



Department  
for Work &  
Pensions

# Pensions dashboards retirement values – helping consumers to understand their income in retirement

Consultation on the draft Pensions Dashboards Regulations 2022

Thursday 24 February  
10am - 11:30am

Please put questions in the chat box or email them to [pensionsdashboard@dwp.gov.uk](mailto:pensionsdashboard@dwp.gov.uk)

# Scope and objectives of this webinar

- This session is intended to be a deep-dive into the values data that will be displayed on the pensions dashboards.
- We will also cover the interaction between DWP's pensions dashboards consultation and the Financial Reporting Council's consultation on AS TM1 guidance.
- There will be a Q&A at the end of the session
- For detail on other aspects of the consultation you can watch the recordings of the previous sessions:

## Previous sessions

1. Overview
2. Delivering and using Pensions Dashboards
3. The pensions industry – getting ready for dashboards

# Purpose of dashboards

- Pensions dashboards will allow individuals to view information about their pensions in one place.
- They will help improve awareness and understanding, reconnect individuals with any lost pension pots and transform how we think about and plan for retirement.
- Individuals will have a choice of dashboard providers – the Money and Pensions Service (MaPS) dashboard or one from a Qualifying Pensions Dashboard Service (QPDS) – which they can access at a time of their choosing.



Pensions dashboards will help people make sense of their pensions

# Purpose, scope and timeline of the Regulations

The Regulations extend to England, Scotland and Wales and set out:

- requirements for pensions dashboards service providers
- requirements for trustees or managers of occupational pension schemes with at least 100 relevant members.
  - relevant members include active and deferred members of occupational pension schemes, not pensioner members

NB: the FCA consultation sets out comparable proposals for FCA regulated pension providers in respect of personal and stakeholder pension schemes.

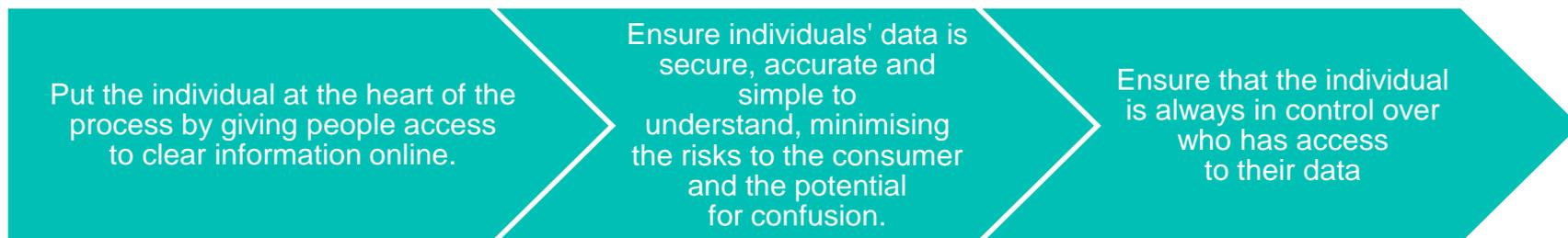
- provisions for the Pensions Regulator to take enforcement action

Expected timeline:

- Consultation closes: **13 March 2022**
- Consultation response expected to be published Summer 2022

# Consumer protection

- There are three overarching design principles which underpin our approach to pensions dashboards with an aim of maximising consumer protection:



## Values:

- Value data must be presented in accordance with design standards.
- Dashboards will not allow transactions such as consolidating pension pots or transferring pensions.
- The dashboards will include caveats about the values presented and explain what they mean.

# User research - Values

## Rapid Evidence Assessment of the existing evidence

- This found the most important piece of information is projected retirement income

## Qualitative research

- This found individuals expect as a minimum to see personal and workplace pensions, with retirement income projections
- A 'find-only' dashboard concept had limited appeal – and participants still expected to see values; whereas 'find and view' service containing both accrued and projected value information has a wide level of appeal and resonates with the broadest possible range of potential end users.

