

## Pensions dashboards

<b>Lead department</b>	Department for Work and Pensions (DWP)
<b>Summary of proposal</b>	To specify the design and implementation of the decisions taken by Pensions Dashboards Programme (PDP), such that eligible schemes participate in establishing pension dashboards within certain timescales.
<b>Submission type</b>	Impact assessment (IA) – 29 July 2022
<b>Legislation type</b>	Secondary legislation
<b>Implementation date</b>	2022/23
<b>Policy stage</b>	Final
<b>RPC reference</b>	RPC-DWP-5219(1)
<b>Opinion type</b>	Formal
<b>Date of issue</b>	12 September 2022

## RPC opinion

<b>Rating<sup>1</sup></b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	The IA presents a well-evidenced analysis of the proposal's impacts on businesses and society. The RPC has identified areas for improvement for assessing the proposal's wider impacts as well as for establishing the monitoring and evaluation plan.

## Business impact target assessment

	<b>Department assessment</b>	<b>RPC validated</b>
<b>Classification</b>	Qualifying regulatory provision	Qualifying regulatory provision (IN)
<b>Equivalent annual net direct cost to business (EANDCB)</b>	£98.8 million	£98.8 million (2019 prices, 2020 pv)
<b>Business impact target (BIT) score</b>	£493.8 million	£494.0 million
<b>Business net present value</b>	-£850.2 million	
<b>Overall net present value</b>	£29.5 million	

<sup>1</sup> The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

## RPC summary

<b>Category</b>	<b>Quality<sup>2</sup></b>	<b>RPC comments</b>
EANDCB	<b>Green</b>	The EANDCB calculation is fit for purpose. It identifies and monetises correctly the direct impacts to business, which include upfront and ongoing costs for familiarisation, data and systems readiness, and ongoing maintenance.
Small and micro business assessment (SaMBA)	<b>Green</b>	The IA uses membership size as a proxy to assess the number of small businesses to estimate the proposal's impact. The proposal includes a staging timeline to allow for smaller schemes to join later. Further, schemes with fewer than 100 members are not included in the legislation.
Rationale and options	<b>Good</b>	The IA presents a clear rationale for intervention, outlining the market failures that currently persist, (e.g. coordination and information failures). It considers a non-regulatory option; however, this is discounted for further appraisal.
Cost-benefit analysis	<b>Good</b>	The data, methodology and assumptions are clearly described in the IA. It considers the public administration costs and uses willingness to pay analysis to demonstrate the benefits to consumers. The IA applies sensitivity testing to core modelling assumptions and constructs suitable low and high scenarios.
Wider impacts	<b>Satisfactory</b>	The IA explores the social impacts from more accessible information provided by dashboards. It briefly touches upon competition and innovation impacts; however, the discussion on these could be strengthened.
Monitoring and evaluation plan	<b>Weak</b>	The IA states that a post-implementation review (PIR) is expected to take place in 2025 and that a multi-strand evaluation strategy and the development of critical success factors are being explored. It includes the data that the Department plans to collect and how this will be used to understand the volumes of users. As a final stage IA, the RPC expects greater detail of the monitoring and evaluation (M&E) plan but welcomes the commitment to the PIR.

<sup>2</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

## Summary of proposal

The proposal for the secondary legislation follows the Pensions Schemes Act 2021<sup>3</sup>, which introduced the necessary powers to compel pensions providers to make certain data available to members via dashboards. The secondary legislation specifies the design and implementation taken by the Pension Dashboard Programme (PDP) and establishes part of the regulatory framework to implement appropriate and robust controls to protect users. In particular, the proposed regulations outline:

1. Requirements to be met by pensions dashboard services to be “qualifying pensions dashboards services”;
2. Requirements on trustees or managers of relevant occupational pension schemes in relation to co-operating and connecting to the Money and Pensions Service (the MaPS digital architecture) and the data they must provide to individuals via the MaPS digital architecture; and
3. Provisions for The Pensions Regulator (TPR) to take enforcement action in relation to pension schemes that do not comply.

The IA anticipates the preferred option to have a net present value (NPV) of £29.5 million over the 10-year appraisal period.

