

# Regulatory Update



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Quarter 4 was dominated with pensions dashboards publications, as activity accelerates towards the first schemes connecting their data to the dashboard ecosystem in the summer.

- The Financial Conduct Authority (FCA) published final rules which aligned data connection timelines for contract-based schemes with the Department for Work & Pensions revised schedule for trust-based schemes, which was formally laid in regulation and enacted in December.
- The FCA also published a consultation on the regulatory permission framework for firms wanting to launch a dashboard service to consumers.
- The central Pensions Dashboards Programme (PDP) published its updated standards outlining mandatory requirements for connecting and transmitting data and a consultation on

how information should be presented on dashboards.

- The Department for Work and Pensions (DWP) responded to the consultation on notifying the dashboard available point - the date from which dashboard services will go live to consumers.
- The Financial Reporting Council published its final rules for how estimated retirement income figures should be calculated.

We were pleased to see issues that we raised taken into account in these publications. For example, changes to technical details on data transmission which will better allow schemes to provide the most up to date pension valuations to dashboard users and the extension of the notification requirement to six months for dashboards going live. My current best guess is that we might see dashboards

launched to consumers in quarter 3 of 2024. Pensions dashboards will definitely continue to be a key topic and focus for this year.

There are two other recent publications which I think emphasise broader priorities for the industry. Firstly, a work and pensions select committee report again highlighted the issues of pension contribution adequacy under automatic enrolment and provision for self-employed and gig economy workers. The Government will need to respond and outline a plan for addressing these concerns. We look forward to hearing more from the new Pensions Minister, Laura Trott, as she settles into the role.

Secondly, The Pensions Regulator (TPR) and the FCA published an updated joint strategy which included the evolution of value for money assessments and effective stewardship over investments. I expect we'll see further updates on these topics this year too.



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**Find out more from James Carter as he talks through the key themes in more detail.**

# Pensions Dashboards update

This quarter has provided clarity with a raft of long awaited publications from bodies involved in the regulation of Pensions Dashboards.

Much focus over the past few years from Government and Regulators has been on the regulatory requirement to connect pension data to the dashboard ecosystem. In that respect, this quarter was no different, however, there have also been consultations on the requirements for firms that wish to launch a Pension Dashboard Service.



November 2022

## Regulatory requirements for schemes to connect

Both DWP and the FCA published the final regulations and rules for schemes, requiring them to:

- Register their scheme with the Money and Pensions Service (MaPS)
- Complete connection to MaPS' digital architecture in line with the requirements set out by MaPS
- Be ready to receive requests to find pensions, and search records for data matches
- Be ready to return pension information to the consumer's chosen pensions dashboard
- Co-operate with MaPS when preparing to connect data, maintain appropriate records and report certain information to the FCA, TPR and MaPS.

DWP previously confirmed that the first connection window for all in-scope trust-based schemes would be extended by two months to 31 August 2023. All FCA regulated pension products (Group Personal Pensions, Stakeholder Pensions and Section 32 buy out policies)

have the same connection window and are not staggered based on the size of the scheme. Previously their connection deadline was 30 June, however, as expected, this deadline has also been extended to 31 August 2023 matching the first connection window for trust-based schemes.

In October, the DWP provided a response to its consultation on the dashboard available point (DAP). The DAP is the point when the public will be able to access their pension data after a critical mass of schemes are connected to the dashboard ecosystem. The key update was the extension of the proposed 90-day DAP notification period to six months, following industry feedback.

Then, in November, the DWP issued a follow-up discussion paper to support further engagement with industry groups on matters to take into account when determining the DAP which will help ensure that pensions dashboards are launched safely and securely.

The suggested matters to be taken into account are:

- Sufficient coverage of pension schemes
- Dashboards service must work effectively
- Safety and security
- User experience

These matters are underpinned by three key principles:

- Compliance from pensions schemes and dashboard providers with the regulations
- The architecture must be effective
- The user experience must be positive

These principles will help to make sure that the infrastructure to support the dashboard ecosystem is fully functional before the wider launch to all dashboard users.

As the new regulations and rules impact schemes differently, your Relationship Director will contact you to discuss this further.

November 2022

## TPR consultation on its draft Pensions Dashboards compliance and enforcement policy

The policy highlights that TPR is risk-based and proportionate. It recognises the challenges faced by pension schemes and states that it will take a pragmatic approach to compliance and will work with schemes to reach the best outcome for savers. However, where it sees wilful or reckless non-compliance, it proposes to take a robust enforcement approach.

TPR states that it will focus on the governance of schemes as it believes that robust internal governance is key for ongoing compliance. This will enable schemes to identify issues and risks early, and put mitigations and controls in place, including those in respect of third-party providers. It will also focus on the behaviours or breaches it considers pose the greatest risk to a savers' ability to receive a complete and accurate picture of their pensions. TPR will receive regular data feeds from MaPS to help them identify breaches and trends.

Breaches will be dealt with on a case by case basis and include issues such as failure to connect by the schemes deadline; failure to remain connected; failure to match savers to pensions and return value data appropriately.

