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Ros Altmann: Expect further delays on pension dashboards

By **Ros Altmann** | 20th February 2023 11:00 am

With just over six months to go until the first pension dashboards connection deadline, how is this major project coming along?

One of the biggest issues for the industry to cope with is data accuracy.

Of course, the online security of people's information will also be crucial to get right but, unless the information people find on the dashboard is reliable, customers could be misled about how much money they can expect to live on in the future.

The last couple of years have seen a massive scramble by schemes to update their data, try to reconcile historic records, find basic information about customers who may have lost touch with their money and ensure they are ready to connect electronically.

- “ A recent survey of major in-house pension schemes found only three-quarters are confident they can comply in time

This has created huge costs for schemes – and, of course, a potentially welcome source of revenue for advisers and administration experts.

However, many schemes are far from finalising this work. Indeed, the defined benefit (DB) system still completing guaranteed minimum pension (GMP) reconciliation and equalisation exercises started over five years ago to correct old scheme records of members who contracted out of the state pension. These changes will also impact people’s state pension records.

On top of this, public sector schemes are now going through the major task of adjusting past entitlements for the McCloud judgment.

This was a legal ruling which said the reform of public service pensions – moving everyone from final salary to career average arrangements after 2015 – had discriminated against members who were more than 10 years from pension age.

This requires trustees to put them back into the old scheme if they would have been better off, but also means they can stay in the new career average scheme if this is better for them. Another mammoth data correction exercise is therefore underway.

So all DB and legacy defined contribution (DC) schemes, whose records were never digitised or reconciled, have much to do to ensure member pension records are reliable.

“ Regulators have not yet imposed mandatory data checks or error correction reporting

However, the first schemes to connect in August and September this year will be large auto-enrolment master trusts and most personal pensions. Will they be ready?

There are well-known data inaccuracies in more recent pension contribution records for DC auto-enrolment schemes. Regulators have not yet imposed mandatory data checks or error correction reporting.

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Medium-sized schemes and all public sector pensions will have to be ready by late 2024 and, although smaller schemes will probably not connect before 2026, they need to start data correction now as these issues take so long to sort out – and there are worrying shortages of experienced administration staff.

Dashboards are supposed to reunite people with their forgotten pensions and help deal with the consolidation of millions of small pots left behind when workers move jobs. Individuals with a professional financial adviser may still need to track down old pensions, but at least they should have had help with planning their investments to suit their needs.

Most people, though, have never been encouraged to engage with their pensions. They just pay contributions, usually into default funds, and then let their fund managers take care of the investment and administration.

“ Recent frantic lobbying and survey evidence suggests we can expect more delays

The dangers of this approach are increasingly recognised, as the supposedly low risk, pre-retirement funds have lost 30% or more of their value.

Dashboards can help change this approach, encouraging a sense of ownership, but I fear we are a long way from a reliable proposition being rolled out on time. Indeed, recent frantic lobbying and survey evidence suggests we can expect more delays.

Consultancy WTW's recent survey of major in-house pension schemes found only three-quarters are confident they can comply with their dashboard duties in time for their connection deadline, with just 5% offering data for every member.

Most are not confident of having pension values for at least 90% of their members and, particularly worrying for advisers trying to help clients, more than a third anticipate difficulties coping with the higher volume of enquiries.

Reliable data, efficient helplines and data security are vital for the success of the pension dashboards project.

Regulators need to be tougher with their expectations of data checking, while also ensuring the security protocols are robust enough to protect members' individual records, so everyone can have confidence in the reliability of the information.

Plenty to do, not a huge amount of time to do it in. Expect further delays.

Ros Altmann is a former pensions minister

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