

**Pensions Dashboards Programme (PDP)
Call for input on the working papers on data standards
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Introduction

1.1 About Us

- 1.1.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.
- 1.1.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 1.1.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

1.2 ***Our interest in this consultation***

- 1.2.1 We are specialists in tax and related welfare benefits for people on low incomes. We provide online guidance¹ on these matters which, in 2019, received over 5.5 million unique visitors.
- 1.2.2 We are regularly contacted by members of the public via these websites with questions about their financial affairs – relating to tax and welfare benefits (including state pension entitlement). We are also often asked about pension savings and how decisions relating to these can affect tax and benefits.
- 1.2.3 The enquiries we receive show how confusing matters of personal finance can be for the general public – particularly those on low incomes who might face challenges such as low standards of literacy and numeracy.

1.3 ***General comments***

- 1.3.1 We welcome this call for input and the ability to contribute to ongoing work towards pensions dashboard development. We fully support the development of dashboards as tools for bringing people’s pensions together in one place and better enabling them to make important financial decisions.
- 1.3.2 We understand that this call for input is primarily focused on the gathering of data from which dashboards can be built, rather than how that data is displayed to the user. However, we hope that the project will not lose sight of an important factor: that dashboard users must be able to understand that there is a difference between gross pension savings and the net, after tax, income they will receive in future.
- 1.3.3 Below we answer, where appropriate, specific questions outlined in the call for input.

2 **Data scope working paper, questions 5 to 8**

2.1 ***Question 5: Existing user research indicates that people have a low tolerance for incomplete dashboards and would rather wait until the majority of pension providers and schemes are ‘online’. To be acceptable to individuals, what proportion of their pension entitlements should initial dashboards find? Please indicate any consumer or other research used in framing your response to this question.***

- 2.1.1 The queries we receive to our websites indicate that most people are trying their best to deal with their financial affairs themselves where they are unable to afford professional advice. However, their efforts are stymied due to being unable to ‘join the dots’ – i.e. to piece together the information they need and to make sense of what to do with that information once they have drawn it together.
- 2.1.2 Incomplete dashboard information would therefore risk adding to users’ confusion rather than delivering a helpful picture of their pension savings and prompting action as regards under-

¹ Our main website for the public being www.litrg.org.uk

saving. A parallel might be drawn here with HMRC's Personal Tax Account, research relating to which suggests that people want a 'one stop shop: somewhere you can access all your tax information...'.¹

- 2.1.3 We therefore think that for most people it will be important to have the vast majority (if not all) of the pension savings data available before dashboards are launched, though we outline in answer to questions 7 and 8 below one segment of the population for whom it might be possible to launch dashboards using more limited data.
- 2.1.4 If any data is missing or not included, it is important that people are told this and the limitations of the dashboard and that the information is regularly updated. This will help manage people's expectations.
- 2.2 ***Question 6: How long (i.e. how many months?) will most individuals find acceptable between first using a pensions dashboard (and finding only some of their pensions) and subsequently finding out that more of their pensions are now available to view?***
- 2.2.1 See above – we believe it would be preferable to ensure that most pensions data is available on launch rather than having a time lag. A delay risks confusion and possibly poor decisions being taken by pension savers. The risk here is arguably amplified for those nearing, or already above, the minimum age at which pension savings can usually be drawn – currently 55.
- 2.2.2 In particular, we must emphasise the importance of including state pension information on dashboards from the outset. For many, this will still be the single largest source of pension income in retirement, so it is central to their understanding of their overall future situation.
- 2.3 ***Question 7: Are there any segments of the population for whom the majority of their pensions could be covered early by selecting a subset of pension provider/scheme types?***
- 2.3.1 The lifelong self-employed are likely to be one sector of the population who could be covered early by selecting a subset of scheme types – i.e. personal pension plans (including old-style retirement annuity plans). Someone who trained as a tradesperson on leaving school and has run their own business for many years may have accumulated some private pension savings, though they are less likely to do so than employees,² and these savings are likely to be in fewer pots.