November 2022

## FRC published final Pensions Dashboards rules

The Financial Reporting Council (FRC), which is responsible for regulating auditors, accountants and actuaries, published its final rules on how estimated retirement income figures should be calculated for display on Dashboards.

Currently the FCA does not intend to change its rules on projections to align with the FRC methodology, and stated it would need to conduct its own review and consult to justify a change, which would reach beyond pensions.

November 2022

## PDP Dashboard Standards

In November, the PDP published its updated 'Dashboard Standards'. The standards essentially set out the rules and controls that will facilitate the initial and ongoing connection of data to the pensions dashboards ecosystem.

They require ministerial approval, but PDP has stated that it does not expect to make major changes between publication and approval. The standards set out the requirements for how schemes will operationally and technically connect to the digital architecture and dashboard ecosystem (and remain connected). Compliance with these standards is mandatory.

PDP has confirmed that when it updates the standards, providers will be given 12 months' notice for major changes and 6 months' notice for minor changes, although more frequent updates may be applied in an emergency (e.g. to prevent a security breach).



December 2022

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**Fidelity thinks...**

We are pleased that final rules have now been published, allowing schemes to make preparations to connect to the Dashboard Architecture with certainty on what is required of them. However, the period of time between final rules being published and the first wave of schemes being required to connect is short.

We were pleased that DWP took our feedback on board and extended the Dashboard Available Point notice from 90 days to six months, this will allow schemes more time to prepare for the launch of dashboards and the expected increased level of member engagement.

The next six months of activity within the Pensions Dashboards Programme is key to ensuring that this project is a success. We look forward to significant progress and schemes that have chosen to connect early are going through testing.

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## FCA proposed regulatory framework and PDP Design Standards consultations

The FCA and PDP released the long-awaited consultations setting out their proposals for firms that wish to deliver Dashboard Services to their members. If firms wish to launch a Pensions Dashboard Service (PDS), the activity will be FCA regulated and the firm will either need to be, or become, an FCA authorised firm and apply for this specific regulatory permission.

Through its proposed framework, the FCA has sought to strike a balance between protecting consumers and harnessing the opportunities dashboards create to engage savers with their pensions. In order to achieve this, (whilst acknowledging that legislation bans firms from charging consumers to view their pensions information via dashboards), they propose to allow PDS firms to develop a range of services such as modelers, calculators and tools, that are beyond the core 'find and view' function of a pensions dashboard. These add on services will be regulated and must have the potential to improve outcomes, support the member in their retirement planning and decision making, or help them to engage with their pension. They must also meet rigorous conduct standards.

Sitting alongside the FCA's proposed framework is the PDP consultation on Design Standards which set out how they propose information must be presented to consumers by dashboards.

PDP states that firms must present information in a clear and comprehensible manner and that it must also be accessible and inclusive. The information displayed must be neutral, not providing emphasis on one scheme or another, with State Pension always at the top of the dashboard view information.

These standards are intended to provide users with a consistent user experience across all dashboards regardless of which firm is providing the service. Although these standards don't apply to the dashboard offered by MaPS, it has committed to adopting the design standards framework "as far as possible."

Both of these consultations are open until February, with final rules to be published in summer 2023 when the authorisation window to apply to be a PDS is expected to open.



# In other news...



## Publication of TPR's Enforcement and Prosecution Policies

Following the consultation earlier this year, TPR released its consolidated enforcement policy and updated prosecution policy in October 2022. It replaces three previous codes covering DC, DB and Public Sector schemes. Their new strategy and policies are not a fundamental change in approach but aim to give a clearer understanding of the enforcement journey and factors that they take into account. TPR reiterated its focus on improving safety and security for pension savers.

## FCA 'Dear CEO' letter - expectations of life insurers in relation to the cost of living

In December, the FCA wrote to life insurers setting out its expectations for supporting customers with the rising cost of living. They include ensuring that customers are provided with appropriate product information during all stages of communication, awareness of their options, the consequences of accessing and stopping or reducing contributions to pensions and long-term savings, as well as highlighting to customers the potential risks associated with their chosen investment or drawdown strategies.

Firms should also support customers showing signs of financial difficulty or struggling with debt. It also considers that these issues have led to more customers becoming vulnerable to scams and expects that anti-scam communications should be used to protect customers where possible. Finally, life insurers should also consider the effect of the rising cost of living on their operational resilience.

## Productive Finance

- **DWP Consultation Response - Disclose and Explain Policy on Illiquid Assets**
- **DWP Consultation Response - Removal of Performance Fee from Charge Cap**

The Government maintains its interest in encouraging pension schemes to invest in productive finance. In October, DWP published a consultation on draft regulations and guidance for the exemption of performance-based fees from the charge cap. These measures are intended to implement the proposals that were consulted on in March 2022, which it hopes will stimulate illiquid investments by occupational DC pension schemes.

This new consultation also included DWP's response to the March 2022 consultation on its 'disclose and explain' policy on illiquid assets. This requires some schemes that provide DC benefits to disclose and explain their policies on illiquid investments in the default arrangement in their scheme from 1 October 2023.

Government has long considered that these issues may act as barriers to investment in less liquid assets, despite industry views that the matter is more complicated and there are wider issues to overcome before this type of investment can be broadly adopted.



## Workplace Investing



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