

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT PENSIONS DASHBOARDS (AMENDMENT)
REGULATIONS 2023

Monday 3 July 2023

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The Committee consisted of the following Members:

Chair: MR LAURENCE ROBERTSON

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| † Abrahams, Debbie (<i>Oldham East and Saddleworth</i>) (Lab) | Mishra, Navendu (<i>Stockport</i>) (Lab) |
| † Bacon, Gareth (<i>Orpington</i>) (Con) | † Mullan, Dr Kieran (<i>Crewe and Nantwich</i>) (Con) |
| † Baillie, Siobhan (<i>Stroud</i>) (Con) | † Rodda, Matt (<i>Reading East</i>) (Lab) |
| Byrne, Ian (<i>Liverpool, West Derby</i>) (Lab) | Spellar, John (<i>Warley</i>) (Lab) |
| † Edwards, Ruth (<i>Rushcliffe</i>) (Con) | † Trott, Laura (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| † French, Mr Louie (<i>Old Bexley and Sidcup</i>) (Con) | † Warman, Matt (<i>Boston and Skegness</i>) (Con) |
| † Hamilton, Mrs Paulette (<i>Birmingham, Erdington</i>) (Lab) | † Wild, James (<i>North West Norfolk</i>) (Con) |
| † Higginbotham, Antony (<i>Burnley</i>) (Con) | Chloe Smith, <i>Committee Clerk</i> |
| † Hughes, Eddie (<i>Walsall North</i>) (Con) | |
| † Linden, David (<i>Glasgow East</i>) (SNP) | † attended the Committee |

First Delegated Legislation Committee

Monday 3 July 2023

[MR LAURENCE ROBERTSON *in the Chair*]

Draft Pensions Dashboards (Amendment) Regulations 2023

4.30 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Laura Trott): I beg to move,

That the Committee has considered the draft Pensions Dashboards (Amendment) Regulations 2023.

It is a pleasure to serve under your chairmanship, Mr Robertson.

The draft regulations were laid before the House on 8 June. I am pleased to introduce this statutory instrument, which removes the staging profile from the Pensions Dashboards Regulations 2022 and introduces a single connection deadline of 31 October 2026 for relevant occupational pension schemes to connect to the pensions dashboards.

The successful introduction of automatic enrolment more than a decade ago, combined with a trend towards people working multiple jobs in their lifetime, has seen a substantial increase in pension pots. Research published by the Pensions Policy Institute estimates that there were 8 million deferred pots in 2020 and that, without intervention, that number is likely to rise to 27 million by 2035. Pensions dashboards will help hard-working savers to locate pension pots that they have accumulated over time, reconnecting them with lost and forgotten pots, supporting better planning for retirement. People will be able to deal with their various pensions, including their state pension, securely in one place online.

There can be no doubt that pensions dashboards have the potential to change the pensions landscape, but delivering dashboards for widespread use efficiently and securely is a complex undertaking. We anticipate that, once all schemes in scope of the draft regulations are connected, the pension records of more than 71 million memberships from relevant occupational pension schemes and providers of Financial Conduct Authority-regulated entities will be accessible to people at the touch of a button at a time of their choosing.

The reason for the draft regulations is that, at the end of last year, the pensions dashboards programme, which is responsible for delivering the digital architecture that underpins pensions dashboards, informed the Department for Work and Pensions that more time was required to complete the build of the digital architecture. The PDP faced several key issues: the technical solution had not been sufficiently tested and there was still work to do to finalise the necessary supporting documentation and to get the necessary systems in place to support industry with the connection process. It was concluded that more time was needed to deliver dashboards successfully and that a reset of the programme was required.

In my written statement in March 2023, I announced the delay and set out that the pensions dashboards programme would be reset to get it back on the path for successful delivery. Following the announcement, my

Department engaged with a broad cross-section of industry and gave assurance that it would legislate at the earliest possible opportunity to provide certainty to schemes.

Since then, we have been examining several challenges facing the pensions dashboards programme. The decision to pause, review and reset the programme is providing the time to ensure complete delivery of the ecosystem and supporting documentation before industry begins to connect. So far, the reset has assessed the digital architecture and no fundamental issues have been identified. That has provided reassurance to Government to move forward with amending the regulations.

The staging profile in schedule 2 to the 2022 regulations set out the order in which different types of schemes, categorised by size and type, would connect to pensions dashboards. The 2022 regulations, however, did not provide the flexibility necessary to deliver a programme of this magnitude: a digital undertaking that will enable users to search more than 3,000 schemes to find their pensions. The draft instrument curtails the period of uncertainty for the pensions industry. As the staging profile in the 2022 regulations required the first schemes to connect at the end of August 2023, the amendment regulations were laid to avoid any perception that schemes are in breach through no fault of their own.

The draft instrument uses powers in the Pensions Act 2004 to amend the 2022 regulations to compel all schemes in scope to connect to dashboards by 31 October 2026. At the same time as providing more flexibility than is available in the 2022 regulations, retaining the broad framework of a phased approach will continue to help manage the flow of connections and maximise the coverage as early as possible. Government will work with key partners and the pensions industry on a connection timetable to be published in guidance.

We expect that the connection timetable in guidance will continue to prioritise large schemes with the greatest number of members for the first connections. It is also important to note that the dashboards' available point—the point at which dashboards will be available for widespread public use—could happen before the October 2026 connection deadline in the regulations. The connection timetable set out in guidance will require scheme trustees or managers to have regard to the guidance; not doing so would be a breach of the regulations.¹

While the instrument amends the requirements on trustees or managers by the removal of schedule 2, there are no other material changes to the 2022 regulations. The amendment regulations will facilitate a collaborative approach to connection that delivers on our commitment to introduce pension dashboards.