## User-Centred Design and iterative user testing to inform service design and standards development

- Testing so far has suggested presentation of income-based values is important to support user understanding and engagement, and seeing accrued and projected income values together aids user comprehension

## Usability Working Group

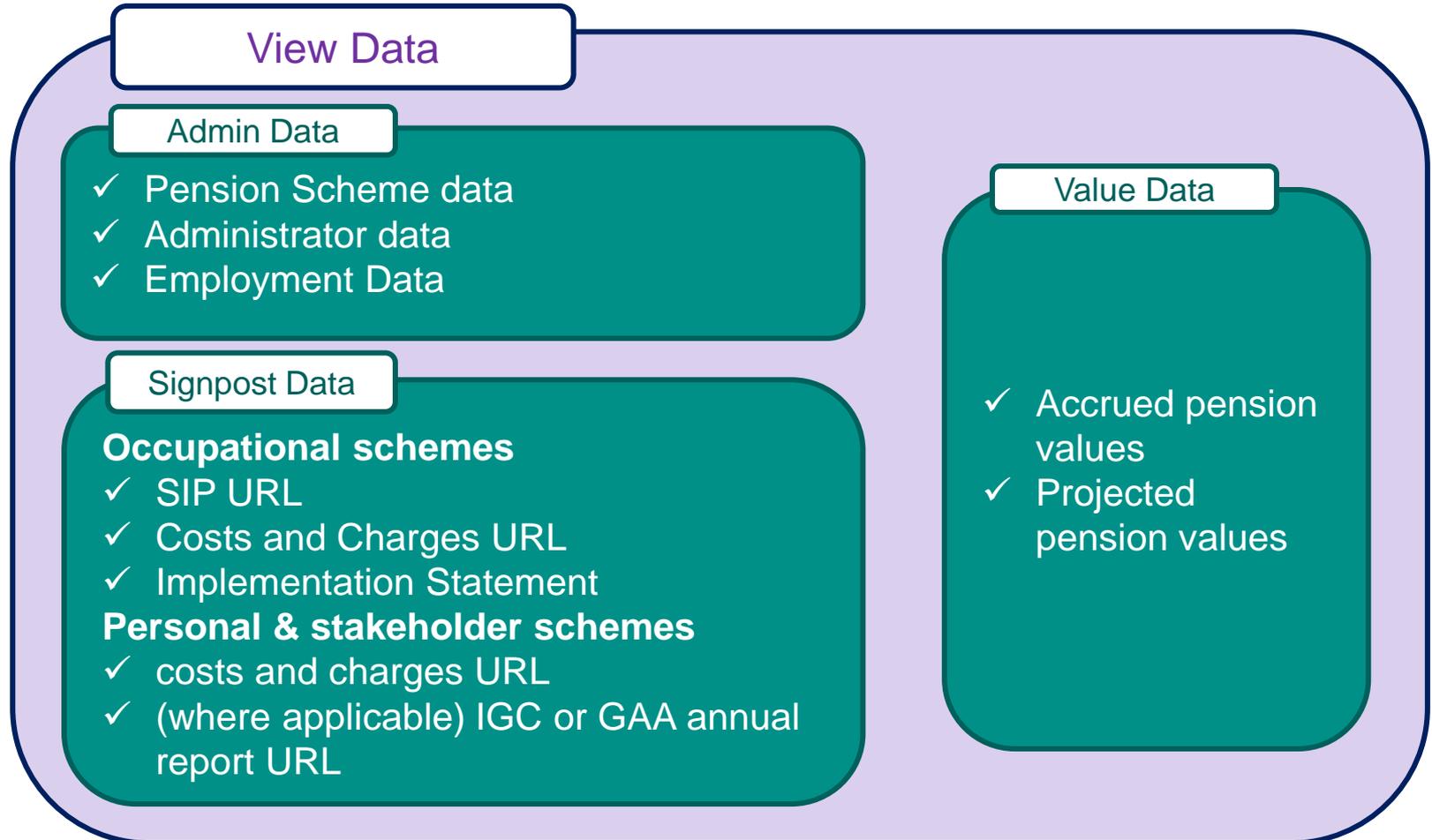
- To ensure user input into the development of pensions dashboards, and includes representatives from consumer bodies and potential dashboard providers

# Data – introduction, find data and view data

There will be two types of data on dashboards: find data and view data.

