Growing areas of interest in pensions for employees – dashboards and investments

February 25, 2021

Pensions dashboards

Most of us are now accustomed to instant online access to information about our bank accounts and savings, individual pension "pots" and flexible healthcare benefits. So it makes sense that we shall soon be able to view all our pensions information in one place, on a pensions dashboard. Whilst it will not be employers providing information (this will be for the trustees of the scheme or the applicable insurance provider), we think that employees may well have questions about dashboards. It will be useful for employers to understand what dashboards are and the likely timeframe for their introduction.

Currently, employees receive an annual benefit statement from their scheme's provider or trustees. However, the PSB creates a legislative framework for new information platforms and, from 2023, there will be a requirement for pension providers and occupational pension scheme trustees to supply adequate data with which the dashboards will be populated.

The hope is for improved member engagement and for the pensions industry to emulate the banking sector in its promotion of financial technology. The government's aim is for dashboards to provide clear and simple information about an individual's pension savings, including their state pension. This will be especially useful for individuals who have changed jobs and, therefore, pension arrangements, without consolidating those arrangements through transfers.

Should employees ask about the regulation of dashboards, we note that the government has made a commitment to make the provision of pensions dashboards a "regulated activity" under the remit of the Financial Conduct Authority (FCA). Organisations wishing to become pensions dashboard providers will have to apply for FCA authorisation and, as would be expected, there is a significant role for the Pensions Regulator in regulating compliance of providers and trustees in their provision of data.

As a final comment, if employees voice concerns over the protection of their individual data in its flow from scheme provider/trustee, the ICO has published applicable guidance on "design and default" and "accountability and governance", and has confirmed its approval of the prominence given to this area by the government and relevant parties.

ESG and "climate-friendly" investments

We are all aware that environmental, social and governance (ESG) considerations received substantial political interest in 2020, with collaborative action in the face of the pandemic showing that a global response to a global crisis is possible. This trend is likely to continue and, for pensions, the PSB introduces a requirement on pension schemes to adopt and report against the recommendations of the Task Force on "Climate-Related Financial Disclosures" (TCFD). Indeed, pensions minister, Guy Opperman, has said that pensions play a vital role in shaping the UK's commitment to be "net zero" by 2050 and that the measures included in the PSB are intended to create a greener pensions system.

The TCFD obligations largely focus on trustees assessing and understanding climate-related risks and, in particular, the climate-friendly opportunities available for pension scheme assets, liabilities and investments. From October 2021, trustees of occupational pension schemes with assets worth more than £5 billion and authorised master trusts will need to have in place effective governance, strategy, risk management and accompanying metrics and targets for the assessment and management of climate risks and opportunities. This will likely apply to trustees of smaller schemes from late 2023.

However, with many sections of the PSB unlikely to come into force until the autumn or later, and with much of the detail to be included in secondary legislation yet to be published, there may be a lag before climate initiatives become mainstream for pensions. However, we think that employees, and especially younger recruits, will increasingly start to consider "green" investment options. Green bank Triodos found (in October 2020, and not just in relation to pensions) that 78% of those aged 18 to 24 take into account climate-friendly options when considering investments.

You may receive questions from employees about providers' approach to climate change, their portfolios and, in particular and in relation to "defined contribution" personal pension schemes, default investment options and how employees may switch options. It will be useful for you to know in which direction to point employees on providers' platforms and as to when a window becomes available for changing investment funds.

Watch this space for further confirmation on pensions catching up with climate-focused initiatives.

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