The Pensions Dashboards 2023 (amending regulations)

Lead department	Department for Work and Pensions (DWP)
Summary of proposal	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. Proposed amendments are to replace the legislated staging deadlines with a later single end deadline in October 2026.
Submission type	Impact assessment (IA) – 24 May 2023
Legislation type	Secondary legislation
Implementation date	2023 (2022 for original regulations)
Policy stage	Final
RPC reference	RPC-DWP-5219(2)
Opinion type	Formal
Date of issue	6 June 2023

RPC opinion

Rating[1]	RPC opinion
Fit for purpose	The IA presents a well-evidenced analysis of the proposal's impacts to businesses and society. The RPC has identified areas for improvement for assessing the proposal's wider impacts and for establishing the monitoring and evaluation plan.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£72.1 million	£72.1 million *(2019 prices, 2020 pv)*
Business impact target (BIT) score	£360.4 million	£360.5 million
Business net present value	-£620.4 million	
Overall net present value	£173.8 million	

[1] 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

Category	Quality[2]	RPC comments
EANDCB	Green	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 and ongoing maintenance.
Small and micro business assessment (SaMBA)	Green	The IA uses membership size as a proxy to assess the number of small businesses and estimate the proposal's impacts on them. Schemes with fewer than 100 members are not included in the legislation.
Rationale and options	**Good**	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	**Good**	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	**Satisfactory**	The IA explores the social impacts that dashboards might have in making pensions information more accessible. It briefly touches upon competition and innovation impacts; however, the discussion on these could be strengthened.
Monitoring and evaluation plan	**Weak**	The IA states that a post-implementation review (PIR) is expected to take place 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.

[2] 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.

Background

This is a revised opinion to that issued by the RPC on 12 September 2022[3] on the IA for a proposal that became the Pensions Dashboard Regulations 2022. The Department has submitted a revised IA taking account of proposed amendments to these regulations. The amendments replace the legislated staging deadlines with a later 'single end deadline' in October 2026, supported by a new staging timeline set out in guidance. The Department has also updated some assumptions and analysis, in particular to take account of latest data from The Pension Regulator (TPR) on the number of pension schemes estimated to be in scope and new research on 'lost' pension pots.

Changes to the previous opinion are presented under the heading 'Update to previous opinion'. Figures and page references throughout the opinion have been updated, where applicable. Otherwise, the present opinion is materially the same as that issued on 12 September 2022.

Summary of proposal

The Pensions Dashboard Regulations 2022 ('The 2022 Regulations') followed the Pensions Schemes Act 2021[4], which introduced the necessary powers to compel pensions providers to make certain data available to members via dashboards. The 2022 Regulations specified the design and implementation taken by the Pension Dashboard Programme (PDP) and established part of the regulatory framework to implement appropriate and robust controls to protect users. In particular, the Regulations outlined:

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 TPR to take enforcement action in relation to pension schemes that do not comply.

As noted above, the revised IA is on the proposed amending regulations, replacing the legislated staging deadlines with a later 'single end deadline'.

EANDCB

Update to previous opinion

The EANDCB has reduced, from £98.8 million (subsequently re-based to £92.2 million for business impact target reporting purposes) to £72.1 million (2019 prices;

[3] RPC-DWP-5219(1) https://www.gov.uk/government/publications/pensions-dashboard-rpc-opinion-green-rated

[4] The RPC opinion (RPC-4364(2)-DWP) for enactment stage IA can be found here.

2020 present value base year). This is partly explained by the later date by which all pension schemes in scope must have connected to the dashboard's central digital architecture. (The IA on the 2022 Regulations had a central scenario 'go-live' date of 1 October 2024). The two-year later end-deadline reduces the present value of industry costs and means that the ten-year appraisal period captures six rather than eight years of costs when the scheme is fully operational. Costs are also lower because of a (around 10 per cent) reduction in the estimate of pension schemes in scope, compared to the 2022 IA. Set against this, transition costs are significantly higher than previously (and incurred over five rather than three years), with the Department allowing for set-up costs increasing as a result of the changes to the timelines. Nevertheless, overall, ten-year present value industry costs have fallen from £850 million to £687 million, and this is reflected in the new, lower EANDCB figure.

The IA would benefit from explaining these changes, in particular:

- the significant reduction in ongoing costs in 'steady-state' (for example, in the final year of the appraisal period, the cost is £85.5m compared to £93.3m previously) being the result of a reduction in the estimated number of pension schemes in scope; and
- the stakeholder feedback evidence used to support the upward adjustment to the transition costs.

The IA would also benefit from clarifying and further explaining the appraisal period. The IA (page 5) and EANDCB calculator state a present value base year of 2023, in line with the implementation date of the proposed amending regulations. However, the IA elsewhere (for example, table 6, page 21) refers to the first year in which costs are incurred as 2022/23. This reflects that industry would have incurred some costs last year in line with the original timetable set out in the 2022 Regulations. Adjusting the start of the appraisal period to 2022 would only increase the EANDCB by 3.5 per cent (to £74.6 million). Nevertheless, the IA would benefit from justifying the selection of 2023 as the base year for the calculation of the EANDCB and present value estimates, including discussing the approximate proportion of costs likely to have been incurred in 2022 vs 2023.

The EANDCB calculation is fit for purpose and correctly identifies and monetises the direct impacts on 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 of -£620.4 million is lower than the indicative business NPV presented in the primary legislation IA for Pensions Dashboards[5] (-£865 million). Transition costs are slightly lower than previously. Ongoing costs have risen as the Department has collected further evidence from an industry survey to understand the costs to business at each implementation stage. However, this has been offset, principally by these costs now being incurred over

[5] See table 4, pages 21-22 of that IA. 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.

only six (rather than ten) years, so that on-going costs remain at an average of around £55 million each year (page 5 of the present IA).

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 cost to business is estimated at £166 million over ten-years in present value, down from £176 million in the 2022 IA- As a course of mitigation, schemes with fewer than 100 active and deferred members are not included in the proposal.

Update to previous opinion

The IA would benefit from discussing possibilities for further mitigation of impacts on SMBs, given that the legislated staging timelines are being replace by a single end deadline. This could include how the proposed guidance might be used to assist SMBs.

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 amongst 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 -£713.6 million to £911.6 million. These include variations to the number of users, the ramp-up and the go-live date, and costs by size of providers.

Update to previous opinion

The revised IA increases the societal NPV from £29.5 million to £173.8 million. The change in NPV in part reflects the reduction in industry costs discussed above and a small overall increase in public sector costs (see comment below under 'wider impacts'). On the benefits side, the later full implementation timeline for the measure significantly reduces ten-year present value benefits to consumers (from £578.2 million to £356.0 million, table 11 on page 27). However, this has been offset by an increase in the estimated value of lost pension pots recovered by users through the dashboard, from £540.9 million to £776.0 million (table 12, page 29). The revised estimate uses newly available commissioned research based on data published in 2022 by the Pensions Policy Institute. This showed a significant increase in the value of the stock of lost pots for a key demographic of users (55–74-year-olds).

The IA would benefit from discussing and explaining further the overall societal NPV estimate, including how it has changed from the previous IA.

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, whilst 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).

Update to previous opinion

As noted above, there has been a small overall increase in public sector costs, from £239.4 million to £251.1 million over ten years in present value terms. However, within this there is a large increase in transition costs (from £63.8 million to £141.5 million) and a large decrease in on-going costs (from £175.6 million to £109.8

million). Much of this will reflect the now much longer and shorter transition and fully operational periods, respectively, but the IA would benefit from explaining these changes.

Monitoring and evaluation plan

The IA states that a PIR is expected to take place 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

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