¹ HMRC Personal Tax Account research, February 2017, page 22:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/726978/Personal_Tax_Account_Research.pdf

² See DWP report 'Enabling retirement savings for the self-employed: pensions and long-term savings trials', December 2018: <https://www.gov.uk/government/publications/pensions-and-long-term-savings-trials-for-self-employed-people>

- 2.3.2 Bringing personal pensions data into dashboards first might therefore allow for the self-employed to be encouraged to use them at an earlier stage than employees, and consequently help prompt them to close any gap in their retirement savings.¹
- 2.4 ***Question 8: If you have identified one or more population segments in response to Question 7, what simple, cost effective communication approach(es) could be adopted to explain to all individuals (both within and outside of the specified segment(s)) which pensions they should and should not expect be able to view on initial dashboards?***
- 2.4.1 We identified above the self-employed as a segment of the population who could be encouraged to adopt early use of dashboards to view any personal pension savings in one place. It would need to be clear to such users that if they have been employed at any stage in their career and were part of an employer’s pension scheme, the data might not present a complete picture.
- 2.4.2 The vast majority of self-employed people have to submit Self Assessment tax returns to HMRC each year.² From 6 April 2023, they will also be required to file quarterly income tax details to HMRC under the Making Tax Digital programme.³ This means that HMRC have – and will have even more in future – regular touch points with this segment of the population. This arguably provides a ready communication channel with the self-employed, if government can work on a joined-up basis.

3 Data definitions working paper

- 3.1 ***Question 9: Which data items do you anticipate could be used to definitively match individuals to their pension entitlements? Of the data items listed, are there some (or some combinations) that will provide a more accurate match than others?***
- 3.1.1 No comment.

¹ Note, though, that data at figure 3.1 in the DWP report ‘Enabling retirement savings for the self-employed: pensions and long-term savings trials’ [December 2018: <https://www.gov.uk/government/publications/pensions-and-long-term-savings-trials-for-self-employed-people>] suggests the self-employed might have accumulated assets outside of a pensions framework, such as property. The dashboard will therefore only show up any inadequacy in pension savings viewed in isolation to other wealth. Whilst not relevant to data collection per se, this is a point to bear in mind in the display of dashboard data to users – i.e. flagging that the user might have other, non-pension, savings on which to draw in retirement.

² Those earning small amounts of self-employed income which fall within the ‘trading allowance’ of £1,000 a year may not be required to submit a return, but this will not apply to those relying on self-employment as a primary income source.

³ See <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital#making-tax-digital-for-income-tax>

3.2 **Question 10: In Level 1b, we have set out the administrative data items⁴ that will be useful to individuals, as these items will enable them to see where their pension entitlements are. Which of these items would be most challenging for pension providers and schemes to supply? Please indicate in your response why this would be the case.**

3.2.1 No comment.

3.3 **Question 11: One of the DWP design principles is that dashboards will initially be used for presentation purposes only (i.e. they will not alter the source data). This means that initial dashboards cannot calculate projected pensions, meaning that pension providers/schemes must supply an Estimated Retirement Income (ERI) for each pension. This includes situations where there are multiple “tranches” within a pension, i.e. multiple ERIs with multiple Payable Dates may need to be supplied. The Level 2a data table sets out our assumptions on the simplest way for pension providers/schemes to meet this requirement. Please comment on these assumptions.**

3.3.1 We think that great care needs to be taken in terms of estimated retirement income data – particularly if different schemes provide calculations on different bases, making it hard for the user to get a cohesive picture.

3.3.2 As mentioned above, we think it is essential for the state pension to be included from the outset. Any projection of such income needs to clearly show (as it already does on the Personal Tax Account) whether it assumes continued working and payment of National Insurance contributions (or entitlement to National Insurance credits).

3.3.3 As noted at 1.3.2 above, from the user’s viewpoint, it is also vital to make clear that any estimated retirement income projections are of gross amounts. Although it is impossible to predict what the tax system will be like at the point the user will be looking to draw on pension savings, dashboards must flag that a potential tax liability will need to be taken into account.

3.4 **Question 12: Are there any “disclosure items” (i.e. items required under current disclosure regulations) that are currently challenging to supply digitally? If so, please indicate how many months it would take to make these “disclosure items” available digitally?**

3.4.1 No comment.

3.5 **Question 13: Most data items in level 3 are not currently required to be made available to individuals under the current disclosure regulations. Would any of these (or other) areas of data be able to be supplied voluntarily for initial dashboards?**

3.5.1 No comment.