

EXPLANATORY MEMORANDUM TO
THE PENSIONS DASHBOARDS REGULATIONS 2022

2022 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 Pensions dashboard services are an electronic communications service, which will allow individuals to see their pensions information (including the State Pension) in one place online. Pensions dashboard services will help individuals to be reunited with lost pensions and support people in better planning for their retirement. This instrument sets out requirements that need to be in place to enable pensions dashboard services to operate effectively.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales and Scotland.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales and Scotland.

5. European Convention on Human Rights

5.1 The Secretary of State, Chloe Smith has made the following statement regarding Human Rights:

“In my view the provisions of the Pensions Dashboards Regulations 2022 are compatible with the Convention rights.”

6. Legislative Context

6.1 This instrument introduces requirements that will bring pensions dashboard services into operation. This is the first time that the enabling powers (the powers to make these Regulations) that are contained in the Pensions Act 2004, as amended by Part 4 of the Pension Schemes Act 2021, have been used.¹

6.2 Organisations that wish to provide a pensions dashboard service will have their pensions dashboard service exist alongside the pensions dashboard service that is to be provided by the Money and Pensions Service (MaPS). MaPS will offer a government-led dashboard for those who wish to use it. This instrument introduces

¹ <https://www.legislation.gov.uk/ukpga/2004/35/contents>

provisions which providers of dashboard services would be required to abide by to be considered a “qualifying pensions dashboard service”.

- 6.3 Providers must also have permission from the Financial Conduct Authority (FCA) to operate in that capacity. Accordingly, the intention is that His Majesty’s Treasury will amend The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544)² to make the provision of pensions dashboard services a new regulated activity. The FCA intends to publish rules for organisations that wish to provide a pensions dashboard service and aims to consult on its regulatory framework in Autumn 2022. Subject to that consultation, the FCA aims to make its final rules in Spring 2023 and open the gateway for authorisation applications shortly thereafter.
- 6.4 Requirements for pension schemes to be connected to the dashboards ecosystem³ and to respond to requests for pensions information will apply once schemes connect to MaPS in accordance with the staging profile set out in Schedule 2 of the instrument.⁴
- 6.5 When pensions dashboard services have been tested and are ready to be made available to the public, the Secretary of State will specify a date (“the Dashboards Available Point”) by issuing a notice at least 6 months in advance of the launch. The notice will be published on the gov.uk website and the Dashboards Available Point will be publicised to enable the use of pensions dashboard services by the public from that date.

7. Policy background

The UK pensions landscape

- 7.1 The UK pensions landscape is complex and, for many, it can be difficult to navigate. For example, a quarter of people aged 55 and over, who are not retired, say they do not know the size of their pension savings; whilst 8 in 10 people with a Defined Contribution (DC) pension have not given much thought to how much they should be paying into it to maintain a reasonable standard of living when they retire.⁵
- 7.2 Automatic Enrolment has been hugely successful in increasing the number of people saving into a workplace pension. Since its introduction in 2012, and as of June 2022, over 10.7 million employees had been automatically enrolled into a workplace pension by over 2 million employers.⁶ Combined with the introduction of Pension Freedoms legislation⁷ (which enables consumers to flexibly access their money purchase pensions) and the shift to money purchase pensions, it is more important than ever that individuals engage with their pensions information and are supported to plan effectively for their retirement.
- 7.3 One of the impacts of changing work patterns and Automatic Enrolment is that there has been an increase in the number of people with multiple pension pots. Research conducted by Aegon in 2021 found that 73% of the 727 participants in its study had

² <https://www.legislation.gov.uk/ukSI/2001/544/contents/made>

³ Defined within this instrument as an interconnected system that enables pensions dashboard services to work.

⁴ Or within provisions that allow for connection at other times, such as provisions on early, voluntary, or deferred connection.

⁵ <https://www.fca.org.uk/publication/data/data-bulletin-issue-12.pdf>

⁶ <https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/automatic-enrolment-declaration-of-compliance-report>

⁷ <https://www.legislation.gov.uk/ukpga/2015/8/contents>

multiple pension pots, and of those, 17% had lost track of one or more of their pensions.⁸

What is being done and why?

