experian™

Pensions

Using the data revolution to benefit consumers

Empowering consumers with data

Executive Summary

Experian™ has prioritised the issue of consumers controlling their own financial data and, in turn, their future savings. As such we recognise the value that the creation of a Pensions Dashboard will have in allowing consumers the opportunity not only to view, but also consolidate, their pension information for ease of use and understanding.

We support the work of the UK Government in the role that they are playing to enable pensions data to be understood and for consumers to benefit from having a consolidated view. It has multiple benefits not only for the ease of use but also to aid with financial planning and the digitisation of a consumer's financial profile, to best compare, save and understand.

We support policy makers and stakeholders to prioritise the work of the Pensions Dashboard in the new Government and ensure that momentum is not lost in evolving and modernising this policy space, which we feel will have great consumer benefits to citizens in the UK in aiding their provision for their future.

Overview

The Government and Members of Parliament have recognised the importance of providing financial security in retirement. The UK is not alone in grappling with the economic, social and financial effects of ageing populations, critical for both individuals and society, and seeking policy solutions in this area. The Chartered Insurance Institute estimated the total savings gap between the amount of long term money saved and the amount actually required to deliver retirement income at a level most people expect for a tolerable lifestyle – at around £9 trillion[1].

Policymakers and society must help customers to engage digitally with their money; only 1% of consumers currently use digitally powered advice solutions for Wealth, Life and Pensions products but 23% said they would consider it in the future[2]. In an ever increasing digitally consumer led market this number is small.

The Government has sought to increase consumer engagement in financial services through their Open Data work to empower consumers to engage and understand their data, and we want to help this continue. This will also help to reunite pensioners with their own unclaimed pension assets, an ever growing problem which is estimated to be £3bn[3] in the UK currently.

In order to encourage consumers to plan for the future, a social and behavioural shift is required and we believe that there is a direct link between how people spend their money, how people manage their debt and how people save. Scottish Widows estimates that there are 6.2 million workers failing to save anything towards their retirement; that's a total of 20% of the population who should be saving but are not[4]. Without accepting that these are connected together, individually none of them can be addressed properly.

The Pensions Dashboard represents a significant opportunity to help proactively drive engagement with data. Working to its full potential, the Pensions Dashboard could increase consumer engagement in their data set in the Pensions Space, fulfilling Government objectives around encouraging consumers to understand their pension provision.

The acceleration of technology means that we now live in a world built on data – it is everywhere, forever growing in value and significance. It has the potential to make hugely positive changes to the way we all live and work and with the support of a progressive policy and an appropriate governance framework, the Government and the Financial Services market can release this opportunity for consumers.

Alignment of policy on pensions

Technology, like mobile phone apps, has made day to day banking easier than it's ever been and it is time for pensions to catch up. The Government's push for open data in the banking industry has accelerated progress in the banking sector, and with the Government's help the drive to push the 'linkage' of pension information on the Pensions Dashboard will be key. Allowing consumers to take control of their data - as is a priority in the Government's Digital Strategy – will help to give a 'fuller picture' of a consumers finances for the present and the future, encouraging consumers to be more aware of, plan for and be able to afford changes such as the planned auto-enrolment savings increases.

Pensions and savings decisions are some of the most important a person will make during their lifetime. We are determined to make sure people can access the data and information they need to plan effectively for their future, and know that the Government supports us in this policy.

The Pensions Dashboard prototype has proved that the technological challenges of agreeing data standards, verifying people's identities and reporting information back in a secure and meaningful way can be done, but this is only part of the solution. Setting up a service like this cannot be done by the pensions industry alone. It needs support from the Government and regulators to agree rules for how it will operate. The pensions industry is ready to support Government in deciding how the Pensions Dashboard will be run and how the firms that operate and work with them will be regulated.

Before the Pensions Dashboard goes live, it is critical that the right protections are in place to prevent fraud, keep data safe and give people confidence in using the systems.

[1] http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings-pension-tables/2014 provisional-results/art--2014-annual-survey-of-hours-and-earnings-- summary-of-pension-results.html

[2] Cerulli Associates 2016

[3] House of Commons Library Briefing Paper; Number 03027 Unclaimed Financial assets / dormant accounts http://researchbriefings.files.parliament.uk/documents/SN03027/SN03027.pdf

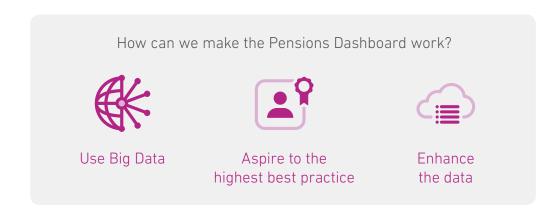[4] http://reference.scottishwidows.co.uk/docs/2015-06-Retirement-Report.pdf

Big data and the Pensions Dashboard

The proliferation of data, and the variety of channels from which it comes, present a growing challenge for industry and policymakers alike. A key challenge is consistently identifying individuals across channels, especially when a key characteristic of Big Data is that it comes from numerous different silos and channels, both offline and online and, linking this data which an individual has generated across their offline and online journey is challenging. The increase of: benefit schemes run by Government, workplace schemes created by businesses and personal schemes offered by pension providers has had a profound effect on the range and volume of data available.