**Find data** is personal data, provided by the individual, to the digital architecture, and sent to schemes by the Pension Finder Service. Schemes use this data to search their records for a match, and if successful, subsequently return view data.

**View data** consists of administrative data, signpost data, and value data.



# Value data – accrued and projected data requirements



**Accrued:** the amount of pension built up so far. Expressed as a pot and/or annualised amount.



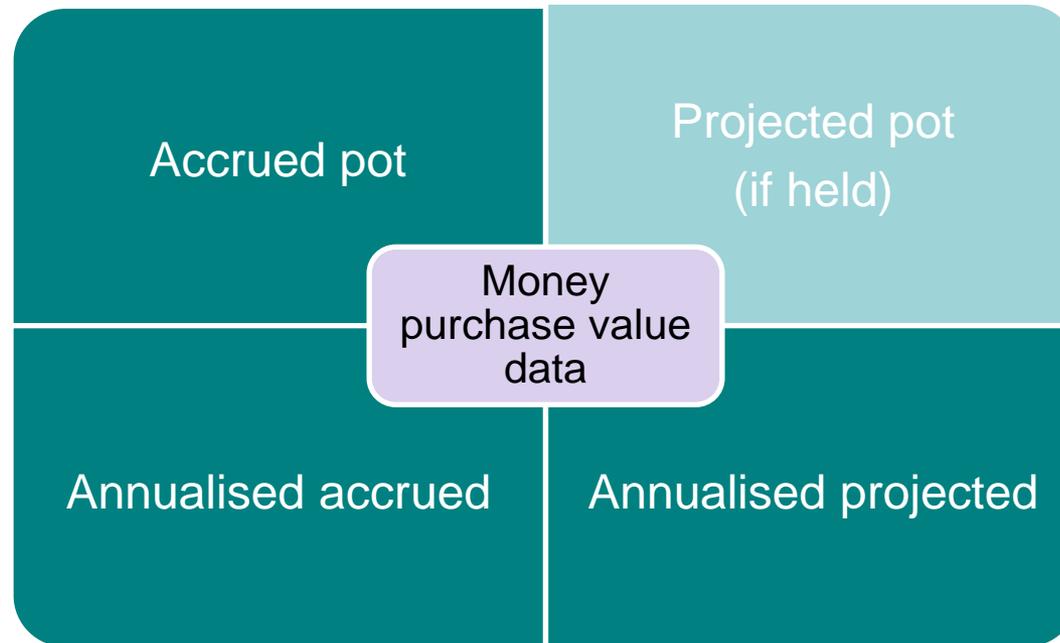
**Projected:** an estimate of the value of a member's pension benefits at the individual's normal pension age. Expressed as a pot and/or annual income amount.

Scheme/member type	Value			
	Accrued		Projected	
	Pot	Annualised	Pot	Annualised
Money purchase members	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/> If held	<input checked="" type="checkbox"/>
Non-money purchase – active members		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Non-money purchase – deferred members		<input checked="" type="checkbox"/>		
Cash balance – active members	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cash balance – deferred members	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
CDC – active members (DWP regs only)		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
CDC – deferred member (DWP regs only)				<input checked="" type="checkbox"/>

# Money purchase scheme value data requirements

- The value of benefits built up so far, expressed as a lump sum, routinely provided as part of member's ABS

- An estimate of the value of a member's pension benefits expressed as a lump sum at the individual's normal pension age



- Follows AS TM1, omitting elements which concern future contributions and fund growth, presented as if the member has reached NPA, based on the member's current pensionable salary/earnings

- Estimate of the value of a member's benefits expressed as an annual income at the individual's NPA. Incorporates the current value, any future contributions and anticipated investment returns, using AS TM1 methodology

# Non-money purchase scheme value data requirements

## Active members

Annualised accrued

Annualised projected

**Annualised accrued value:** the amount payable if pensionable service were to end at the illustration date, presented as if the individual has reached normal pension age. It should be calculated in accordance with scheme rules, and assuming no increases in salary.