- 7.4 Pensions dashboard services will be free to the consumer at the point of use. They will make it easier for people to access their pensions information which will help to improve individuals' awareness and understanding of their pension and estimated retirement income. Pensions dashboard services, by providing people with access to their pensions information at a time of their choosing, will engender a greater sense of ownership of pensions, reconnect individuals with any lost pension pots, support the advice and guidance process, and enable more informed choices to be made when individuals access their pensions savings.
- 7.5 To require pension schemes to participate in pensions dashboard services, primary legislation was needed. Part 4 of the Pension Schemes Act 2021 amended the Pensions Act 2004 to include powers to legislate to make pensions dashboards a reality. This instrument will fulfil the objectives of the enabling Act by requiring occupational pension schemes to connect to dashboards and be ready to respond to data requests according to statutory deadlines and in the correct data format. It also sets out the requirements for organisations wishing to provide a pensions dashboard service.
- 7.6 This instrument will help to ensure that pensions dashboard services can be introduced safely and within a reasonable timeframe. By prioritising the largest pension schemes for connection to MaPS before smaller schemes, a comprehensive dashboard service will be available to the public at the earliest opportunity, whilst also ensuring the requirements are achievable for the pensions industry. Membership information provided by the Pensions Regulator (TPR) showed that it was possible to achieve almost 99 per cent coverage (in terms of active and deferred memberships) in just over a year after the first staging deadline (occurring on 31st August 2023) through the progressive connection of schemes with more than 1,000 memberships.
- 7.7 Additionally, throughout the passage of the Pension Schemes Act 2021 (Part 4 of which amended the Pensions Act 2004, or the "enabling Act"), Ministers outlined the Government's position that having multiple pensions dashboard services will help to improve choice for individuals, allowing them to use the one that best meets their needs.⁹
- 7.8 There are 5 parts to this instrument:

⁸https://www.aegon.co.uk/content/ukpaw/news/people_losing_trackofretirementsavingsshowssignsofimprovement.html

⁹ See for example, [Hansard Volume 681, column 912, 7 October 2020: https://hansard.parliament.uk/commons/2020-10-07/debates/1B2F043E-B6F7-4ACF-B486-E232D9366061/PensionSchemesBill\(Lords\)](https://hansard.parliament.uk/commons/2020-10-07/debates/1B2F043E-B6F7-4ACF-B486-E232D9366061/PensionSchemesBill(Lords))

- 7.8.1 Part 1 sets out how in order to make a pensions dashboard service available to the public, the Secretary of State must issue a notice 6 months in advance of the proposed Dashboards Available Point (the point at which dashboards will be made available to the public). Part 1 also outlines that the Secretary of State has responsibility for approving standards. Standards, set by MaPS, provide further detail on how schemes and organisations wishing to provide a pensions dashboard service must comply with their legislative duties.
- 7.8.2 Part 2 of this instrument outlines the various requirements which pensions dashboard services, and the providers of these services will need to meet and continue to meet in order to be qualifying pensions dashboard services. The requirements include adherence to standards set by MaPS. Failure to comply with certain standards will result in a qualifying pensions dashboard service being disconnected from the dashboards ecosystem.
- 7.8.3 Part 3 of this instrument sets out the requirements on trustees or managers of relevant occupational pension schemes. It outlines what schemes must do to provide an individual with their pensions information (when requested). It outlines how schemes must co-operate with and connect to the Money and Pensions Service (MaPS) to fulfil their duties in relation to matching an individual with their data. It also specifies the data that must be returned and the format in which it must be returned.
- 7.8.4 Part 4 of this instrument establishes a robust and effective enforcement regime which allows the Pensions Regulator (TPR) to take appropriate enforcement action in the case of a failure to adhere to any of the proposed requirements and provides a significant deterrent to non-compliance. For a single breach of the Regulations, TPR may issue a penalty notice up to a maximum of £5,000 for an individual, or up to £50,000 if the person is a body corporate (including corporate trustees). If there are multiple contraventions of the Regulations, TPR may issue multiple penalty notices.
- 7.8.5 Part 5 of this instrument pertains to the disclosure of information by MaPS to TPR, to expressly enable MaPS to share information with TPR in connection with their functions under this instrument.
- 7.9 Important detail is also included within the Schedules. Schedule 1 includes definitions of terms referred to throughout the instrument. Schedule 2 contains a staging profile that outlines when different types and sizes of schemes will have to connect to pensions dashboards. Schedule 3 contains further information relating to the value data requirements on pension schemes. Details of the requirements relating to connection, the display of data, and the design of pensions dashboard services will be set out in standards (subject to approval by the Secretary of State), which are referred to in this instrument.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 This instrument does not give rise to any need for consolidation measures.