Digital Platforms which use Big Data, such as the Pensions Dashboard, deliver significant consumer benefits and welfare gains[5]. Big Data is a UK success story; the Science and Technology Committee's report 'The Big Data Dilemma' comments that existing data is nowhere near fully exploited – companies are analysing just 12% of their data, and the Government should be doing more to make its databases 'open' and to share them with businesses, and across Government Departments to improve and develop new public services.

" According to Royal London research – nearly 60% of Independent Financial Advisors (IFA's) believe that the dashboard if built correctly, will encourage more people to be engaged with their pensions"

Our view is that the Pensions Dashboard has the potential to enable consumers to create 'linkage', as seen in the Netherlands model, and the recommendations from the FCA and the Work and Pensions Committee[6]. The dashboard will seek to identify citizens with previous addresses, jobs, pension companies etc. and as citizen engagement activity shifts in to the digital realm, and digital channels continue to grow and diversify the Pensions Dashboard data will become a highly valued asset if all the data expected is present.

How can we make the Pensions Dashboard work?

Use Big Data

Aspire to the highest best practice

Enhance the data

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[5] https://www.parliament.uk/documents/lords-committees/eu-internal-market-subcommittee/online-platforms/OnlinePlatformsWrittenEvVolumePublished.pdf

[6] https://www.publications.parliament.uk/pa/cm201415/cmselect/cmworpen/668/66802.htm

Using data to understand the consumer

When considering how consumers' data could be used to understand their pensions portfolio, it is important to ensure that data is shared in a manner which consumers expect. Such a process should:

- Share information in a quick and efficient manner; real-time data sharing will play a key factor.

- Ensure comprehensive identity verification using a secure system; the process to confirm the identity of users, such as the gov.uk/verify system which is a secure portal for people accessing personal information.

- Regulatory body in control; the regulators of future Pensions Dashboards, whether by the Financial Conduct Authority (FCA) or by a new independent body, would be able to insist on certain data and security standards for all firms interacting with Pensions Dashboards.

- Standards in place to assure security and consumer centric operation; this is key to improving and perfecting the service and customer experience

- Transparency; Transparency is essential. Customers are far more willing to share data with brands they trust and are already loyal to. This means respecting and protecting privacy.

It is important that the Pensions Dashboard also looks to the future; a key step to drive ownership is to present a virtually aggregated picture of a customer's current pension provision using sensible and standardised growth assumptions. This then needs to project forward a likely income in retirement to enable customers to see retirement provision as an income replacement as opposed to a set of lump sums.

The issue of pensions data becoming lost in the system

'Gone-aways' are a big problem. The Royal Mail estimates that 11% of the UK population moves house every year, with an average of 2-5% of all mail 'returned to sender'.

The growing number of 'gone-aways' makes it increasingly difficult for organisations to comply with new FCA requirements. It's now necessary under FCA rules, to maintain accurate data about customers, to keep them up to date on policy and terms and conditions changes – and treat them fairly with appropriate, timely communications.

We have seen the Pensions Regulator reviewing pension schemes at random to ensure compliance with the UK Record Keeping Guidelines further working to protect consumers portfolios by preventing loss into an often confusing system for consumers.

The problem - solved by an innovative data solution such as the Pensions Dashboard - is that a lot of the data silos which are vital for the Pensions Dashboard to work to its full capacity are from a pre-digital age. It is vital to include as much of this data as possible to prevent consumers becoming 'stuck' or 'blocked' from accessing financial products and services because of physical ability or capability issues, including absence of computer literacy.

Accurate, relevant data from multiple internal and external sources is also needed to validate customers' latest available contact details, and to ensure that communications are always appropriate and that they always reach their intended recipients. This can be achieved using the breadth of data from credit reference agencies such as Experian.

Conclusion

The UK Government and Experian have a stated ambition to have a leading digital economy and data portability. We fundamentally believe that a strong digital economy is good for consumers, good for businesses and ultimately good for the country. This developing philosophy can be seen with banking data, energy data and we are excited to see this blueprint being applied to other sectors, such as the pensions industry, giving increasing control to the consumer is something that organisations of all shapes and sizes will have to adjust to.

We believe that the democratisation and presentation of data is the first step to increasing engagement with the general public such that greater personal ownership of financial wellbeing increases and, at a country level, the savings gap can be closed.

What do Chile, Finland, Australia, Denmark and the Netherlands have in common?

They are considered to have better pension systems than the UK.

A recent study[7] comparing 25 international retirement systems placed the UK tenth – falling from ninth last year and still a long way behind Denmark, the world's top-ranking system. Our ranking means our system has "good features, but also has major risks and/or shortcomings that should be addressed. Without these improvements, its efficacy and/or long-term sustainability can be questioned"[8]

[7] Melbourne Mercer Global Pension Index https://www.mercer.com/content/dam/mercer/attachments/global/Retirement/gl-2016-mmgpi-impact-ageing-populations-full-report.pdf

[8] Melbourne Mercer Global Pension Index https://www.mercer.com/content/dam/mercer/attachments/global/Retirement/gl-2016-mmgpi-impact-ageing-populations-full-report.pdf