I am satisfied that the draft regulations are compatible with the European convention on human rights. Pension dashboards have the potential to transform retirement planning forever, and the regulations are another step in the right direction.

4.35 pm

Matt Rodda (Reading East) (Lab): It is a pleasure to serve under your chairmanship, Mr Robertson. I also thank the Minister for updating the Committee on this important matter. The Opposition support the dashboard. It is an important initiative that should offer a great deal of benefits to pension savers and the pensions industry.

1. [Official Report, 10 July 2023, Vol. 736, c. 2MC.]

However, I have noted the Minister's remarks today, the explanatory note, the considerable delays that she has described to us, the cost overruns and the reliance on guidance—all of which is somewhat concerning. I hope that the Minister will address some questions.

Before I ask the Minister some direct questions, however, I will mention some of the valid points about the delays raised by key members of the pensions industry. Tom Selby, the head of retirement policy at AJ Bell, for example, described the delays as “hugely disappointing”. Others have described the whole dashboards project as one that has been

“beset by difficulties and delays from the get go.”

I hope the Minister will address those concerns and reassure me and colleagues across the House on the future progress of this important project.

I realise that the Minister has not been leading the project in its entirety herself; it has been a project supervised by several Ministers. I hope she will be able to update us on how she feels the delays will affect savers, how they will affect the wider pensions industry, which is a very important part of the financial services industry, and what measures she plans to use to ensure compliance.

The Minister talked about the reliance on guidance and the way that it will work, as opposed to the Government's previous mandatory approach. Will she reassure us that she is confident about hitting the October 2026 deadline, because we have already seen significant slippage? This is a really important programme that means that pension savers can look at and understand their savings and plan for the future. That is very important at a time when there is a considerable body of evidence showing that people are not saving enough for their pensions, and that they may not know where their pension pots are. I hope the Minister can reassure me on those points.

4.38 pm

David Linden (Glasgow East) (SNP): It is a pleasure to serve under your chairmanship, Mr Robertson. I thank the Minister for her continued collegiate approach to this issue. As others have said, it is disappointing that we have had the delay, but there is no point in crying over spilled milk. What we need to do is ensure that we get it right.

The Work and Pensions Committee has been undertaking an inquiry into the plan for jobs and the thorny issue of why the over-55s have not come back to the workplace, and it strikes me that the pension dashboards will really important when people are making informed decisions about what they do in the latter part of their career. We all want to see it, but we want to see it delivered in such a way as is efficient and not besieged by technical problems.

The hon. Member for Reading East made reference to some of the stakeholders that have expressed concern. I will draw the Minister's attention to the remarks of Dr Yvonne Braun of the Association of British Insurers, who said:

“Our members have indicated they're willing and able to continue to comply with a voluntary timetable, although it would have been our preference that these remained a regulatory requirement to prevent a last-minute rush of firms connecting to the system. We ask that Government keeps this under review and considers

making the staggered dates a regulatory requirement again if it should become clear that the wider industry is not taking the same approach.”

I think the Minister should bear that in mind.

While talking about this subject, it would be remiss of me not to say that pension dashboards work only if more and more people are opted in to pensions. The Minister knows fine well my views on auto-enrolment and how I would like it to go further. It would be churlish of me not to commend the hon. Member for Stoke-on-Trent North (Jonathan Gullis) on his private Member's Bill, which goes some way to widening it. I think that we all look forward to a time when pension dashboards are in place, and most importantly people are making informed choices in terms of retirement.

One final plea to the Minister would be, once again, to look at things such as the Stronger Nudge to Pension Wise to ensure that people make decisions about retirement and later-life savings with as broad a picture as possible, and do not take decisions that will be, in the short term, financially disadvantageous.

4.40 pm

Laura Trott: As ever, I am grateful for the constructive approach taken by all parties. To address some of the issues that were raised, as I said in my speech, using guidance will allow for extra flexibility. Under these regulations, the regulator will ensure that schemes have regard to the guidance. That is really important and a key part of what we are trying to do. If for whatever reason the schemes breach that significantly, we may have to come back and revisit it, but I do not anticipate that that will happen. The Pensions Regulator will keep that under review, but it is significant that the ABI said that it will comply anyway. From conversations that I have had with the industry, that is absolutely the intent, but as I said the regulator is on hand and will issue guidance to ensure compliance.

I am confident about the October 2026 deadline. Everything that we are trying to do is about putting that confidence in place and ensuring that we have a programme that is overseen by a joint delivery board from the DWP and by the Money and Pensions Service, that we have regular interactions, and that it is keeping to time and to the outline. That is part of what the reset programme is trying to do. Total costs have decreased during the standard assessment period. Transitional costs for industry have increased to reflect that some schemes may face additional costs ahead of the proposed changes, but that does not offset the overall decrease in total costs over the 10-year period, and the dashboards programme has run slightly under budget to date. From a cost-to-industry perspective, the overall benefits far outweigh the costs, and from a scheme perspective I am confident that it is keeping to its outline budget, although we will continue to keep that under review.

On the AE extension, I will not miss an opportunity to praise my hon. Friend the Member for Stoke-on-Trent North (Jonathan Gullis), who has done a fantastic job. Hopefully his Bill will go quickly through the other place, and I promise to get the consultation on the regulations out as quickly as I can, to ensure that we get it moving through. We need to evaluate the impact of Stronger Nudge so far, and then base any next steps on that.

[*Laura Trott*]

Question put and agreed to.

I think that that covers everything, but Members are welcome to intervene if not. I commend the draft regulations to the Committee.

4.43 pm

Committee rose.