10. Consultation outcome

- 10.1 In December 2018, the Department for Work and Pensions (DWP) published an initial consultation, “Pensions dashboards: Working together for the consumer”.¹⁰ This sought feedback on a range of views related to how Government could most effectively facilitate industry to deliver dashboards. There was a six-week period of public consultation which ended in January 2019. The consultation received 125 responses in total.
- 10.2 As part of this, the Department for Work and Pensions (DWP) reviewed and built upon existing evidence for how pensions dashboard services might be implemented. This included learning from the experiences of other countries that already have pensions dashboard services, as well as carrying out further user research to understand the needs of potential dashboard users. Respondents to this consultation almost unanimously agreed with the Government that introducing mandatory requirements would be the best way of ensuring that pension schemes and providers participated to the extent required for pensions dashboard services to work effectively. Following that consultation, the Government committed in April 2019 to legislating to introduce pensions dashboards.¹¹
- 10.3 The Pensions Dashboards Programme (PDP) was set up by the Money and Pensions Service (MaPS) at the request of the Government to build the dashboards ecosystem for pensions dashboard services. During summer 2021, the PDP published initial recommendations for staging and consulted on these in a call for input exercise.¹² It outlined an approach that could achieve sufficient coverage of pension entitlements on dashboards for a critical mass of users at the earliest opportunity to support the successful launch of dashboards. It recognised the need to deliver pensions dashboard services as early as possible that could meet the needs of users, whilst ensuring it was achievable for industry. There were just over 60 responses to the call for input, representing all sections of the pensions industry.
- 10.4 The evidence collected during this call for input has helped to inform the Government’s approach. For instance, the call for input highlighted that many people want pensions dashboard services to be ‘find and view’ (meaning they not only find whether someone has a pension but display what it is worth in a format that an individual can view) from the outset, citing the needs of individuals that will use dashboards and the importance of including values to engage individuals. The call for input also highlighted some willingness from industry for the ability to connect earlier than a scheme’s staging deadline, particularly amongst software providers and third-party administrators which handle data for multiple schemes. Both policy aims are reflected in this instrument.
- 10.5 On 31 January 2022, the DWP launched a six-week public consultation on an indicative draft of the Pensions Dashboards Regulations which closed on 13 March 2022.¹³ To encourage engagement with the proposals, the DWP hosted four webinars,

¹⁰ <https://www.gov.uk/government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer>

¹¹ <https://www.gov.uk/government/consultations/pensions-dashboards-feasibility-report-and-consultation/pensions-dashboards-working-together-for-the-consumer>

¹² <https://www.pensionsdashboardsprogramme.org.uk/2021/05/27/call-for-input-staging/>

¹³ <https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

which were attended by approximately 1,500 individuals from across industry, trade bodies and some consumer groups and included an opportunity to ask questions to panellists. Recordings of these webinars were also made available for viewing later.