## EANDCB

The EANDCB calculation is fit for purpose and correctly identifies and monetises the direct impacts to business; these include upfront and ongoing costs for familiarisation, data and systems readiness to reach the ‘Dashboards Available Point’ and ongoing maintenance. The business NPV is -£850.2 million and is broadly similar to the indicative business NPV presented in the primary legislation IA for Pensions Dashboards<sup>4</sup> (-£865 million). However, ongoing costs have risen from £55 million to £98.8 million as the Department has collected further evidence from an industry survey to understand the costs to business at each implementation stage.

Using the mean values for small, medium and large defined contribution and defined benefits schemes, the IA constructs the upfront and ongoing costs and applies pessimism bias to adjust for the natural bias from industry to inflate projected costs. When profiling these costs, the IA includes learning and efficiency gains and wage inflation.

## SaMBA

The IA includes a brief but sufficient SaMBA. In order to ascertain and apportion the impacts to small (and micro) businesses, the IA uses membership size (100 to 1,000 members) as a proxy and approximates that the impact on SMBs is estimated to be -

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<sup>3</sup> The RPC opinion (RPC-4364(2)-DWP) for enactment stage IA can be found [here](#).

<sup>4</sup> The RPC provided a green-rated [opinion](#) (RPC-4337(1)-DWP) on the Pensions Dashboards final stage (primary legislation) IA. It outlined areas that need to be addressed at the secondary legislation stage. The Department provided a mainly-qualitative indication of the likely scale of impacts and was unable to provide a robust assessment in order for an EANDCB figure to be validated by the RPC, due to insufficient information at time of scrutiny.

£176 million. As a course of mitigation, which was based on consultation feedback, the IA states that the proposal will include a staging timeline with larger schemes staging earlier than smaller schemes. Schemes with fewer than 100 active and deferred members are not included in the proposal.

## Rationale and options

The IA presents a clear rationale for intervention, outlining the market failures that currently persist. These include information failures for individuals who may have low understanding or incomplete information of their own pensions, which may lead to sub-optimal decisions when considering retirement saving and use of wealth in retirement. Further, the IA notes a coordination failure among providers to establish a dashboard, from which individuals can access their pension information in one place.

It considers two options against a do-nothing option. This includes a non-regulatory option; however, this is discounted for further appraisal as the Department concludes that it would not meet the policy objectives.

## Cost-benefit analysis

The data, methodology and assumptions used in the modelling are clearly described in the IA.

In addition to the industry costs, the IA considers the public administration costs to the PDP, DWP, the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR).

The IA outlines the analytical methodology for estimating the volume of users and using willingness to pay to monetise the benefits to consumers, which is based on survey data commissioned by the Department. The IA also identifies the impacts of recovering lost pots based on the current stock and flows of dormant assets as a result of those individuals who engage with the dashboard. The IA identifies other benefits, however, due to a lack of evidence, these are not monetised or included in the NPV.

The IA applies sensitivity testing to core modelling assumptions, for both the costs and benefits, and constructs low and high scenarios, giving a range of NPVs from -£1,106.1 million to £1,219.9 million. These include variations to the number of users, the ramp-up and the go-live date, and costs by size of providers.

## Wider impacts

The IA explores the social impacts that dashboards might have in making pensions information more accessible and concludes that the proposal is likely to have positive impacts, while acknowledging concerns around digital exclusion.

It also considers the variations in participation, engagement and understanding of pensions for age, gender, disability and ethnicity with other protected characteristics such as household income.

It briefly touches upon competition and innovation impacts, noting that the increased costs and administrative burden may raise entry barriers and prohibit other forms of innovation within pensions engagement, however, these have not been formally tested with the industry. The discussion on these could be strengthened, for example, to understand if the proposal affects the competitiveness of non-participating pension schemes (i.e. those with small memberships).

## Monitoring and evaluation plan

The IA states that a PIR is expected to take place in 2025 (after the PDP closes) and that a multi-strand evaluation strategy and the development of critical success factors (illustrated in Chart 1) are being explored with other key stakeholders such as the PDP, FCA and TPR. The IA also includes a theory of change (chart 2), which the Department is encouraged to use as a basis of its M&E plan.

It includes the qualitative and quantitative data that the Department plans to collect and how this will be used to understand the volumes of users and whether the dashboards are meeting the expected number. As a final stage IA, the RPC expects greater detail of the M&E plan but welcomes the commitment to the PIR.

### Regulatory Policy Committee

For further information, please contact [regulatoryenquiries@rpc.gov.uk](mailto:regulatoryenquiries@rpc.gov.uk). Follow us on Twitter [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).