**Annualised projected value:** calculated following scheme rules, assuming that the member continues in pensionable service and continues to build up benefits until normal pension age, and assuming no increase in the individual's salary, and presented as if the individual has reached normal pension age.

## Deferred members

Annualised accrued

**Annualised accrued value for deferred members:** the deferred pension valued to the illustration date, according to scheme rules.

# Cash balance and CDC scheme value data requirements

## Cash balance schemes

- **Active members** will receive accrued and projected values in both pot and annualised formats.
- **Deferred members** will receive accrued values only, again as both pot and annualised form.
  - **Accrued pot values** for both active and deferred members are calculated in the same way as an accrued value from non-money purchase schemes, presented as a lump sum.
  - The **annualised accrued values** are then calculated by applying to the pot value the assumptions in AS TM1 minus elements regarding future contributions and growth.
  - For active members only, the **projected pot value** is the amount an individual is likely to get if they continue accruing up to retirement, based on scheme rules, assuming no increases in earnings, presented as a lump sum.
  - The **annualised projected value** would again be calculated by applying the relevant assumptions in AS TM1.

## CDC schemes

- **Active members** would receive both an annualised accrued and projected values.
- **Deferred members** would receive only an annualised projected value.

Active members	
Annualised accrued	An illustration of the amount of pension, which may be payable to the member at their retirement date if pensionable service were to end on the illustration date, having regard to the latest actuarial modelling under the scheme.
Annualised projected	An illustration of the amount of pension, which may be payable to the member at their retirement date if contributions continue, having regard to the latest actuarial modelling under the scheme.
Deferred members	
Annualised projected	An illustration of the amount of pension, having regard to the latest actuarial modelling under the scheme, that may be payable to the member on their retirement date.

# Data – Further details

## Hybrid schemes and benefits

- Hybrid schemes offer both money purchase and non-money purchase benefits.
- If an individual has 2 separate benefits, then the scheme trustee or manager should return 2 separate values.
- Where ‘hybrid benefits’ are calculated with reference to money purchase and non-money purchase formulas, we are proposing that only the greater value should be provided.
- We are keen to receive feedback on whether this approach would reasonably cover all scenarios.

## Public Service Pension Schemes

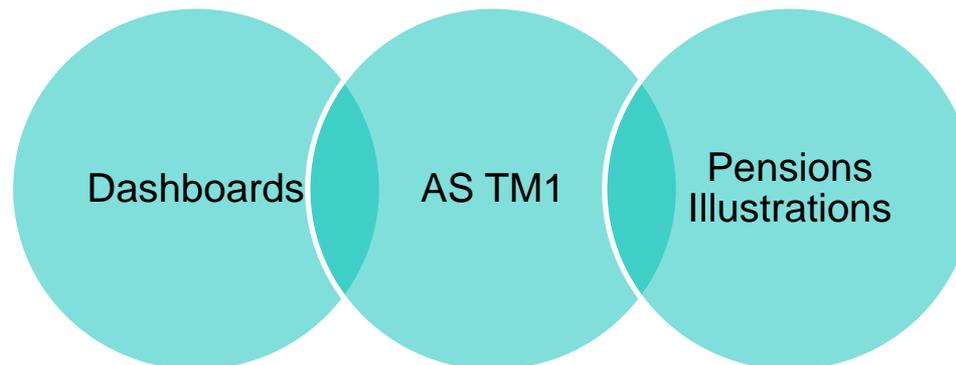
- Are subject to the same data requirements as non-money purchase schemes.
- Where relevant, MaPS data standards will allow more than one value for the same entitlement to be displayed to reflect the McCloud remedy and Deferred Choice Underpin.