- 10.6 This consultation received 100 responses which included responses from several leading trade bodies, representatives of occupational pension schemes, personal and stakeholder pension providers, public service pension schemes, administrators, software providers, legal and consultancy firms and a small number of consumer groups and others.
- 10.7 The key themes that emerged from the consultation and industry engagement included several issues raised around the methodology and return time expectations for value data. It was also suggested that an amendment to the staging deadline for public service pension schemes was necessary because of the significant work being undertaken to facilitate the McCloud remedy (as set out in the Public Service Pensions and Judicial Offices Act 2022) to remove discrimination arising from the way reformed schemes were implemented when existing public service pension schemes were closed to certain members between 2014 and 2016. To enable additional time for industry to prepare for the requirements, the DWP also provided an extension of two months (compared to the timetable consulted on) for the first two cohorts of schemes to complete connection. The Government's response to the consultation was published on 14 July 2022.¹⁴
- 10.8 Having carefully considered responses to the first consultation on the draft Regulations, the DWP published a further public consultation on 28th June 2022 which ran for three weeks and closed on 19th July 2022.¹⁵ This related to two specific matters: the Dashboards Available Point and a disclosure of information provision. This is because the DWP had not included draft provisions on these issues when it consulted in January 2022 and wanted to gather further feedback from the public on them.
- 10.9 As a result of the feedback received from pension providers about the need to adequately prepare for an influx in queries from pension members using a dashboard, DWP have amended within the Regulations the notice period to be provided prior to the Dashboards Available Point, from the 90 days as proposed in the consultation, to six months.
- 10.10 On the Disclosure of Information provision, 95% of respondents either explicitly agreed or did not disagree or comment. The policy has not been amended post consultation. DWP also consulted with the Information Commissioner's Office during the preparation of this instrument as required under Article 36(4) of UK GDPR in respect of proposals for legislative measures regarding to the processing of personal data.
- 10.11 In addition, further focused consultation took place with industry on three specific issues. This consultation was more targeted because of the technical nature of the policy issues in question. The three issues consulted on were: proposals for a revised staging deadline and a value data easement (making value data requirements less onerous) for Public Service Pension Schemes to also apply to other public sector schemes affected by McCloud; the treatment of hybrid schemes in the Regulations

¹⁴ <https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022/outcome/government-response-draft-pensions-dashboards-regulations-2022>

¹⁵ <https://www.gov.uk/government/consultations/pensions-dashboards-further-consultation>

including hybrid Master Trusts schemes and hybrid collective money purchase schemes; and requirements for schemes in Pension Protection Fund (PPF) assessment and schemes in wind up. Feedback from this consultation was generally positive and, after careful review, no further policy changes to these specific proposals have been made.

11. Guidance

- 11.1 To support this instrument, these regulations state that additional guidance may be issued from time to time by either the Secretary of State, MaPS or TPR. Guidance would be published for the benefit of the trustees or managers of occupational pension schemes and organisations providing a pensions dashboard service.
- 11.1.1 The Department for Work and Pensions (DWP) will issue draft guidance on deferred connection (relating to the provisions in regulation 17) and this will be made available on Gov.uk after the Regulations have been laid. The DWP will also issue guidance (published on Gov.uk) on how state pension information should be displayed on pensions dashboards.
- 11.1.2 The Money and Pensions Service (MaPS) may issue guidance on early or voluntary connection and on value data.
- 11.1.3 The Financial Reporting Council have issued guidance^{16 17} on Actuarial Standard Technical Memorandum 1 (AS TM1). AS TM1 specifies the actuarial assumptions and methods to be used in the calculation of Statutory Money Purchase Illustrations and will also be relied on for the calculation of projected values for money purchase schemes which will be displayed on pensions dashboard services.
- 11.1.4 MaPS and TPR may issue guidance on connection from time to time. On 22 June 2022, the Pensions Regulator (TPR) issued their initial pensions dashboard guidance which was updated following the publication of the Government's response to the consultation on the draft Pensions Dashboards Regulations.¹⁸
- 11.1.5 TPR may issue guidance on matching (the process by which trustees or managers of occupational pension schemes will determine whether they hold pensions information for an individual carrying out a search on dashboards).

12. Impact

- 12.1 The impact on business, charities or voluntary bodies is estimated to be around £850 million (discounted to present value) over 10 years under the central scenario (the best estimate) from 2022-23 to 2031-32. This is driven by upfront costs (around £270 million) and annual ongoing costs (around £580 million in total). These estimates are drawn from a recent DWP data gathering exercise which was conducted with a wide range of industry bodies, including integrated service providers and large, medium, and small pension providers. The estimates are within the range outlined in the impact

¹⁶ https://www.frc.org.uk/news/october-2022/frc-announces-changes-to-as-tm1-to-make-pension-pr?utm_source=twitter&utm_medium=social+&utm_campaign=changes_to_astm1

¹⁷ <https://www.frc.org.uk/actuaries/actuarial-policy/technical-actuarial-standards/actuarial-standard-technical-memorandum-as-tm1#current-and-upcoming-versions>

