to take place before this), there will also be requirements to make sure that the free advice or guidance is appropriate and in line with the expectations of both FCA and TPR.

IX. Do you agree with a phased approach to building the dashboard service including, for example, that the project starts with a non-commercial dashboard and the service (information, functionality and multiple dashboards) is expanded over time?

We believe this approach would be sensible. To start with a proof of concept could be built using low level sensitive information. A roadmap that shows enhancements and improvements would be beneficial to consumers of the service. This would also allow us to monitor, audit and report activity and consumptions of data.

X. Do you agree that there should be only one Pension Finder Service? If not, how would you describe an alternative approach, what would be the benefits and risks of this model and how would any risks be mitigated?

We agree with the proposition for only one Pension Finder Service – having a single solution for should make set up easier for schemes. We would note, however, that this need not be a permanent requirement and as the service matures the case for introducing multiple pension finders could be reviewed. At the very least, care needs to be taken to ensure the service provides value for money (e.g. through ensuring any intellectual property is centrally owned together with any other elements in order for the provision of the service to be competitively tendered, avoiding the situation where the whole system is dependent on one provider).

Protecting the consumer

XI. Our assumption is that information and functionality will be covered by existing regulation. Do you agree and if not, what are the additional activities that are not covered?

As the pensions dashboard is likely to contain sensitive data (including personal data), safeguards are essential. Members will need to be clear about what they signing up to and what their information will be used for. For instance, information about whether government departments will be sharing the data (e.g. HMRC) will be necessary. It will also be helpful to consider the benefits of the platform versus the risks of reliance e.g. if the data is incorrect and an individual relies on the dashboard information and subsequently receives different payments.

The overlap between personal data and restricted information does not absolve the PPF of our restricted information obligations. We would need to comfortable with the gateway for disclosure. As disclosure is not currently in accordance with our functions (which are narrowly construed) we would have to find another route to disclose. The easiest way would be if the dashboards were to be put on the list of acceptable disclosures for the PPF. Alternatively we could work within the existing legislation, but would need member consent, which is possible but more complicated from a practical perspective.

As mentioned earlier, we believe that schemes in assessment may need to be exempt from further disclosure because at that point benefit outcomes are uncertain. Linked to this, we've considered what the expectation might likely be on ongoing scheme trustees of PPF-eligible schemes. It might be possible in the future to provide an estimated PPF compensation figure for ongoing schemes, so that members can understand how their retirement options might change depending on what happens to their employer in the future.

If the dashboard is to be the most useful and include all sources of pension income, the PPF and FAS would need to be brought within the categories of scheme to disclose to it. As we're not an occupational pension scheme, it would be helpful to have the legislation tie together what our obligations would be.

Accessing dashboard services

XII. Do people with protected characteristics, or any customers in vulnerable circumstances, have particular needs for accessing and using dashboard services that should be catered for?

We assume that the dashboard accessibility will meet AA rating for web accessibility (or an equivalent). Ease of identity checking for scheme members to gain access to the dashboard will be key. Other things you may like to consider are:

- Ease of changing the font, resolution, colour etc of the dashboard, if that can't normally be done via the individuals own PC/tablet
- Use of plain language (and also availability in other languages)
- Simple registration/log in process that doesn't involve having to remember arbitrary passwords or too much information
- Easy to navigate
- Other help functionality, including information icons
- Access to webchat can be really helpful for someone who isn't proficient in the use of modern technology and doesn't like (or has circumstances that make it difficult to speak) over the phone, but this would require resourcing

Governance

XIII. The department has proposed a governance structure which it believes will facilitate industry to develop and deliver a dashboard. Do you agree with this approach? If not, what, if anything, is missing or what workable alternative would you propose which meets the principles set out in this report?

In principle, the suggested governance structure seems reasonable as it brings together the expected parties to facilitate and develop the dashboard. It is important to clarify roles and responsibilities of each group of key decision makers and prioritise the key elements that the group(s) will focus on. We note the review that has been undertaken of operating models outside of the UK, and believe that it should be taken in to account when considering the commercial/non-commercial dashboard approach to be followed. There also needs to be complete clarity about ownership / responsibility of the proposed ecosystem/model. This is dependent on the data that has to be provided to support the dashboard and the method in which it is provided.

We believe it would be best to have sign-in from all providers at an early stage as a mandatory obligation and as referred to in the consultation agree with sharing best practice across other sectors such as Open Banking. Data standards, controls and mapping are key for the success of the initiative. This is dependent on the government stating what the standards are and as previously discussed, where possible implemented through legislation. The security framework and controls need to be set and governed centrally, and failure to comply should result in isolation or removal from the community as this places other organisations and individuals at risk.

Costs and funding

XIV. What is the fairest way of ensuring that those organisations who stand to gain most from dashboard services pay and what is the best mechanism for achieving this?

We think it appropriate that we would bear the cost of making our member data accessible to dashboards (with the caveat that these costs must be proportionate). We are less clear on the case for contributing to the wider set up costs (e.g. to establish the infrastructure and the first not for profit dashboard). Firstly, we would want to ensure that companies expecting a commercial benefit from the creation of the dashboards and associated infrastructure provide a suitable contribution. The approach to funding ought then to be considered once the commercial framework is fully developed. Secondly, in terms of our own position, we are funded by a levy on eligible defined benefit schemes. If we had to pay a levy or make a contribution to the funding of the dashboard it is likely that the cost would need to be passed on to our levy paying schemes. As thinking on the approach to funding and the use of levies develops we would welcome discussion regarding the PPF's relatively unique position.

XV. Do you have any other comments on the proposed delivery model and consumer offer?

Paragraph 17 of the consultation document refers to the provision of impartial guidance. The PPF could and should of course provide guidance from a PPF perspective for our data as many of the more generic references (ie references to freedoms/consumer choice) wouldn't apply, but we'd be interested to hear whether all schemes (or types of scheme) would be responsible for providing their own guidance.

Consideration should also be given to how queries raised or information required from individuals off the back of seeing their dashboards will be directed and handled.