## State Pension

- State Pension information to be provided on dashboards is:
  - The estimated State Pension amount the individual may get at their State Pension age;
  - The forecasted State pension amount at State Pension age.

# Dashboards interaction with AS TM1

- The Actuarial Standard Technical Memorandum 1 is guidance produced by the Financial Reporting Council. It specifies the actuarial assumptions and methods that must be used in the calculation of annual benefit illustrations for money purchase pensions.
- FRC are consulting on changes to AS TM1 and aim to publish revised guidance by October 2022, to come into force from 1 October 2023.
- Dashboards will display values using AS TM1 to ensure parity with pensions illustrations provided to most individuals with these pensions.



# FRC's Consultation on AS TM1

- We have built in time for the DWP and FRC consultations to be able to be considered together.
- The FRC's consultation launched on 14 February and run until 6 May. It outlines:
  - Changes to the methodology used to provide fund growth assumptions.
  - Removal of existing choice around elements of the projection calculation methodology.
- The proposals in the consultation follow intense engagement with stakeholders.



# FRC's proposal for changes to AS TM1

Assumption	Current ASTM1	Proposed change
DC accumulation rate	Based on expected returns from investment strategy of the member's funds, to be consistent with inflation rate. No maximum prescribed and the provider sets the rate	Prescribed rate of return based on volatility of member's funds
Annuity - mortality base table and longevity improvement	Base: 50/50 blend PX08 Improvement: CMI with 1.25% trend	Update base table from PX08 to PX16, no change to improvement
Annuity - discount rate (level)	Discount based on FTSE Over 5 Year IL Gilts as at previous 15 Feb +3.5% if level annuity	Discount rate based on FTSE Actuaries 15-year Government Fixed Interest Yield Index as at previous 15 Feb
Annuity - form	May be level or increasing and may include survivor annuities	Must be single life level annuity
Lump sum	Providers may show a pension commencement lump sum. Must document rationale if the lump sum shown is >25% of the fund value at retirement	Must assume no pension commencement lump sum
Changes to annuitisation assumptions when approaching retirement	SMPI not specified when individual is within 2 years of retirement date	Within 2 years: use firms' or market's annuity rate (similar to CoBS13)

# Findings supporting the proposal

## JFAR Taskforce

- Intense engagement across the industry and with experts
- Recommendations put forward have been built upon in this proposal

## PDP research

- Findings show that displaying both accrued and projected values together aids comprehension
- Findings show usefulness of comparable data across the dashboards

## Academic Evidence

- FRC commissioned academics to interrogate a large database of UK pension funds to investigate the suitability of assets being placed in risk categories using the SRRI categorisation<sup>13</sup>

## Engagement with providers

- Support consistency across providers and pensions
- Mostly have 5 years worth of data asked for
- There is work to do but it can be done for 2023

# Value returns and Response times

## AS TM1 Values

Where calculations refer to AS TM1, it will not be mandatory to return a value until a statement has been produced, after October 2023.

## Administrative data



Administrative data should be returned immediately

## Value data

### Response times

We propose that value data returned to an individual should be from a value that has been generated for a benefit statement within the last 12 months or for another purpose but using the same methodology, within the last 12 months. If such a value has been generated, the expectation is that the data will be returned immediately

### Exceptions

Where a relevant value has not been calculated or provided on a benefit statement within the last 12 months...

All pension schemes will have up to 3 days to return value data

Non money purchase schemes will have up to 10 days to return value data

Schemes offering hybrid benefits will also have up to 10 days

# Q&A

## **Chair:**

Simon Boniwell (Deputy Director, DWP)

## **Panellists:**

- Gary Millar (Working Group Expert, PDP)
- Vanessa Leung (Director Actuarial Policy, FRC)
- Simon Wasserman (Project Director Pensions, FRC)
- Lucy Stone (Business Lead – Pensions Dashboards, TPR)
- James Holland (Pensions Dashboards Policy, DWP)
- Joe Stacey (Pensions Dashboards Policy, DWP)
- Amy Owens (Pensions Dashboards Policy, DWP)