¹⁸ <https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance>

assessment that was provided when the enabling primary legislation was before Parliament.¹⁹

- 12.2 The impact on public administration costs is estimated to be around £240 million (discounted to present value) over 10 years under the central scenario. The most significant costs to public administration are the Pensions Dashboards Programme (PDP) costs, which includes the provision of the dashboards ecosystem. PDP costs are funded by two levies: the General Pensions Levy and the Financial Services Levy, so these are not directly from the public purse. The monetised benefits are estimated to be around £1.1 billion (in present value over 10 years), which is driven in a broadly equal split by the estimates of consumers' willingness to pay for dashboards and the lost pension pots likely to be recovered. The net present value of the policy is estimated to be positive over 10 years (around £30 million). Costs are highest during the initial set-up period; for the remaining period and going forwards, overall monetised benefits (mainly to consumers) are expected to outweigh costs. It is estimated that there will be around 16 million users of dashboards annually once it is fully rolled out.
- 12.3 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website. The impact on small business is estimated to be around £180 million (discounted to present value) over 10 years under the central scenario. This cost is included in the overall impact on business cost, estimated above. The breakdown of costs facing small pension providers in this case is around £60 million for the upfront transitional period and £120 million for the ongoing elements over 10 years from 2022-23 until 2031-32. As the Department does not hold information on the number of employees per provider, for the purposes of this assessment, the size of providers has been defined using the number of pension members and have defined a 'small' pension provider as having between 100 and 1,000 members.

13. Regulating small business

- 13.1 The legislation applies to activities that are undertaken by small businesses.
- 13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is to have a staging timeline with larger schemes staging earlier than smaller schemes.
- 13.3 The basis for the final decision on what action to take to assist small businesses is feedback from the 2018 'Pensions dashboards: Working together for the consumer' consultation, feedback from the Pension Dashboards Programme's (PDP) call for input on staging published in 2021, and the Department for Work and Pension's consultation on the draft Pensions Dashboards Regulations published in January 2022.

14. Monitoring & review

- 14.1 It is envisaged that pensions dashboard services will evolve as understanding of user needs improves through ongoing testing and feedback. This would be achieved through further legislation (if that proves necessary) and changes to standards and guidance.

¹⁹ <https://publications.parliament.uk/pa/bills/lbill/58-01/004/5801004-IA-Summary-of-Impacts.pdf>

- 14.2 The Small Business, Enterprise and Employment Act 2015 requires that a Minister must make a “provision for review” clause in secondary legislation when regulations have significant regulatory impact or publish a statement explaining that it is not appropriate in the circumstances to make provision for a review clause.
- 14.3 As set out in the Impact Assessment, the cost of the Pensions Dashboards Regulations on business and public administration is around £100m per annum over the next 10 years. Whilst this exceeds the £5 million figure set out in statutory guidance, the Secretary of State at the Department for Work and Pensions has considered other factors such as proportionality and existing review plans to decide that a “provision for review” clause is not appropriate.
- 14.4 Instead of a “provision for review” clause, the Department is planning a multi-strand monitoring and evaluation strategy. This is subject to ministerial review and approval. The Department's emerging plans are to consider longitudinal surveys with users; qualitative research with users and industry; assessing changes in number of lost pension pots; and monitoring usage of dashboards. The Department is of the view that this will offer a more robust and flexible approach to monitoring the success of the regulations and will allow us to act quickly to address problems should they arise.
- 14.5 In addition, this instrument will include powers for the Secretary of State in relation to the approval of standards. Standards published for the first time by either the Money and Pensions Service (MaPS) or the Pensions Regulator (TPR) must be approved by the Secretary of State. Any changes to standards will also require the approval of the Secretary of State unless, in the view of MaPS, they involve minor technical changes.

15. Contact

- 15.1 George Dollner at the Department for Work and Pensions – george.dollner@dw.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Simon Boniwell, Deputy Director for Pensions Strategy, Guidance and Dashboards, at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 Alex Burghart, Parliamentary Under Secretary of State at the Department for Work and Pensions can confirm that this Explanatory Memorandum meets the required standard.